

Your Money Matters

TIMELY ADVICE FOR CLIENTS OF GOLD KEY FINANCIAL

Lessons learned at six hundred feet

High above, barely visible on the unending slab of granite, the rock climber gingerly pulled herself onto the small outcropping. Not more than 18 inches wide, it was relative sanctuary from the dizzying heights that fell away between her feet.

Her partner, waiting on another ledge below, now began the airy ballet, a sequence of moves that would bring him to the same ledge. She carefully tended the safety rope; their most precious connection; their lifeline in the event of a fall.

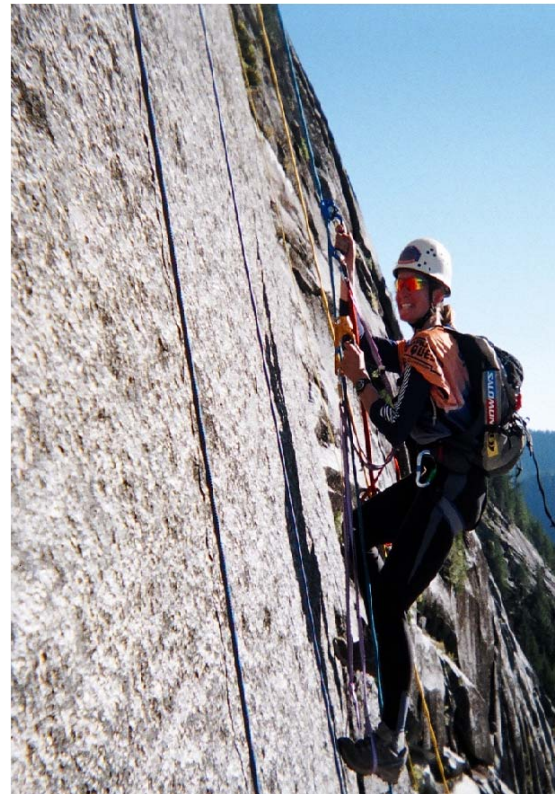
As he danced up the rock, his hands and feet moved deftly, nimbly, from hold to hold. He climbed unconcerned, over 600 feet off the ground. The safety rope let his mind focus on reaching for the next handhold. Just at his fingertips, the rock was there.

Success comes from hanging on when others are letting go. Such words have been heard from the big wall climber. And it's a motto that at times should be adopted by the equity investor.

That our firm believes whole heartedly in equity portfolios should come as no surprise to regular readers of this column. Ownership of equities, prudently chosen and patiently held, could be the most important retirement decision you'll ever make.

Equities have consistently demonstrated their ability to preserve and enhance wealth over one's lifetime. They are the essential investment that will see our clients through their retirement years.

But in the short term, their values are anything but certain.



Sean McKiernan and team Northern Orion completed Subaru Primal Quest in September 2004, a six day adventure race in the U.S. Pacific North West. Pictured here is teammate Tracy Taylor, as the team nears the top of a thousand foot ascent.

With speed and intensity, markets can move up or down, taking your investments with them.

A move up you'll welcome. Who doesn't like to see their account increasing in value?

But like the air beneath a climber's feet, it's the sharp market decline that takes your breath away, and possibly your savings too, unless your safety rope is already in place.

For the equity investor, what constitutes a safety rope?

At retirement, money that will need to be drawn from your savings over the next several years shouldn't be in equities. You're at a time in life when income is essential. You don't want to be selling investments in a declining market, simply to generate the income needed for your day to day living expenses.

Certain income sources are relatively guaranteed, including government pensions and possibly your employer pension. You know the same cheque will arrive every month, irrespective of what's going on in the market.

Estimate the amount of money you will draw from your retirement savings, over and above the pension income. It's these additional withdrawals we're concerned about.

You may be drawing \$1,000 each month from your savings and \$3,000 once a year for a holiday – for total withdrawals over the year of \$15,000. At least three years worth of withdrawals should remain out of the market - \$45,000 in this case.

Some experts advise an even larger cushion, anywhere from five to seven years worth of withdrawals, should remain out of the stock market or equity mutual funds. Whatever amount is right for you, depends on, you. 'Are you sleeping well at night?' may be the best measure.

Your safety reserve can be invested in anything that is guaranteed, doesn't fluctuate in value with the market, and is easily accessible. We may be in a time of low interest rates, but it's still effortless to earn 2.5% on your cash savings.

Set up a money market fund or high interest chequing account for withdrawals you

will need over the next year. For money that will be drawn two to three years from now, bonds or guaranteed investment certificates should be considered.

With your safety cushion established, the rest of your retirement savings can remain invested in the market. You're going to need the capital appreciation that only equities can deliver.

During times when stock markets are climbing, withdrawals can be made from your equity holdings. Sell high (the sibling of buy low), take the money and spend it.

But when the markets turn down, as we know they are wont to do, your guaranteed investments are in place, and you can simply turn to this reserve for your income. Confidence is yours knowing that during a fall, your safety is assured.

The first creed of the rock climber is safety. Before stepping off the ground, every rope, harness and climbing attachment is checked and rechecked.

Hundreds of feet up, as an outstretched toe searches for a flake in the rock, safety protection must be there. Finding the flake, the next hold is brought within reach. Security, confidence and upward progress continues.

- September 24, 2005