



Aren't You

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Tidbits to help you through the financial labyrinth of life

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We heard a bit about hurricanes and storms recently, eh?

It's better not to assume that the season is over, ... just look beyond the Caribbean, and mind more than meteorological kind of disturbances. Professor David Korten (www.davidkorten.org), author of bestsellers and of the forthcoming *The Great Turning: From Empire to Earth Community* book, at a recent lecture at York University, described three main ingredients of the coming Perfect Economic Storm: Peak Oil, climate change, and the state of the US economy and society.

There are increasingly more people, experts and layman, at perhaps every levels of the social hierarchy, who think similarly. At an upcoming national conference, one of the presentations is rightfully titled "It's a Mad Mad Mad World", and another one is introduced with these words: "Capital markets are currently in a period of transition, where one secular (25-year) trend is completing and another is emerging. The factors that contributed to strong financial asset returns during the 1980's and 1990's will not be repeated going forward."

At a recent world congress, Eric Spott, highly respected and successful

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For more writings of the author, please visit web pages through
<http://asset-aid.com> or <http://personalfinancialplanning.ca>.

investment expert and self-labeled 'alarmist' ("but we need an alarmist now" he claims, just like his role as such was warranted in 1990, regarding the NASDAQ) separated the so-called Peak-Oil phenomenon from a long list of world problems (like credit, deficit, inflation, social/financial liabilities, not kept promises, derivatives, interest rates, negative savings, ... each a potential ticking bomb alone, ... but to make things worse, they operate in a linked fashion) as the crucial one. I found it remarkable that another speaker, a very well informed 'insider' of US and global financial matters and regulation (including key assignments in the White House and around the Enron scandal and related regulatory changes), while speaking mainly about other (geopolitical and financial market risk) issues, felt compelled to express full agreement with Sprott's 'scaremongering'.

There is not enough space here to inform you about Peak-Oil appropriately; perhaps you've heard about it, and I'm not even an expert on it. Thus, I refer you to the www.lifeaftertheoilcrash.net and the www.hubbertypeak.com websites and other excellent sources accessible from there. It's enough to say here that while once ridiculed, forecast in the 1950s by Dr. M. King Hubbert regarding the onset of oil production decline in the US (in 1970!) proved to be very precise, and every indication suggests that his disciples were also quite correct with the prediction of oil production on a worldwide basis peaking sometime around now. Actually, we might already be over the world-peak, due to Katrina and Rita, the latter being even more devastating for the oil industry than the more widely publicized Katrina.

Our whole modern civilization is built on the assumption that energy production has no limits, ... and now we are at the point of a cruel awakening. These are precarious times also in the sense that the usefulness of relying on past experiences, patterns, and trends is often less reliable than before, ... many 'rules of the game' are changing, so polish your crystal balls, ... and fasten your seatbelt. Things are more interrelated than ever, ... ponder about the meaning and relevance of this old nursery rhyme:

For want of a nail the shoe is lost,
for want of a shoe the horse is lost,
for want of a horse the rider is lost.

By the way, crystal balls! Let me suggest one more website, www.wfs.org, home of the World Future Society. Besides interesting readings, you'll find registration opportunity for the *'WorldFuture 2006 Conference: Creating Global Strategies for Humanity's Future'* there as well. The conference will be held in Toronto, and you can save some money if you register early.

Nobody can foresee precisely the future and all the consequences of peak oil or other factors; however, fortunately, there are many people who think about and experiment with new ways of life to address these challenges, and I urge you to explore these issues. One good place where

you can find local communities of people you may want to associate with in this endeavour (or even start your own local community) is the massivechange.com website.

The great strength of Korten is that he can conceptualize and articulate well what most people have only vague, disturbing mix of feelings, facts and ideas about. He undeniably wields a broad brush: He claims that our last 5000 years, what he calls the Era of Empire, was basically characterized by hierarchies, domination, and power-relations. Despite much progress, it led humanity to the brink of suicide and wrecking the planet. He sees the possibility of dire outcomes (military conflicts, nuclear Armageddon, local feudalisms, extinctions, running out of resources) but also a chance to replace the Era of Empire with the Era of Earth Community, provided we can change concepts, assumptions about life and human nature, ... in other words, 'the story', both language and consciousness. Merely 'Good citizens' will stay trapped in the amber of fossilized thoughts of the old era, mostly neoliberal economics. Korten sets out to formulate the economics of the Earth Community, because "economics is 90% about values and politics (who gets what)", and we cannot expect to change economic policies and practices while the obscene old economics is not demoted.

2, Economist captains of the global ship? GDP vs. GNH & HDI

Have you heard the anecdote of the old steamer, from the bridge deck of which the captain yelled the following question down via a communication pipe to the mechanic tending the steam engine in the belly of the ship: 'How many?' The answer came immediately: '14'. 'What is 14?', the captain asked next. 'How many what?' the reply came.

Talking about economics often sounds something like this absurd 'exchange of information' above. I'm an economist by training, but I'm the first to acknowledge if not the total uselessness of this field but certainly the limits and false promises of it, at least in the widely espoused and practiced forms by most. Captains of the global ship, economists, and business and political leaders should, and should be forced, to learn faster and better that decision making about practically anything they deal with takes much more than sometimes overly obscure, but at least never decisive-on-their-own economic principles, theories, or measures. Central among the misused concepts and motivations are GDP and the myth of the necessity of permanent growth of the economy. Simply put, real human material needs are not limitless, and pursuing them ceaselessly is not even possible on a global scale. We know it not just from artists and religious or spiritual leaders but (at least some of us) from own experience and the findings of numerous scholarly studies as well that human well-being is actually more dependent on social factors than mere material abundance. As John Ralston Saul put it: "Economics *cannot* be -- it's not that they *should* not be -- it *cannot* function properly as the lens or the prism of society. ... If you look at what Buddha said, if you

look at what Mohammed said, look at Confucius, look at any major theorist, moral and ethical theorist -- they all talk about human dignity and egalitarianism in one way or another. Those are the lenses through which you can build society. You make economics *serve* human dignity and egalitarianism.”

Here, I'd like to draw your attention to one more internet source in this regard. If you visit the Genuine Progress Index for Atlantic Canada website (www.gpiatlantic.org), an excellent source in general, please click on the 'June 2005 Conference' link to find the archived materials of the *The Second International Conference on Gross National Happiness — RETHINKING DEVELOPMENT: Local Pathways to Global Wellbeing*. Among the many presentations you can find John Ralston Saul's fascinating speech quoted in the previous paragraph, information about how Bhutan, a small and poor country, leads in the area of putting the horse in front of the cart, so to speak, by focusing on GNH (Gross National Happiness) instead of GDP, and many other vital and exciting issues. GNH is related to the Human Development Index (HDI), used by the UN in the last few years, but probably more holistic than that. I single out just one more contributor to the conference from among the many wonderful and insightful ones: economics (!) Professor John Helliwell, of UBC, whose presentation and the whole book it was based on, *Globalization and Well-Being*, is available via the website. Helliwell's research is a refreshing break away from the worship of the largely irrelevant GDP, for the sake of figuring out (and then measuring and hopefully managing) the things that really matter.

On the one hand, it's frustrating to witness that even more than 30 to 40 years after these GDP and perpetual growth-related myths of the ruling economic and business thinking were first seriously challenged, they are still not discarded, and Helliwell's approach is not the typical one. On the other hand, it would be a mistake not to notice that there are huge changes happening in human consciousness worldwide, with at least some practical consequences. It is of enormous importance for us, e.g., that Canada is in the forefront of research and policy-formation on a national level in this area. Many government and university experts will help to put the Canadian Index of Wellbeing into the central role it deserves, as a useful metric of the quality of life in the country. Priorities, responsibilities, and accountability changes will surely follow from its application.

The other, even more important development is the mushrooming of civil organizations, networks, business initiatives, worldwide via the internet, and locally, face-to-face. More and more people make changes in their personal lives, and more and more /re/discover the centrality of local communities and a wholesome way of life, as the alternative to their former/current fragmented (quasi)life.

3, *How about the well-being of sailors? ... (or: How is it relevant to my life plan?)*

Having discussed storms, ships and navigation, it's time to turn to a more peaceful and personal level. Quite likely, some of the readers will think I'm simply suffering from a bad case of insomnia, ... or worse. Their eyes glaze over if a financial newsletter is not packed with nice and practical tax or risk management strategies, investment opportunities, and the like. I beg to differ.

I strongly believe that being informed and having own opinion about the issues poked at in the foregoing informs a lot the ways we conduct our lives individually and as families. After all, we can, and many people do make the mistakes of not properly protect themselves from the risks of uncertain or incalculable but foreseeable-with-some-likelihood events. Others are committing themselves to goals that are more implanted in them by societal forces and inertia rather than being their own. The unshakeable ever optimists remind me of the famous last words of General Sedgewick who, during a battle in the US Civil War, in 1864, looked over a parapet toward the enemy and said: "They couldn't hit an elephant at this dist..." Optimism is great, but cautiousness has its merit too. As for how our well-being can be enhanced by planning, it's good to keep in mind, on the one hand, the definition of planning by the tongue-in-cheek Devil's Dictionary, according to which it is bothering about the best method of accomplishing an accidental result, while, on the other hand, it is intuitively appealing to many people to plan, and the usefulness of it is evidenced by much experience and research. Learning about aspects of GNH or HDI can give us the much needed perspective necessary to pick realistic and worthwhile goals, ... the foundation of any planning that is meant to be useful.

Here are two resources that can help you become better at planning your life and financial future. The first is a book, *The Canadian Retirement Guide: A Comprehensive Handbook on Aging, Retirement, Caregiving & Health: How to Plan and Pay for it*, by J. O'Donnell, G. McWaters & J. A. Page. Though written for the baby-boomers, I think anybody can benefit a lot from both the directly financial chapters, and the other chapters putting it into perspective, and helping the necessary mental, emotional, organizing and communication work that is needed for meaningful life plan creation. Beside its broad coverage of often sensitive topics, it is also very practical: 27 worksheet pages in the appendix help implement its suggestions, and prepare for working with professionals in the most useful and effective ways.

The other source I recommend is a website that most of the readers probably haven't visited. It's the site of Capital International Asset Management (www.capitalinternational.ca), and you can learn here a lot about the oft-neglected or not well-understood, but crucial, psychological aspects of investing. The theory shown there in some details is mainly the work of Harvard prof. Richard Geist who, contrary to

the usual 'remove emotions from financial dealings, and conduct you matters in a rational way' kind of approach, suggests that recognizing, acknowledging, understanding and using our own investment psychology and emotions is a more realistic and useful alternative. His downloadable or online 5 page questionnaire can help you clarify and face your (i) investment knowledge and experience, (ii) self-confidence, (iii) ability to cope with stress and use your emotions to your advantage, (iv) capacity for assuming risks, and (v) preference for solving problems in a group or on your own. It takes about 15 minutes, and it will lead to either immediate feedback and self-understanding, or/and better collaboration with your financial advisor. If you want to further educate yourself, use the recommended readings list as well. Meanwhile, remember another definition from the Devil's Dictionary, ... this time that of 'education': "That which discloses to the wise and disguises to the foolish their lack of understanding." ☺

4, *Are you looking for something even more practical?*

A, New life cycle funds from The Ethical Funds Company

You may have heard about life cycle funds, this new category of professionally managed and regularly rebalanced 'funds of funds' if not elsewhere then perhaps in my previous newsletter or on my resource CD-ROM.

Lifecycle funds are professionally managed solutions for investors who are saving for the purpose of funding a future life event, like a house purchase, a child's education, or retirement. Lifecycle funds provide an approach to asset allocation that is neither overly aggressive nor overly conservative. Asset mixes generally become more conservative as the target dates approach.

The good news is that now investors can buy this kind of funds on a socially responsible basis as well. The five new funds from Ethical Funds are meant to serve investors with long time horizons, with the following target/maturity dates: 2010, 2015, 2020, 2030, 2040. Asset-mixes evolve as the target date approaches, so that the risk level would decrease at the later stages. Besides life goals at various future dates, the risk tolerance level of the investor also plays a role in determining which of the maturity dates is appropriate for him/her. The funds are always completely redeemable, the entry level is low, and the costs are competitive and declining (along with the asset-allocation becoming more conservative with time). For more, go to the www.ethicalfunds.ca website; you can download their recent Guidebook to Sustainable Investing there as well.

B, Probity you can rely on

In my Dec 2004 newsletter I quoted from a letter written

by Larry Sarbit, one of the best mutual fund managers, because it reflected his unique strengths and style I think highly of. He is a very conservative, deep value style investor who can say 'No', ... which is a rare ability. In a sense, he is a true disciple of Benjamin Graham, the 'father of security analysis', and of the almost legendary Warren Buffet: similarly independent minded and very disciplined, with a very impressive long track record. Like almost no other fund manager, he heavily relies on investigative journalism and legal scrutiny of the firms he follows. As he puts it, "investing is much simpler than most people have been led to believe. ... At Sarbit Asset Management [that he started a few months ago], we believe the basics of investing are simple to understand, although difficult to practice." One of the keywords he uses is an old one: probity, ... meaning upright, honest, and truthful; virtuous, straightforward, and frank. The refreshing thing is that from him it sounds real; I must admit he's earned my respect and trust by sticking to his principles even if it meant swimming against the currents. He has started one new fund with his new company, ... so if you need a US value fund, consider that one.

C, Simple insurance solutions available

One of the most successful insurance products lately is the quick and guaranteed issue family of The Edge policies from RBC insurance. Following the pre-existing disability, health&dental, and travel insurance policies in the Edge family, now they launched their critical illness (CI) policy as well. At least at certain ages it is quite price competitive, a well rounded policy; still, the underwriting process is much shorter and simpler than is customary with many other CI policies.

D, 100 Mile Diet — Any lessons from it?

Let's talk about eating at the end, while still sticking to the theme of sustainability. One of the most amazing news items I read recently is the series of articles by a B.C. couple who decided that they will not buy any food or beverage originating more than 100 miles from their plate. I find it a simple and wonderful idea. It doesn't mean that I adopted their strict regimen immediately or will any time soon. However, this is the kind of challenge we need to seek/accept if we want to be serious about peak oil, climate change, and personal well-being, I think. The articles are buried in the www.thetyee.ca website, but it's easier to find them via www.farmfolkcityfolk.ca



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