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Our Brains Are Like A U.S. Map	1
What Investment Management Does—2 Examples	2
How To Limit Your Car's Drain On Your Wealth	3
Travel Insurance Is A Necessity	3
Web Gems	3
Hhhhmmmmm......	4

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AND RESPONSIVE RELATIONSHIP
IN ATTAINING YOUR LIFE'S DREAMS
AND THROUGH THAT
WE WILL BE ATTAINING OURS.

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OUR BRAINS ARE LIKE A U.S. MAP

Our brains are much like a map of the U.S., not as if you were looking at the map but as if you were lying down on top of the U.S. map and looking out into space.

On your left side is Washington D.C., with it's rules, regulations, bureaucracies and its need to control. There is also Wall Street in New York with it's market analysis, number crunching, accountants and economists. Some of the basic functions of the left side of our brains are logic, reasoning, counting, planning, organizing, inspecting and analyzing.

On the right side is Hollywood with its imagination, visual stimulation and emotion packed stories about relationships and experiences. Hollywood stirs us, entertains us and moves us in dramatic fashion. The basic functions of the right side of your brain are imagining, seeing the big picture, relating, laughing, remembering and feeling.

It is this push and pull between our left and right brain where we are in a continual struggle in our decision making. In extremely emotional times "Hollywood" wins. It is this reality that makes manic Mr. Market move the market up and down as he does so dramatically on a daily basis. Most equate that emotional up and down as risk, the risk of loss.

That determination of risk is very subjective. Does volatility make it risky? If we applied this concept to weather, living in Eastern U.S. or Canada is much riskier than living in the sun belt of the U.S. because of its weather extremes through the course of a year. However, living in Florida has its tornado risks and southern California its earthquake and summer fire risks.

My duty as a professional in the financial advice business is to assess all of the risks, continually working to mesh your comfort level with what you need to meet your current or eventual retirement income level. This is a continual process I work through with clients, in conversations, meetings and emails, along with the use of an ever evolving number of tools and stats at my disposal.

We, as investors in isolation, are generally not very good at assessing our own risk tolerance. This is very evident in what people tend to do when they have seen an investment perform so well for a long time; they get aggressive. Alternatively, when there is a significant, relatively short term scare, the mood swings in exactly the opposite direction. All but a few get hyper-conservative. It is in these extremes where determining risk tolerance gets very subjective. When things were going well most people's stated risk tolerance is higher and when things are "scary", people's risk tolerance is lower. Risk tolerance swings with the times.

I'll use 2 analogies to illustrate what I mean. Please forgive me if they seem flippant as that is definitely not my intention. The first analogy relates to various reality TV shows, specifically those on "hoarding" and fashion or personal makeovers, transforming people who have dressed and had the same hairstyle since they were in high school.

There is a strong resistance and push back by the subject not to make a change simply for some deeply ingrained feeling that there is a risk. Risk of loss of identity or loss or enjoyment of a deep seeded memory or time or person in their life. Yet, despite that short term emotional turmoil and perceived risk, the decision to face the risk head on and work through it always turns out for the better.

Another one is a doctor—patient relationship. If a recommended cancer therapy is based on pain tolerance would an alternative to chemotherapy be recommended by the doctor simply because the patient has a fear of needles and doesn't want their hair to fall out? I think not.

With investment choices and ads for them, the most palatable approach, those that fit the comfort level of the day, is often presented. The sale is easy because it feeds the investment mood of the public but is it the right investment to make? Generally, no.

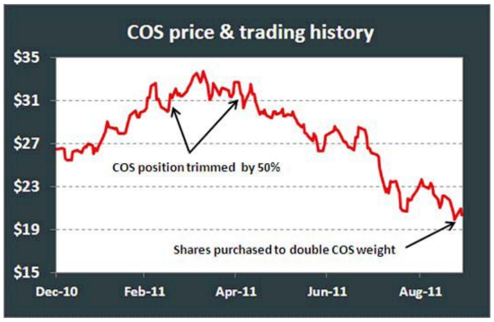
What is considered a low risk portfolio can actually increase the risk of you outliving your retirement income or your portfolio, not being able to give you rising income needed to match the forever increasing cost of your living expenses. Unless you have a vast amount of money and very modest retirement income expectations, you will not fund your retirement by earning less than a 3% long term average on their retirement savings.

To achieve the highest retirement income possible you <u>have to</u> deal with "price uncertainty". You get price uncertainty when you own several smaller pieces of highly profitable businesses like Nestle, Microsoft, TD, Manulife, Tim Hortons, GlaxoSmithKline and Walmart. We don't know what people are willing to pay for these companies today, tomorrow, next month or next year. It is this price uncertainty that scares people out of what they <u>need</u> to own and keeps people away from buying when prices are low. This has been particularly and painfully evident over the past few months. Most, if not all of these companies will be making more money, much more money in the future than they are today. That is exactly what pushes up share prices in the long run. A low pain investment doesn't give you that and when people are selling their painful investments (the ones with price uncertainty) to buy less painful ones is exactly the time you want to stick to them and if at all possible, buy more.

To be successful and achieve what you want to, you have to force the left side of your brain to take charge when difficult decisions must be made. DC has to win over Hollywood because, if you let Hollywood take control your heart will be pounding during the movie but when you leave the theatre, the day to day reality of life goes on.

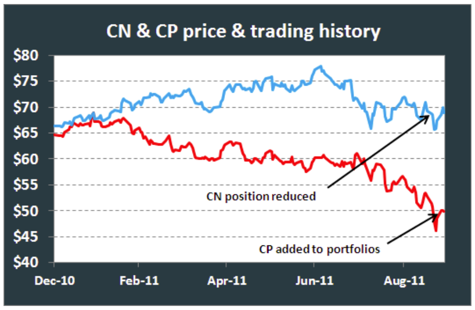
2 Examples of What Professional Investment Management Teams Do

The following is a recent, very summarized analysis and activity from one of the investment management firms we use for client portfolios. As we live our day, the investment management firms work on our behalf. They use a thorough and disciplined process when choosing specific pieces for your and my portfolio. Most of the investment management firms I use focus on dividend yields, financial strength and low debt. Also, they are using the heightened price volatility to their advantage. Here are 2 recent examples.



Position management of Canadian Oil Sands (COS)— In February and April of this year, we executed sales in COS to reduce the portfolio weight of this holding by half. While we expect COS to do very well over the longer term, we felt the share price ran up over it's true worth. The market decline since then has caused COS to fall by 1/3rd. We have since reacquired COS, taking advantage of their new much lower price and high dividend yield.

Acquisition of CP Rail shares (CP) - Historically we have owned CN instead of CP because CN is a better run business. It has a culture of efficiency and cost containment, their trains sit idol 25% shorter than the industry average and because of those and many other factors, have a strong record of increasing dividends.



That being said, the shares of less appealing companies can become attractive if their share price is discounted sufficiently. Since the beginning of the year CN was slightly ahead of where it began the year however CP had fallen by 25%. Taking advantage of this wide price discrepancy, we trimmed our allocation to CN in September and used the proceeds to establish a new position in CP.

Though the barrage of negative headlines would lead one to believe that business conditions are dire, the companies held within client portfolios are actually fairing quite well. Evidence of this is perhaps best embodied in recent dividend activity. This has seen nearly 2/3rds of the companies held in the portfolios we manage, raise their dividends in 2011 at an average rate of over 12%. If company management teams were experiencing or bracing for the worst economic conditions, we would expect them to defensively hoard cash and not commit to higher dividend payouts. They are doing the opposite.

How To Limit Your Car's Drain On Your Wealth

Cars are expensive and they depreciate. Yes, old classic cars can be worth much more than the original price you could have bought them for in the 60's. However, our everyday transportation vehicle depreciates.

The best way to lose the most amount of money is to buy a new car at the Canadian retail price and lease or trade it in every few years. Buying a high quality, higher end car rather than a new average car generally will give you better resale value and higher demand. Buy one that is 1 to 3 years old and keep it for 6 years to get the most money out of it.

Despite what kind of car you buy, new or used, once you found what you want you will have to take money out of your existing funds to buy it. That in itself is a negative because you are taking money out of something that appreciates over the long term to buy a depreciating asset. There is a way to minimize this negative.

After you take the money to buy your car, you need to borrow the money back from your bank (or a bank your financial advisor works with that offers loan packages). Borrowing back exactly the amount you pulled out of your investments or savings to buy the car and buying your investments back.

You don't want to make payments on the investment loan so you invest in an income producing portfolio, one where the portfolio kicks off enough income to offset your interest expense. When you need to replace your car in, let's say 6 years, you just sell or trade in your car, up the loan by the difference in value between your old car and your "new" (newer) car and do it all over again.

For most of us, a car is a necessary evil. Over the longer term this strategy has much less impact on stifling your wealth building than if you simply buy your car using up valuable cash.

Note On Car Leasing— when you lease a new car you pay the interest on the entire amount of the car, minus the down payment, even though you have to give it back at the end of the lease. Buying used is better than leasing.

Travel Insurance Is A Necessity

I often go down to the U.S. for a day or two during the course of the year and occasionally for longer trips. On my way I pass a large billboard on Highway 99 (see above).

To cover that risk I have an annual travel insurance plan that would kick in should I become injured. Here is an actual experience from 1 of the insurance companies I can use for covering my client's travel risk needs.

A 59 year old was driving on an icy stretch of road in northern California when he lost control of his vehicle and crashed into an embankment at 90 km/hr. He sustained numerous injuries and was taken to a nearby hospital where he underwent several surgeries. He then spent 9 days recovering before he was discharged. The breakdown of costs and re-imbursement by his Auto Insurance and Provincial Medical Plans is laid out in the table to the left.

Ambulance	$ 2,200.00
Hospital Fee	$348,563.27
Doctor's Fee	$ 26,593.88
Auto Insurance's Help	<$157,000.00>
Provincial Medical Plan's Help	<$ 3,345.42>
Total Out of Pocket Cost	**$217,011.73**

Medical costs sustained while you are out of your own province can be financially devastating. There are a handful of strategic alliances I have with travel insurance providers who can make sure you are properly covered in that regard.

Web Gems

CNET.com—CNET is almost like Consumer Reports but for technology. On top of getting in depth reviews on cell phones, TV's, digital cameras and various software, you can download a wide range of software applications (and also read the reviews on them) that can make working on your computer that much easier. And there is also all kinds of news related to technology and technology related topics. I refer to this site often.

Mouse Without Borders— Download this software and you can use your desktop computer's mouse and keyboard to work on your laptop or netbook computer enabling you to seamlessly move the cursor from your desktop monitor to your laptop, giving you full control of your laptop. If you use a USB flash drive to move files from your desktop to your laptop or netbook, Mouse Without Borders makes it so much easier. You simply drag files from desktop to laptop. Watch how it works by searching www.cnet.com or simply google it.

Hhhhhmmmmm......

"RIM trades around $180 (U.S.) per user. These users (many are low turnover, corporate users) generate $60 of service revenue each year. By comparison, Microsoft recently paid about $50 per user in its acquisition of Skype. The average Skype user, however, generates about $5 of revenue a year. Globe & Mail, Oct 2011

Of the top eight cell phone manufacturers in the world, Apple sells about 5.4% of mobile phones, yet it generates 57% of industry profits. Canaccord Genuity, Aug 2011

Home prices have dropped more since the recession started, on a percentage basis, than during the Great Depression of the 1930s. It took 19 years for prices to fully recover after the Depression. USA Today, Sept 2011

The average interest rate on a 30-year fixed mortgage fell to 4.01%. This rate is the lowest since 1951. The average rate on a 15-year fixed mortgage is down to 3.28%. USA Today, Sept 2011

U.S. debt is currently at 65% of GDP (gross domestic product) and is expected to grow to 90% by 2020. Canada's debt to GDP was over 100% in the early 90's.

Greece's recent public sector layoffs break a 100-year-old taboo in a country where the constitution guarantees state workers jobs for life. Globe & Mail, Oct 2011

France relies on nuclear power for more than 70% of its needs. About 20% of the elecricity in the U.S. is produced by 104 privately operated nuclear plans scattered across the country. CI Perspective, March 2011

"By the age of 3, children from wealthier households hear about 500,000 encouragements and 80,000 discouragements. The ratio is reversed in households on welfare."--Jonah Lehrer

In 1960, 85% of North African children died by age 5. Today that is down to 10%. Wealth has been spreading so much that global poverty has been more than halved since 1990. In 1984 there were 24 wars going on. In 2008 that was down to 5. In the decade since the fall of the Taliban, Kabul's population has gone up six-fold, from 500,000 to about 3 million. Under Taliban rule there were only a million children in school. It's now 6 million, many of them girls. The death rae of the Afghan war is 9 per 100,000. The murder rate in Washington DC is 200 per 100,000. Time Magazine, March 2011

"It makes no difference to a widow with her savings in a 5% passbook account whether she pays 100% income tax on her interest income during a period of zero inflation or pays no income taxes during years of 5% inflation. Either way she is "taxed" in a manner that leaves her no income whatsoever" Warren Buffett, 1977

If you were to spend $1,000 a day from the time Jesus was born until today you still would still not have spent a billion dollars.

Carey

PS. Do you want to stay more fully connected and communicated with, particularly during these tumultuous times? Search for me on Twitter LinkedIn and / or Facebook then.... "Follow", "Connect" and / or add me as a "Friend".