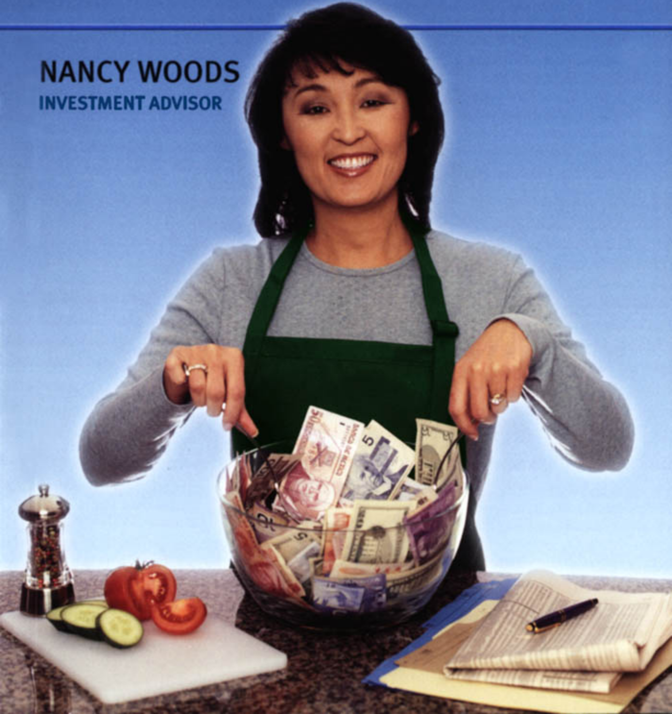
THE PORTFOLIO CHEF

SATISFY YOUR INVESTMENT APPETITE

NANCY WOODS
INVESTMENT ADVISOR



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For Bryan, Cortney, Megan, Tyler, and Gavin,
who I actually cook for every day

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The book you are about to read started out as something to do at 2:30 in the morning. I had a long period of insomnia. After making lunches and cleaning the house as quietly as I could, I sat in front of the computer and typed out my ideas. Numerous times I have heard Oprah Winfrey and author Cheryl Richardson say that everyone has a hidden passion inside of them. *The Portfolio Chef* seems to be mine.

This is not a personal finance book, but an investment book that teaches readers how to make well-informed decisions.

The Portfolio Chef could not have been completed without the help of numerous people, who I would like to thank. Jack David, who had the wisdom to gamble on something other than poker; Tracey Millen, who let me constantly badger her with questions and who punished me with sticky notes; Tania Craan, for her designer's eye; Heather Vassallo, for her artistic eye; Richard Beland, for his photographer's eye; Nellie Kee, for her investing prowess and for teaching it to me; Greg Ioannou and Eva Blank at Colborne Communications; professional tax accountants Lewis DeMoss and Alex Montero, who kept me current on American retirement plans; Gord Ward, who exercised the engineer exactness in him to check the manuscript's technical accuracy; Bill McNeill, Bill Haldane, Tammy Carpenter, Kevin Burke, Brenda Wilson, and Keith Edwards at BMO Nesbitt Burns; Donald Coxe at Harris Investment Management; Tony North at Standard and Poor's; Nancy Lockhart at Frum Development Group; Ralph Acampora at Prudential Financial; Bill Carrigan at the *Toronto Star*; numerous family, friends, and neighbors, who always encouraged me and let me test my recipes on them; and my clients, who let me be their chef.

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PREPARING AND EATING YOUR MEAL

Let's Start Cooking

Recipes for the Investor

Food: we can love it and hate it at the same time. Money: we can love it and hate it at the same time, too.

As soon as we are born we instinctively start to suckle, looking for food. Later, when we are introduced to solid foods, we eagerly eat what we are fed. If a baby is fed only rice cereal, he is still content because he does not know that other foods exist. Once that baby is introduced to other foods, he will start to learn what he likes and what he doesn't.

Novice investors should follow a similar pattern. Yet most are at the infant stage, only investing in what they know and believe to be safe — usually the ever-coveted GIC (guaranteed investment certificate). Do you want to limit

yourself to just one type of investment, or expand your tastes to the other flavors of the world? Once you have begun to save money, your next step is finding out how to make money from your savings.

The way you invest should be like the gradual introduction of new foods to your diet. As you gain more experience and increase your knowledge, the easier it will be for you to make wise decisions. A portfolio is very individual and everyone has a different level of risk tolerance — the amount of risk you are able to handle comfortably. Some people are able to dive into bird's nest soup with their eyes closed and their mouths wide open, while others cautiously sip from their spoon to see if they like it, or won't try it at all. Making informed decisions will help you feel more comfortable about whatever route you take.

Throughout the process of adding more and more kinds of foods to your investment meal, check that you do not have too much of any one kind. It is important that you have a well-balanced meal, so avoid too much meat (stocks), potatoes (bonds), or vegetables (growth stocks) on your

Do you read the financial section of the newspaper first? If so, then you might be ready to take the next investing step.

plate. You might be tempted to look at the dessert menu before deciding on your main meal, but like any nutritious diet you must have the basics first before indulging in the treats.

Every chef and investor has to begin somewhere. You can't expect to start cooking with delicate truffles without prior culinary experience. You need to understand the cooking terms and methods before turning on the stove.

> **I strongly suggest you never have more than 10% of your portfolio in any one stock holding. Following this rule decreases the risk of a substantial loss of wealth if that one holding were to collapse.**

Like many people, you probably have spoken to a financial advisor or stockbroker, or attended a financial seminar. After listening to the information, how many of you have asked yourself or your partner, "Did you understand everything or anything we just heard?" There is no shame in admitting that the lingo and concept of most investments can be confusing and outright foreign. Growing up in a financial environment, I always thought my parents were speaking a different language. It has taken me years to truly understand the jargon and nuances of the investment world, and I am still learning. There are

always new products being developed, new investments designed to be better than the last, and newer, faster ways to make your money grow. Once you understand the basic concepts behind investing, figuring out the other complex strategies will be a lot easier.

This book is divided into two parts: Section One, "Ingredients," looks at the various food types available; Section Two, "Preparing and Eating Your Meal," explains how to use the various ingredients to create a healthy and well-balanced portfolio. Several of the ingredients chapters have two parts to help you build your investment knowledge: the first part explains the basics of what the investment is and how it works, while the section called "Now You're Cooking!" is for the more experienced or adventurous investor.

Similar to going to restaurants for more elaborate or convenient meals than we can prepare ourselves, investing may require a professional advisor. Especially during the early stages, it would be helpful to find an advisor who is willing to spend the time to explain the elements of your portfolio. As this book will help you gain knowledge, use it to be a well-informed investor who is always willing to taste, and sometimes re-taste, the many flavors of the investment world.

SECTION ONE

INGREDIENTS

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Under the Canapé

Appetizers/Savings Bonds and GICs

Once you have decided that you want to earn something from the money you have saved, the first step is to gain experience. This is the appetizer to your meal. A good way to start investing is to buy a Government Savings Bond or a Guaranteed Investment Certificate (GIC). Both are extremely safe in regards to protected capital or initial investment. Generally, they are cashable at specific times for their face value and accrued interest. Accrued interest is the amount of interest to which you are entitled depending on the amount of time you have owned the savings bond or GIC. Most GICs are not redeemable prior to their maturity date. Some financial institutions offer GICs that are cashable after a pre-determined time; however, the rate may be lower than that of

a locked-in GIC as a cost of flexibility. Savings bonds may be cashable anytime, with only the previous full month's interest or semi-annual interest being earned. The specifics are defined when the bonds are issued. Check each issue carefully and try to foresee if you will be in need of the money before the maturity date.

There are other twists and tastes to the simple cheese and cracker hors d'oeuvres. Some bonds offer an interest rate that rises the longer you hold them. This is called a step-up feature. It is a good idea to find out the average rate of return if the bond is held to maturity, and to compare it to a bond that has a fixed rate over a fixed term. You can also decide whether you want the interest to be paid to you each year or reinvested into the bond. The latter option is called compounding the interest. For example, the face value that you buy is $1,000 and the interest after one year is $50. With compounding interest you do not receive the $50; instead it is added to the bond and the next year's interest is calculated based on

DEFINITION OF ACCRUED INTEREST

Amount of interest you are entitled to, which has accumulated since the last interest payment.

$1,050. The drawback to this type of bond is that you may be taxed on the accrued interest without the benefit of any cash payments to pay any necessary tax, the amount of which varies according to each country's tax laws.

A savings bond or GIC is an ideal first-time investment for the novice, because there is little risk. If you invest $100, you will get back your $100, plus interest.

Now You're Cooking!

If you buy a GIC or savings bond with compounding interest inside a tax shelter, you won't have to worry about the taxation of that interest.

Take a Spinach Dip

1 pkg frozen chopped spinach (thawed and drained)

1 cup sour cream

1 cup mayonnaise

½ pkg onion soup mix

1 10-oz. (284 ml) can sliced water chestnuts, finely chopped

carrots, finely grated (optional)

Mix all ingredients together and refrigerate for at least one hour. Serve with crackers or pumpernickel bread.

The Yeast You Know

Breads/Exchange Traded Funds

Often, when you go to a restaurant, your meal begins with a basket of breads. Warm, fresh-baked rolls, sourdough bread, seasoned flat breads, bread sticks, and garlic bread with cheese are mainstays of meals from many cultures. Once you have decided to invest, you can start your investment meal with bread, which is represented by an Exchange Traded Fund (ETF).

Though you would normally try not to fill up on bread before your meal, a major part of your portfolio when you begin investing should be an ETF. This investment replicates the companies that make up a stock index, and therefore represents a broad diversification of the market. The growth of the index is what most fund managers are measured against. Index providers perform due

DEFINITION OF ETF (Exchange Traded Fund)

Open-ended mutual fund trust, units of which are listed and traded on major stock exchanges just like individual stocks. It offers investors the advantages of a traditional mutual fund, plus the trading freedom of a stock, at a very low price. Many investors believe that ETFs are the best new investing idea since the advent of indexing.

(from www.iunits.com)

diligence on a company to ensure that its quality is high enough to be part of their index. The number of companies that form the index is fixed. Only when a stock has been removed can another be added. Because it is the benchmark that people use to measure market growth, it's a good idea to buy the index itself.

ETFs, like stocks, trade on stock exchanges. They are a more cost-effective way to get diversification without paying a higher ongoing management cost, as with a mutual fund. You are only required to pay a commission to buy and sell the units.

Some units pay a dividend. This is a blended

dividend comprised of the dividends the individual companies issue. To pay for the administration of the units, the trustee receives the interest for the cash balances and holds them until a quarterly dividend is paid. Since companies pay at different times, a cash balance exists. The overall expense cost is relatively low. You can buy ETFs that replicate the TSX, Dow 30, S&P 500, Nasdaq 100, and various indexes worldwide.

ETFs are probably the only stock investment in which you could place more than 10% of your overall portfolio. An ETF is one holding, but it holds many stocks. Index funds should be your foundation once you begin to build your portfolio.

Now You're Cooking!

Specialty ETFs are also available, which hold companies of a specific group or sector. For example, the TSX's iUnits have units that hold companies in finance, resources, and technology. The Dow 30 is represented by the Diamonds Trust, the Nasdaq by the Nasdaq 100 Trust (QQQ), and the Standard and Poor's 500 by S&P Depository Receipts. International and European indexes are sold via World Equity Benchmark Shares (WEBS). Once you have a market exposure via ETFs you can double up on a specific sector by buying stocks in that area. Be aware that you are increasing your exposure by buying more shares of a stock that is already part of the index.

Scott's Cinnamon Rolls

DOUGH

4½ to 5 cups all-purpose flour

1 tbsp active dry yeast

1 cup milk

⅓ cup margarine

⅓ cup sugar

½ tsp salt

3 eggs

FILLING

¾ cup packed brown sugar

¼ cup all-purpose flour

1 tbsp cinnamon

½ cup margarine

½ cup light-colored raisins

GLAZE

1 ¼ cups sifted icing sugar

1 tsp corn syrup

½ tsp vanilla

½ tbsp half-and-half cream

In a large mixing bowl, combine 2¼ cups of flour and the yeast. In a small bowl, heat milk, margarine, sugar, and salt in a microwave oven until warm and margarine is almost melted. Add eggs and the liquid ingredients to the flour mixture. Beat with electric mixer on low for 30 seconds, scraping sides of bowl constantly. Beat on high for 3 minutes. Stir in as much of the remaining flour as you can. Knead dough on lightly floured surface until smooth and elastic (3 to 5 minutes). Shape into a ball. Place in a greased bowl, turning once. Cover and let rise in a warm place until double in size (about 1 hour).

For filling, combine brown sugar, flour, and cinnamon. Cut in margarine until crumbly. Add raisins. Set aside.

Punch down dough. Turn it out onto a lightly floured surface. Cover and let rest for 10 minutes. Roll dough into a 12-inch square. Sprinkle filling over dough, then roll and cut into 8 1½-inch pieces. Arrange in a greased 13x9x2-inch baking pan.

Cover dough loosely and let rise until double (about 45 minutes). Break any surface bubbles with a greased toothpick. Brush with cream. Bake at 375°F for 25 to 30 minutes until light brown.

Meanwhile, blend ingredients for glaze and set aside. When dough has cooled for 1 minute, drizzle with glaze.

Where's the Beef?

Meat/The Blue Chip Foundation

Stock = Equity

Traditionally, the main course of a solid meal revolves around meat. Likewise with a strong investment portfolio. Meats — Blue Chip stocks — are the foundation upon which a truly balanced dinner is built. The protein of your portfolio, blue chip stocks are those whose names you can easily recognize — the large, name-brand corporations that have existed for generations: the Coca-Colas, the Procter & Gambles, and the IBMs. These stocks have a few common traits important to portfolio building. They are available to all potential investors, and they are stocks that all investors

Does your job give you insight into a particular industry? If yes, then it can help you identify companies that you could invest in and know which ones could have better growth potential than others.

DEFINITION OF BLUE CHIP STOCK

A stock of high investment quality, typically associated with a well-established company. It enjoys a high level of public confidence. The company usually has a long-term record of profit growth and dividend payment, as well as a reputation for quality management, products, and services.

should want to own. Blue chip companies have attained a certain level of popularity that can withstand competition; this popularity aids profitability and growth levels.

Blue chip stocks are purchased for their recognition factor and their consistent performance. When you purchase shares in these companies, you can expect that they will continue to earn as they have in the past, and that they will provide you with little cause for worry in the future. This is the part of your portfolio that allows you to sleep comfortably at night.

You might think to yourself, "This seems reasonable, but there is more than one kind of meat. Should I be buying chicken or lamb, pork

or beef?" This is an excellent question, because just as there are a variety of meats, there are also many types of companies, operating in a multitude of sectors. Some examples of the different sectors include industrial, automotive, consumer products, food products, and textile manufacturers. It's at this point where cooking a balanced meal and building a balanced portfolio diverge; while you would probably include only one type of meat in your menu, it is highly recommended that you invest in a sampling of different sectors.

If you are a new investor, stocks can seem overwhelming. But there are some simple steps you can follow to choose blue chip stocks that are appropriate for you. Start with your everyday experiences. What kind of coffee do you drink? How about beer? What kind of soap and laundry detergent do you use? Consider these companies. If you are loyal to a brand name, you can be fairly certain that millions of other people also purchase that brand. You will not pick the only product that masses like, however, so remember that other companies will also make money from their products. Competition is what drives companies to improve their product. Your personal likes are only to be used as a guide to lead you to potential investments.

While no equity investment is without risk, these companies are a relatively safe bet and an excellent starting point for a novice. A first-time chef, after all, is probably better off with a steak on the grill than with a medallion of venison.

Before you make your first stock purchase, spend a week observing the companies you encounter on a daily basis, and think about how frequently you use their products. Then do research. How long has the company been in existence? How profitable has it been? Look at its earnings over the past several years. With the rise of the Internet, it has become easy for a potential investor to research a company. Web sites for most publicly traded companies will include past performance, and can easily be found by anyone willing to put in a little bit of

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Do you know what a P/E ratio is? Do you know what the average P/E ratio is for a specific sector?

P/E stands for Price/Earning, or Price to Earnings ratio. Its value is calculated by dividing the share price by the earnings per share. This number is used to help indicate whether or not to buy a stock that is under or overvalued.

time and effort. You will find it fairly quick and simple to do this research, which will pay off in the end.

The next step is to figure out which sectors are the best investments at any point in time. There are trends based on economic cycles that can help you decide. During an economic cycle, certain sectors may not experience positive growth. While some people like to make a guessing game out of deciding when to invest in particular sectors, it is a far wiser investment decision — with blue chip stocks specifically — to patiently wait out these negative periods than to randomly choose which sector will do the best that year.

A consideration when deciding whether or not to wait out a cycle is that if there have been no fundamental changes in the companies in which you have invested, there is no reason to sell your stock. So it is crucial that you pay close attention to company earnings. For investment purposes, it is essential that a company's earnings rise each quarter or, at the very least, on a year-to-year basis. These

What store do you shop at most often? Does it trade publicly on a stock exchange? Have you looked at their Web site?

A corporation's Web site will give you an overview of the company as well as analytical information.

DEFINITION OF BETA

A stock's Beta denotes how volatile it is relative to the stock market as a whole. Keeping in mind that the index itself is represented by a Beta of 1, a company's Beta of 1.5 tells the potential investor that it is expected to be more volatile than the index. A beta less than 1 says it is less volatile than the market.

statistics indicate whether a company in which you have invested, or are considering investing in, is continuing to grow and earn profits. If a company's earnings are growing, the share value or price should also rise. There are special circumstances, however, in which earnings may not grow and it will not necessarily mean anything negative for your portfolio. An example of this would be the acquisition of another company. If Company X buys Company Y in 1998, the purchase may eat up a significant portion of Company X's earnings for that year; hence, there will be no discernible earnings growth in 1998. This can be misleading, because if it is a positive purchase, it will ultimately increase Company X's growth and earnings, and, therefore, the value of your shares.

Now You're Cooking!

Tired of beef and chicken? Ready to try some more adventurous recipes? Once you have experience investing in blue chips, you can start looking at companies that have the potential to become superstars, but have not been around long enough to establish a truly consistent track record.

There is a revolution occurring as we go about our daily business. This revolution is, of course, information technology. Stocks in this sector are not as secure an investment as traditional blue chips, simply because the industry has not been around long enough to foster the kind of steady growth record that you expect from a blue chip company. Nevertheless, the potential for name branding is there, especially given that this sector has experienced faster growth than anything we have seen before (for more specifics, please see the popcorn chapter on p. 69).

These stocks require more specific and detailed analysis than traditional blue chip stocks. They are more complicated than other meats and it may take an experienced chef to find just the right ingredients necessary to use these meats in a tasty and nutritious meal.

Sticky Blue Chip Ribs

¼ tsp each salt and pepper

¼ tsp paprika

¼ tsp garlic powder or 1 clove fresh garlic, minced

¼ tsp cinnamon

1 cup brown sugar

¾ cup apple sauce

¼ cup ketchup

3 tbsp lemon juice

2 lbs pork back ribs

Blend first eight ingredients together and pour over pork ribs. Marinate overnight in refrigerator for optimal tenderness, or bake immediately if short on time. Bake in uncovered baking dish at 350°F for 1½ hours, or until tender. Serve hot.

The Starch Staple

Potatoes/Bonds and Fixed Income

Most likely, you need something other than meat to complete your meal. Potatoes, rice, or pasta perhaps? When it comes to investments, bonds — or the fixed income portion of your portfolio — serve the function of the starch in your meal. Bonds are considered fixed income because they pay regular interest at a fixed rate of return. As carbohydrates complement proteins, bonds complement stocks.

Bonds are the portion of your portfolio that help you relax even when the market is down, as they carry the highest degree of security for your money. This is because bonds, or debentures, represent the debt of a government, company, or university. Even if they are making money, the most stable institutions sometimes require additional capital to maintain their operations.

Will you worry that a bond or coupon fluctuates in value before the maturity date? If your answer is "yes," then you should keep in mind the yield that you bought the instrument for – not its present value.

If carrying the debt of an institution doesn't seem like a sound investment to you, consider that there is an element of security built right into bonds. If companies borrow money and then run into serious financial trouble, you, the bondholder, are the first to be paid. Any assets held by companies must be turned over to bondholders before anyone else gets reimbursed. This is referred to as the debt structure, which clearly states that debt holders receive their money before preferred shareholders, who in turn are paid before the common stock shareholders.

If you were to lose an amount of money similar to what you would spend on a car, would you lose sleep or panic?

If yes, then you are more of a potatoes person, and might feel more comfortable basing the bulk of your portfolio on stable long-term investments.

Did you know that a corporate bond usually pays a higher rate of return than a government bond for the same term?

Because of the debt structure principle, fixed income instruments are considered relatively low-risk, which makes them a very attractive investment. But risk and yield go hand in hand; therefore you must keep in mind that with low risk comes low yield. Conversely, the higher the potential return on an investment, the higher the risk factor. A good rule for investment, as for any other venture, is: If it sounds too good to be true, it probably is. Low risk may not give you a high return on your investment, but neither should it wipe you out.

Another aspect of some fixed income investments that gives the investor some security is the assurance of a final and future value. All bonds have a fixed maturity date when you can cash in your bond for its full face value. Many investors don't realize that bonds can also be sold prior to their maturity date, which allows for greater flexibility than, for example, bank GICs and term deposits, which cannot be redeemed early, except in the case of death.

Treasury bills (T-bills) are also fixed income instruments. They have a maturity of less than

365 days, and are bought at a discount price below $100. They mature at the $100 value and the difference is your return. If you buy a T-bill at $95 with a maturity of 364 days, it will mature with a value of $100 and an effective yield of approximately 5.278%. There are no interest payments prior to maturity. Generally, T-bills can only be purchased in $1,000 denominations.

Check if the yield quoted to you is the annual yield or semi-annual yield.

Now You're Cooking!

Savvy investors know that you can actually earn an extra return by selling bonds prior to their maturity date. There are two components that are major parts of a bond: the coupon and the price. Both determine the yield, or return, to you, the investor. If you buy a 20-year federal government bond with a coupon rate of 5%, this means that you will receive an income of 5% of the maturity value per year (paid out in two installments over the course of a year). When a bond is purchased at a price of $100 per $100 face value (face value = maturity value), in 20 years you

will get back your original investment of $100 per $100 face value. The yield to maturity is therefore 5%.

Fast forward a few years and imagine that the standard interest rate has fallen from 5% to 3%, making that annual 5% bond payout more attractive to other investors, who might be willing to pay you a premium price for the higher coupon payment. For example, someone looking to cash in on the interest rate differential might be willing to buy your bond for $102 per $100 face value. This is called a capital gain, but I refer to it as a bonus: when you bought the bond, you only expected a 5% return.

The opposite can also occur, and it is important to understand all the risks before you invest your hard-earned money. What happens if you're looking to sell your bond, but the standard interest rate has risen from 5% to 7%? In this case, your bond is not particularly attractive to a potential purchaser, given that they can find higher returns elsewhere. An investor may, therefore, only be willing to pay you $98 per $100 face value (2% less than what you paid for the

DEFINITION OF CAPITAL GAIN

An increase in value of a capital asset.

bond). They would still only get an annual cash flow of 5% of the face value, but their yield to maturity would be greater — 7%, the same as the standard interest rate.

Now You're Cooking Too!

There is another safe, fixed income product: the stripped bond (also known as the zero coupon). There was a time when bonds were issued in certificate form (some still can be), and every six months you clipped off the attached coupon and cashed it in at a bank. The amount you received was your interest for owning the bond for the six-month period. With the modern equivalent, you can purchase the future value of one of these coupons at a discounted price. The difference between the discounted price and the value upon the maturity date is your interest. This is similar to a T-bill. The price of a stripped coupon fluctuates in the same way that a bond's does. It is dependent on the interest rate environment at a specific time, relative to the interest rate when you purchased the stripped bond.

While stripped coupons do not pay any income until they mature, their interest is com-

pounded. They simply mature at a higher value than what you paid. Because of their lack of cash flow, it is usually recommended that they be purchased within a tax shelter. It is also good to ladder the maturities to reduce the interest rate renewal risk.

It is important to remember that there is a definite end, or maturity, date with bonds; this is the final term of the bond when you will be reimbursed the full face value. In some cases it may be worthwhile to buy a bond at a premium price, hold it to maturity, and create a capital loss; or it may suit your needs to buy a bond at a discount price, thus creating a capital gain. Be prepared to declare the capital gain, which may be taxable. Depending on your individual tax circumstances, either situation can be advantageous.

The potato portion of your investments provides stability and security for your portfolio, and is an important balance to the riskier equity courses of the investment meal.

DEFINITION OF LADDERED MATURITIES

Having similar amounts of fixed income products mature over consecutive years.

Bonding Lemon Rice

2 cups chicken broth

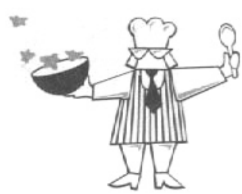
1 cup long grain rice

2 tbsp lemon juice

½ cup green onion, finely chopped

1 tbsp melted butter

Mix ingredients into a 2-quart baking dish. Cover and bake at 350°F until tender, approximately 45 to 50 minutes.



Caesar's Pleasers

Salad/Utilities

For the salad portion of your portfolio I would recommend the utilities sector. The world runs on various types of utilities that the public simply would not do without. Telephone and communication companies, hydro and gas companies, and pipelines are included in this sector. Since everyone usually uses them, there is lower risk in owning them. They provide low share price fluctuations and solid dividend payments. Unless there is poor management of these types of companies, or fundamental changes, the share price stays relatively stable or there is minimal growth.

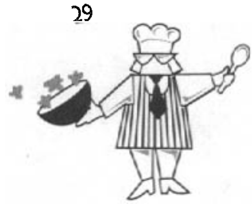
These companies are also referred to as being "interest-rate sensitive," meaning the share price will be affected by a rise or decline of the general interest rates. Remember, if it is too good to be true, or has a higher than average yield, there is a higher risk to your capital. Shares in the utilities sector usually form a large portion of what people call a "widow and orphan's fund" — a fund that wants a better rate of return than a GIC provides and some growth to keep up with inflation over time.

Unlike the fact that we pay utility bills monthly, the dividend payments are issued quarterly or every three months.

For Canadians, dividends paid by Canadian corporations are taxed at a better rate than interest income. Think of dividend income as being given a tax credit as a present for showing a monetary interest in a Canadian company. In actuality, you receive the tax credit because the utility has already paid tax on the money that it disburses as the dividend.

For Americans, the taxation of dividends and capital gains are presently the same.

For other countries, the tax treatment on dividends varies. It is important that you know the taxation laws according to the country where you live.



Now You're Cooking!

There are investment instruments that are made up of a group of utilities to jointly provide an income. Since they are a basket of specific utility companies, they help to reduce the risk and allow diversification within one holding. They are sold like a bread stock, but the holdings are utility companies instead of companies within the index.

Backyard Macaroni Salad

2 cups elbow macaroni, cooked

¾ cup mayonnaise

1 seedless English cucumber, diced

2 tbsp sweet relish

1 or 2 hard-boiled eggs, chopped

salt, pepper, and cayenne pepper to taste

1 green onion, diced (optional)

Combine all ingredients and refrigerate in covered container. Serve chilled.

Eat All Your Greens

Vegetables/Growth Companies

The vegetable portion of your meal offers you the largest variety and will also be the hardest from which to choose. It is made up of the bulk of the companies listed on the stock exchanges that are neither blue chip nor speculative. You are looking for the vegetables that your mother would want you to eat because they are good for you, not necessarily the ones you would enjoy. Basically, you eat them because you have to. The idea is similar when picking stocks from this group, because they may not have a spectacular growth rate or price volatility swing, but a boring and steady price appreciation. These stocks are the middle-sized capitalization companies that are referred to as "mid-caps." There are numerous growth stocks listed on the stock

exchanges. The variety will make your decision making even more difficult.

Having so many choices may make investing in these companies seem overwhelming. Similar to picking a meat stock, it would help novice investors to begin with companies that are familiar to them, or ones with which they have a personal contact. These vegetable companies are ones that may not have been operating as long as a blue chip. Their share price is relatively cheaper, but more volatile (fluctuates more), and their products and services may not enjoy as widespread use, but tend to be used by a particular group of people. Examples include retail stores, manufacturers, and computer software companies.

DEFINITION OF MID-CAP STOCKS

Short for Middle Cap, mid-cap refers to stocks with a market capitalization of between $2 billion and $10 billion. (from Investopedia.com)

You will need to do a lot more research to find the appropriate companies to fit this category in your portfolio. This is where a personal chef or investment advisor's expertise can be useful. (See "Where's Walter?" in Section Two.)

When picking growth stocks, be aware that you can, and probably should, eventually own a large number of them. There are many growth companies evolving every day from startups. With mergers and takeovers happening all the time, the group is changing as well. Vegetables will be the part that you will be changing most often by buying and selling to fine-tune your meal. Once you discover that there are stocks other than basic peas, carrots, and corn, and move on to arugula, Brussels sprouts, and squash, your palate will mature to enjoy these unusual growth companies as well.

Green Bean Crunch

2 cups fresh green beans

1 10-oz. (284 ml) can condensed cream of mushroom soup

1 10-oz. (284 ml) can sliced water chestnuts

1 cup crushed Corn Flakes cereal

Preheat oven to 350°F. Cut ends off green beans and slice into 2-inch pieces. Blanch in boiling water until bright green. Drain. Mix beans, soup, and water chestnuts together and pour into 1½-quart casserole dish. Bake for 20 to 25 minutes. Top with crushed Corn Flakes during last 5 minutes of baking. Serve hot.

Ripe for the Picking

Fruits/Preferred Shares

Preferred shares are another type of fixed income product. They are similar to fruits in that they both have a limited shelf life. Some preferred shares expire or ripen quickly, like strawberries, while others can keep longer, like pears. Eventually, they reach a point where they are no longer good, and then you get rid of them or they mature. They are traded on an exchange, similarly to stocks, but they are priced according to interest rate levels and credit quality.

Preferred shares are a debt of the issuing company that pays the shareholder an income in the form of a dividend. If the issuing company faces financial difficulty in paying any dividend, it is obligated to pay the dividend to the preferred shareholders before it pays the common share-

holders. In the event that the company needs to suspend the dividend altogether, some preferred shares have a clause that allows the unpaid dividends to accumulate for eventual payment in full — again, before any dividends are paid to the common shareholders. The quality of investment of these shares is high and, due to their usually strong assurance of income payment, the shares are classified as a type of fixed income product. In exchange for this security, the shareholders give up their say, or vote, in the operation of the company.

Upon expiry of the shares, preferred shareholders are either paid a predetermined redemption price, a fixed number of common shares, or a combination of both. Since the amount of dividend is fixed at issuance, the yield changes with the underlying price. If the interest rate environment falls, the price rises. If interest rates rise, the

DEFINITION OF PREFERRED SHARES

Shares of a company that pay a dividend before common shares, and do not have voting rights.

price of the preferred share falls. To calculate the yield the formula is:

Dividend Yield = Dividend amount ÷ Price per share

Usually, preferred shares trade at a yield similar to bonds. Since the income stream is deemed a dividend, check your country's taxation rules on this type of income. There may be a tax benefit to receiving dividend income versus other kinds of income. Take into account any of these benefits when evaluating the yield against a straight interest yield to ensure you are comparing apples with apples.

As with any well-balanced diet, once your portfolio has some other breads or fixed income investments, you should own fruits as well. Look to see if these could be held outside of any registered plans, so as to take full advantage of the tax credits offered.

Now You're Cooking!

There are many different features that can be added to a preferred share: convertible, cumulative,

DEFINITION OF PAR VALUE

The value of a security set by the company issuing it.
(from hyperdictionary.com)

non-cumulative, redeemable, retraction, floating rate, fixed reset, perpetual. The convertible feature allows the shareholder to be repaid the par value by converting the preferred shares into common shares. With cumulative, if the dividend is suspended for any reason, the amount of dividend owing accumulates and must be paid, either before the reinstatement of any common dividends or when the issue is redeemed. Non-cumulative means that the company is not obligated to pay the amount of dividends that were suspended.

Redeemable is the feature that allows the issuer to stop the issue and pay back either the par value (issue price) or the par value and a predetermined price premium. Retraction gives the option to the shareholder to force the issuer to pay them back, usually the par value. Exchange of shares is often referred to as "soft" redemption or retraction, meaning that instead of a cash payment for the par value, the issuer pays the shareholder in the form of the company's common shares.

Floating rate preferred shares pay the shareholder an amount based on the prime rate. It can be a percentage of, or equal to, the prime rate, or prime plus a fixed amount.

Fixed reset preferred shares are issues that set the yield for a specified period of time (usually five years), and then reset the yield for the next term. These are good for investors who are looking for a fairly stable rate of income and expect interest rates to rise.

Perpetual preferred shares are ones that have an extremely long period to run before redemption or retraction. It seems that they are long-lasting without changes to the yield, which is either fixed or reset every five years. This is similar to a grape that eventually turns into a raisin — it is still edible even after a long shelf-life.

There are also preferred shares issued in foreign currencies. These are a good investment for those who don't want to be continually exposed to currency exchange costs if they already hold US funds, for example.

It is a good idea to have a variety of preferred shares with different features to eventually create a fruit salad.

Fruity Banana Bread

½ cup butter

⅓ cup white sugar

½ cup brown sugar

1 egg, beaten

2 ripe bananas, the riper the better

2 tbsp milk

1 ½ cups all-purpose flour

1 tsp baking soda

pinch of salt

Cream together butter and sugars. Add beaten egg. Mash bananas with milk and add to mixture. Sift flour, baking soda, and salt together and blend well with other ingredients. Pour into a greased loaf pan and bake for 1 hour at 350°F. Loaf is done when a toothpick inserted into its center comes out clean. Let cool and slice to serve.

Mother's Soup for a Cold

Soup/Banks and Financials

There is nothing better when you come in from the cold or are under the weather than a nice bowl of soup. Soup is given to help the ill feel better. Fortunately, you don't need to be sick to have a bank stock. Nor does your portfolio need to be ill, or under-performing. The most common adage I hear about bank stocks is that if the banks go broke, the country is in big trouble. Consequently, most people believe that bank prices have nowhere to go but up. While this is true over time, the question is when? Even this sector will not go straight up. There may be periods of time that it shows low, negative, or no growth.

Banks earn their profits in various ways: by benefiting from the difference between the rates that they charge borrowers and the yield they pay to account balances or GICs; by making money on the difference in price when they buy or sell foreign currencies; and by collecting large sums from the service fees they charge customers for holding the *customers'* money.

Bank common shares pay a moderate rate of dividend with possible growth. Banks do tend to fluctuate in price with the economic cycles, which technical analysts state are predictable. Most novice investors should have a bank stock holding. One way to choose in which bank you're going to invest your money is by assessing whether you have a preference of dealing with one bank over another because of a particular feature; it may be the customer service, your local branch personnel calling you by name, the technology they use, or accessibility, for example. Once you have a position in your favorite bank, look to invest in one of the others.

Now You're Cooking!

The other category of financial institutions is made up of insurance companies, mutual fund common shares, brokerage houses, and lending or finance companies. This group is referred to as the non-bank financials. These institutions also deal with the handling of other people's money through different products, and provide some kind of specialty service to help people with their finances. They all have their own level of security as far as a financial company goes.

Insurance companies gather enormous amounts of money to create a pool of funds to pay out for claims made by their policyholders. The handling of these funds is strictly regulated by a government insurance act. If the investment of this fund by a good manager yields an attractive return, the insurance company will make a good profit, which will be reflected in its stock price.

Mutual fund companies are sometimes publicly listed stocks. The more successful the mutual funds are, the more people invest in them, and the more the stock rises. But the mutual fund has to maintain a fine balance; it needs to pay enough to the fund managers to attract the best, and hopes

DEFINITION OF MUTUAL FUND

A pool of investor's money managed by a professional manager. You invest with this group by purchasing units of the fund.

that the results draw more fund purchases to make more profits. Sometimes mutual funds actually purchase other mutual fund common shares.

Brokerage houses have various means to contribute to the bottom line. They operate similarly to banks by charging service fees, commissions, management and underwriting fees, interest on borrowing on margin, and by earning the difference on foreign exchange rates. Major houses are often listed on the stock exchanges.

The final type of financial institution for this category is the finance or lending company. There are a few leasing or lending companies that are publicly listed. These companies sell leases of

DEFINITION OF BORROWING ON MARGIN

Borrowing against securities that you own, similar to a loan.

various products and usually charge a higher rate of interest than a bank. The leases allow a person to purchase a product with little or no money down, but they do not have ownership of it.

Sweet Potato and Curry Soup

4 cups sweet potato, peeled and cubed (about 2 medium)
1 large carrot, peeled and cubed
1 small apple, peeled, cored, and cubed
3 ¼ cups chicken or vegetable stock
½ tsp curry powder
¼ tsp ground nutmeg
½ tsp salt
½ cup whole milk or whipping cream

In a large saucepan, combine sweet potato, carrot, apple, and stock. Bring to a boil. Reduce heat, cover, and simmer until all vegetables are

tender. Place into a food processor or blender. Add curry powder, nutmeg, and salt, and purée until smooth.

Return mixture to large saucepan. Add milk or whipping cream. Simmer over low heat for 5 minutes. Do not overheat as soup can easily burn.

NOTE: If soup is too thick, add extra milk or stock.

Charlie the Timely Tuna

Seafood/Specialty Companies

As a child, once you get used to eating the standard meats like beef, chicken, pork, and lamb, you may have an opportunity to try seafood. Usually, parents wait until a child is older, to avoid the possibility of a seafood allergy. Liking seafood can be an acquired taste, and it can be costly if your young children enjoy the luxury of eating crab, shrimp, and lobster before having a full understanding of the value of the dollar.

Similarly, investors can choose to invest in unusual companies that produce things that they do not understand. New alternative fuel companies, medical, drug, and genetic research companies, and blood replacement companies are examples of fields whose

complexities are not understood by the average person, but could be eventually, once the product is available for general consumer use.

With the rise of new products and technology, a company may not necessarily fit into an existing sector description. For example, new alternative fuel companies, biotechnology, medical research, and discovery companies are types of stocks that should not be ignored for investment. You will probably have to do much more research to figure out growth potential, because there may or may not be a fair comparison. It does not mean that their product is not useful or worthwhile; rather, since they are so innovative they may have the perfect new product. This type of company often goes public and lists on a stock exchange in order to raise more capital necessary to continue to expand or develop their business.

For the risk averse, these kinds of specialty stocks may not be ideal in a startup portfolio. You need to find out if you are allergic to seafood and try a small sample before attempting to eat a whole lobster.

Papered Sole

1 filet of sole

green beans, frenched (sliced on the diagonal)

small onion, slivered

carrot, slivered

butter

½ fresh lemon

garlic powder

parchment paper

Place the piece of sole on a 15-inch length of parchment paper. Lay pieces of green bean, onion and carrot slivers, and a pat of butter on the fish. Squeeze lemon juice on and sprinkle with garlic powder. Fold parchment paper in half to envelop the fish. Roll open ends in a semi-circular fashion to seal fish inside package. Place on cookie sheet and bake at 350°F until paper turns brown, approximately 10 minutes. Serve with rice.

Yield: one serving. Increase all ingredients to number of servings you desire.

Italian or Chinese Tonight?

Ethnic Foods/Foreign Funds

This may seem daring to do, but nothing should stop you from trying a foreign food like Japanese sushi. You probably will not be familiar with all the ingredients in it or how it is prepared. Likewise with an international mutual fund, you don't really know all the companies in which it invests. Once you feel you have fully tapped our North American markets for investments, it may be time for you to venture out to experience the foods from other countries and cultures. Not only can we savor the cultural cuisine of other regions, but we can savor their economies and the growth of their industries as well.

It is important to view the world as one of numerous investment opportunities. With the help of importing, and of modern-day technology, we are able to experience foreign products. Geographical positions may or may not hinder the investor. Because of time zones and stocks that may trade only on foreign exchanges overseas, you may find the logistics of foreign investing to be a stumbling block. The most suitable way to get foreign investment exposure in this case is by investing in an international mutual fund. It is preferable that the managers of these foreign funds live in the same country in which they invest. There, they are closer to the pulse of those foreign economies and, for that reason, may be better able to fully understand how they work, what is productive, and who the competitors are. We can also invest in stocks from other exchanges and countries and benefit from their difference. A European stock can become as popular to an investor as Italian food is to North Americans.

Now You're Cooking!

If you are really set on investing in foreign companies yourself, there are ways to do it independent of a mutual fund. Do your research diligently, either via the Internet (the company's own Web

page would have financial information) or by ordering annual reports to review. Some companies trade via American Depository Receipts (ADRs) or on the New York Stock Exchange (NYSE). An ADR is similar to a pizza. Even though pizza is originally an Italian food, to Americans it is a domestic food staple. An ADR stock is similar in that the company is familiar and well recognized, yet not American in origin (for example, Sony). With its internationally recognized name, many will think it is an American-founded company when it is seen listed on the NYSE. Due to a strong international following, it is usually prudent for a company to trade as an ADR in order to attract more investors.

An ADR trades on a US exchange and in US dollars. An investment bank purchases the shares of the foreign company. A depositary bank then issues an ADR certificate backed by the shares purchased by the investment bank. Dividends that are paid by the foreign company are still proportionally distributed, less a management fee and applicable withholding taxes. Presently there are approximately 1,000 ADRs that trade on the NYSE. For a comprehensive list, visit the Bank of New York Web site at www.bankofny.com.

Oriental Lettuce Wrap

1 tsp sesame oil

1 lb lean ground pork

6 large shitake mushrooms, finely diced

2 chinese sausages, finely chopped

1 cup green onion, finely chopped

1 tsp fresh grated ginger

½ cup rice wine

1 tbsp soy sauce

½ cup coriander, finely chopped

1 cup carrots, finely diced

½ cup water chestnuts, finely diced

2 cloves garlic, minced

2 tbsp cornstarch in 2 tbsp water

⅓ cup hoisin sauce

Iceberg lettuce leaves

In a heated frying pan with sesame oil, fry the ground pork until cooked. Add all other ingredients except cornstarch, water, hoisin sauce, and lettuce. Pan fry until everything is lightly cooked.

Add cornstarch and water to thicken sauce. Add teaspoon of hoisin sauce and spoonful of meat mixture into the cup of a lettuce leaf. Fold lettuce to envelop contents. Serve warm.

Sweet Tooth

Desserts/Highly Speculative Stocks

Nothing is more enticing than a rich, moist, luxurious piece of chocolate cake at the end of a good meal (or, for some people, instead of a good meal). Think about the food that tempts you most; it's most likely the kind of food that's described as sinful. You often hear people say, "I really shouldn't," as they order that piece of cheesecake, or — my favorite line — "If I don't think about the calories, sugar, and fat, it won't matter." Desserts like these look and taste delicious, but can be really bad for your diet and health.

Listen to how desserts are described by restaurant servers, and read the descriptions on the menus. The words are carefully chosen to entice you into buying and eating these foods.

If you were at a party and made a significant amount of money from a stock, would you tell everyone? What about a loss? Be cautioned that people tend to hear about the big gains, not the losses.

Speculative stocks are very similar: they sound fantastic, maybe even too good to be true. These fabulous-sounding stocks usually carry a high risk and potentially can be detrimental to your portfolio.

As an investment advisor, I constantly hear my clients talk about "hot" stock tips they received from friends, colleagues, squash partners. . . . I ask my clients to consider how far down on the rumor chain they are before they invest their money in one of these hot prospects. Are they sleeping with the CEO? Or is their best friend's brother's bandmate's sister sleeping with the brother of the CEO's mother's chiropractor's veterinarian? If my clients are still convinced that they'll make a killing, after they consider the reliability of the hot tip, I will strongly urge them to only invest what they can afford to lose.

Do you know how reliable your source is? Ask yourself how confident you are that the stock information you receive is accurate.

I measure people's risk tolerance by whether or not they lose sleep over financial, especially market-related, issues.

Speculative stocks usually have a good story behind them, but no proven record to go with it. Why does the person telling the story want you to buy the stock? Do they have your best interests at heart? Is it a truly close friend who wants you to share in their good fortune? Unfortunately, this is not always the case, and I have seen cases where the person telling the seductive hot tip story is secretly trying to sell her own shares of the stock in question.

In a speculative stock, only invest an amount you are prepared to lose.

Not all speculative stocks are going to hurt you financially. Some may even earn you a lot of money. No matter what your source is, research the company the best you can before committing any money. And remember, no matter how great the tip seems, you should be more cautious with the amount of money you invest than you would with a meat, or blue chip, stock. Also, be sure that you don't indulge in dessert until you have eaten a balanced meal — appetizer, meat, potatoes, and vegetables. If you have been wise about the holdings you picked for these categories, you'll feel satisfied and won't need a dessert to enhance your meal.

Mom's Buttertarts

¼ lb butter, melted

½ cup brown sugar

½ cup white sugar

¼ cup corn syrup

½ tsp vanilla

¼ tsp salt

3 eggs

½ cup raisins, soaked in warm water

24 pre-made tart shells, uncooked

Combine butter and sugars until well blended. Add corn syrup, vanilla, and salt. Add eggs to mixture and blend. Drain raisins and blot on paper towel. Put 4 to 5 raisins in each tart shell. Pour filling into tart shells and bake at 375°F for 15 to 18 minutes, or until shells are browned. Cool and serve.

Something to Whet Your Whistle

Beverages/Resources

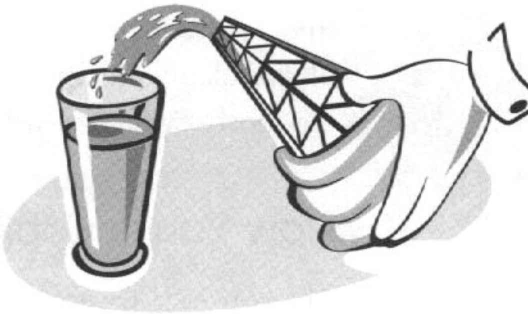
As a complement to any meal, you need some libation, a "pouring out of a drink-offering to a god." My libations are raw materials that come from the earth. These resources are necessary for all aspects of product manufacturing and production. We need to honor these products for the importance that they play in our lives. The first miners, foresters, and trappers played an integral part in the creation of the industrialized world. Just as important as the production of these raw materials is the investment in the companies that discover and recover these resources.

It is important to understand the significance of this sector. Long before the days of the

technological revolution came the industrial revolution. With its exponential increase in manufacturing, came an equally sharp increase in the use of land resources. Resource companies are at the opposite end of the spectrum from tech stocks. Because they are as low-tech as you can get, it is easy to forget this sector in our high-tech world. Without exploration companies seeking out other sources of raw materials, however, our supply of basic ingredients will eventually dwindle away.

With exploration also comes a higher degree of risk. These higher-risk stocks should be treated like alcoholic drinks: only have a few or your portfolio can become reckless and dangerous. A lower-risk resource stock is like juice or milk: it can be good for your body and your portfolio. The unknown factors with resource stocks are great, as we are not assured of finding raw resources everywhere we drill. There are various levels of resources in terms of risk, including (from high- to low-risk): exploration junior companies, mid-cap and large capitalized companies, and integrated companies. Simply put, the more refined the resource and closer to the consumer, the lower the risk in general.

The amount of profit a company makes is influenced by the price of the underlying commodity. For example, as lumber prices rise, the profit of pulp and paper companies also rises. Their production costs are usually stable, and if they can get a better price for the paper, the more profit they will make.



The converse is true when commodity prices fall. As the price weakens, so does the stock price. Resource stocks are considered cyclical, and therefore there may be times — such as the low part of the economic cycle — when you may choose not to invest in any resources at all, but may be better off using that capital to invest in another sector.

To invest in this area as a novice, it is best to buy stocks that are more senior in the production chain: either the refinery or distributor of the resource. Good examples are the large integrated oil and gas companies — the ones that may supply your local gas station or natural gas company.

As you become more familiar and experienced investing in or following the companies with the larger capitalization, you may want to venture out to the exploration companies. Beware, though, very often the stock prices of these companies rise based on rumors or predictions of the

finds rather than the actual discovery. These kinds of speculative stocks should be reserved for only the most seasoned diversified investor.

Now You're Cooking!

Did you ever have an alcoholic drink in which you didn't taste the alcohol, something like a Long Island Iced Tea? It seems harmless when you drink it because it tastes like regular iced tea, but actually it is not what it seems. If you have drunk a few, you know they can be dangerous. You really enjoy that kind, sitting outside on a hot sunny day. They go down so easily and then . . . you stand up. Oops! The drink turns out to be a little more powerful and damaging to the brain than we thought. Income trusts are similar in that they sneak up on you and before you know it, too many can do a lot of damage.

"Income trust" is a misnomer, and it should be treated with caution like the Long Island Iced Tea. The name implies that it provides a steady and trustworthy income. While partially true, this investment can also be untrustworthy and volatile. A resource or energy company usually issues it to provide a flow of income to the shareholder. At first glance the yield is quite attractive, as it is usually higher than the current interest rate environment. Remember, though, that if something is too good to be true, it is usually due to a higher level of risk.

The income payments from trust units are not guaranteed and can be suspended by the company without warning and with no cumulative feature. The other aspect that investors need to be aware of is that the price of the trust is not only interest-rate sensitive, but can be affected by a price change in the underlying commodity. For example, an oil income trust's price can decline if the price per barrel of crude oil weakens. You also need to investigate the way the income is taxed back to you. If the money paid to you is deemed a return of capital, this means that your adjusted cost base (ACB) is being reduced and that upon expiry or disposition you will realize a higher capital gain. Other times, the income is considered dividend income or part capital gain, so it is important that you fully understand

> **DEFINITION OF COMMODITY**
> A product of nature that is grown or found in the ground and usually considered a raw material that is traded or processed.

how the income is treated for taxes before you get a surprise from the tax slip at the end of the year.

Recently, income trusts have been created for various companies other than commodity-based ones. There are income trusts for real estate, restaurants, trucking companies, and hydro power companies, to name a few. The common factor is that all of these companies generate some type of cash flow that is passed on to the investor at a higher than average yield. It is important to fully research the stability of this cash flow and find out what the risk is to justify that higher yield.

Homemade Baileys

½ pint table cream

3 tbsp chocolate syrup

1 tbsp instant coffee

3 eggs

1 can condensed milk

1 cup whiskey (rye or scotch)

Blend ingredients until smooth and keep refrigerated. Makes 40 oz.

Once You Start, You Can't Have Just One

Snack Foods/ Initial Public Offerings

Initial public offerings (IPOs) or new issues are shares that a company distributes to the public for the first time. The purpose for issuing IPOs is to raise funds to help the company develop. Once a company decides to do this it goes to a specialist — an underwriter — to "bring the issue to market."

When you purchase a new issue you will get it at a predetermined price with no commission costs. Many factors are used to help establish the starting value price. If the underwriter has priced the shares at a fair value to the company, when

they start to trade they either stay at the issue price or appreciate. If the public does not think that the shares are a good representation of the value of the company, the shares will go below the issue price.

Most novice investors shy away from investing in IPOs until they have a well-established portfolio and are more experienced. After all, you are making your purchase virtually sight unseen, since you do not have any past track record to indicate the growth value of the shares, unless they are secondary shares issued by an existing public company.

Be careful not to confuse an IPO with a secondary issue or bought deal. A bought deal is the sale of shares already issued by the company but sold to a dealer as a large block at a preferred price. That dealer then sells them to investors like a new issue. There is no commission cost to the buyer.

Don't buy into a hyped-up company — if you are interested in purchasing an IPO, it's important to research the company by reading and understanding a copy of the "prospectus." This document is used to help sell the company to potential investors. You should ask yourself various questions when reading the prospectus, such as:

- What is the company going to do with the funds it raises? Is it using them to pay off a large debt? If so, why does it have this debt?
- What is the company's past revenue record and what are the future projections?
- Whose shares are you buying?
- What is the outstanding number of shares? Is there enough for the stock to be liquid? Are there going to be too many shares that nobody will want (thereby weakening the price)?
- What are the company's liabilities?
- Who are the competitors?
- Is the issue being priced fairly?
- What is the reputation of the house bringing the issue to market?

If the answers to these questions reflect positive future prospects for the company, then go ahead and invest in what might be the next Microsoft!

I refer to this type of investment as snack or junk food because it offers the eater a quick food fix for a low cost. Also, if you have bought a successful IPO that has risen through the roof, you can't wait for the next one.

Not Just Any Chocolate Chip Cookie

Hint: You need to store your chocolate chips in the freezer before use in this recipe.

½ cup butter

½ cup white sugar

½ cup brown sugar

1 egg

1 tsp vanilla

1 ¼ cups all-purpose flour

1 tsp baking soda

1 tsp baking powder

¾–1 cup chocolate chips, frozen

Melt butter and add to sugars. Blend well. Stir in egg and vanilla. Add flour, baking soda, and baking powder. Mix well. Fold in frozen chocolate chips. Dough will stiffen. If you don't have the cold chocolate chips, you can chill the dough in the refrigerator. Drop by spoonfuls onto greased or parchment-covered cookie sheet. Bake at 350°F for 8 to 10 minutes, or until lightly brown. Cool on rack.

Pop, Pop, Pop

Popcorn/Internet Stocks

When people go to a movie theatre, they often visit the snack counter — the place where food and drinks have been created for giants. Even if you don't really like popcorn, you'll probably still buy a small bag, because everyone else in the theatre will have some and the smell is so enticing.

Trading technology stocks was once popular, and may be again one day. It was like the popcorn trade — everyone had to have some, not because they particularly liked or understood them, but because most people seemed to own some. This does not make owning tech stocks bad; indeed, they helped shape a modern-day industrial revolution. The only caution is that you don't need to have more than your portfolio can handle just

because the person behind the snack counter talked you into buying a mega-large size for only an extra dollar.

Treat technology stocks like any other food. Have a little in your meal for the times you go to watch a movie, either at home or at a theatre. Beware the up-sell to a larger size that you can't eat. And just like a real bag of popcorn, some of the kernels when popped explode to be fluffy large pieces that are light and a joy to eat, while others are duds and will be left at the bottom of the bag.

Techy Popcorn Squares

¼ cup butter or margarine

5 cups marshmallows

½ tsp vanilla

6 cups plain unsalted popcorn

Melt butter and add marshmallows. Stir over low heat until marshmallows are melted. Remove from heat and add vanilla. Add popcorn and stir until well coated. Drop into large cake pan and lightly press. Cool and cut into squares.

Parsley, Dill, and Carrot Curls

Garnishes/Gold Stocks

Since its discovery, gold has always been used as a measure of wealth. Banks, countries, and investors have historically relied on gold to provide them with security in times of economic and political crises. From an investor's point of view, it is used as a hedge against inflation. A change in a central bank's position in gold can influence the price of gold. Gold pricing is usually quoted per ounce in US dollars. A bank's decision to sell some of its supply will cause the gold price to fall.

Value of anything is determined by the effects of supply and demand. When there is a shortage of supply or if the demand of an item increases, the value of the item goes up. Conversely, an increase of supply or decrease in demand causes an item's value to go down. Money is one way to measure the value of something, but the exchange or trading of goods also demonstrates the worth or value of something. You can liken this to an elaborate eye-appealing presentation of a meal: fancy radish flowers, carrot carvings, sprigs of parsley added to a plate to increase the desire of wanting to sample the food. These garnishes do not add to the actual dish, but presentation of food is very important. Gold's place in a portfolio is similar. There may be times, especially when there is rising inflation, when you need to have a gold holding.

In times of world economic stability, the investment in a gold company or gold bullion itself can be minimal or non-existent. In deciding to invest in gold, you should assess the risk of inflation — after you have seen a possible rise in gold pricing. Gold stocks will normally rise in value if the gold price rises. This is because production costs are relatively stable and the profitability rises if the gold production company will get a better price for their product.

Dress It Up Veggie Garnish

Slice a carrot with a large diameter to create carrot discs. Carefully cut a circle from the center to make a donut-shaped disc. Insert green beans through the center. Blanch in a pot of boiling water until beans are bright green and tender. Add to entrée plate as a garnish.

Pour It On

Gravy and Sauces/Foreign Exchange

Many people like to slather gravy on mashed potatoes. When investing in bonds, you can be adventurous and slather gravy on them too. You can do this by purchasing bonds that are issued in a currency other than your home currency. This will expose you to currency risk — the risk when there is a change of exchange rate from the time you purchase the bond in the other currency until the bond matures and you decide to change back to your home currency.

It can also be beneficial when your dollar has weakened and you would then receive more dollars back when you sell them. You need to be cautious and informed about this currency risk, especially with bonds that do not mature within a short time frame.

For those who may prefer a Béarnaise sauce instead of gravy, adding the element of currency investment can also add flavor to your stocks. More than likely as you begin to invest, you will not limit your stock purchases to the stock exchange in your country. If you purchase stocks that trade in a currency other than your own, you need to be aware of the currency risk — in this case, an amount of risk that is created by the changes in your own domestic dollar. When the Canadian dollar, for example, changes against the American dollar, it may either add to your profits, reduce them, or wipe them out entirely. If the Canadian dollar strengthens or rises from the price when you bought an American stock, when you sell that stock and convert your US money back into Canadian funds, you will receive less.

On the other hand, currency differences can work for you. Suppose you buy a stock listed on the NYSE and you decide to sell it at the same price you bought it. If the Canadian dollar has since gone down in value you will actually make money due to the change in the exchange rate.

Currency risk is another subtle factor that you should be aware of when deciding to purchase a foreign stock, even if it is just across the border.

Now You're Cooking!

There may be opportunities for you to take advantage of changes in foreign exchange rates. There are foreign currency bonds that pay you an interest income and give you the opportunity to play the exchange rate game. Our home governments also issue bonds in other countries' currencies, so you may be more comfortable with your home government as the issuer. The interest yield on a bond pays at a level similar to that currency's present yield to be marketable there. Therefore, you may be able to get a return on your bond greater than what is here at home, but now you become exposed to currency risk. If there is a drastic drop in the currency you invest in, it can reduce or eliminate the higher income you receive when the bond matures or you sell and convert back to your home currency. The converse is true as well. If the country's economy in which you invest becomes stronger and worldwide their currency strengthens, then you not only receive a better yield on your

fixed income product, but you make even more money from the improved exchange rate.

Sneaky Alfredo Sauce

½ cup butter

1 clove fresh garlic, finely chopped

1 8-oz. (250 g) pkg cream cheese, cubed

2 cups milk

½ to ¾ cup grated Parmesan cheese

salt and pepper to taste

Melt butter in a saucepan over medium heat. Add garlic clove. Add cream cheese and milk a little at a time to pan while whisking to blend together. Continue whisking until smooth. Stir in Parmesan cheese, salt, and pepper. Remove from heat once desired thickness is reached. Add more milk to thin if needed. Add to hot pasta and serve.

Too Hot for Me!

Spices and Seasonings/Derivatives

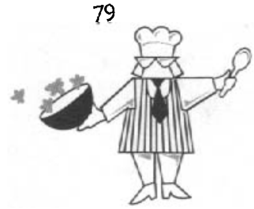
Now You're Cooking!

After you are comfortable with the well-balanced portfolio you have created, you may expand your experience and trade derivative products. These investments can be extremely risky, and have even brought down banks when misused. They truly are for well-seasoned investors. Derivatives take additional research, ingenuity, and financial calculations. They are also time-consuming since

DEFINITION OF DERIVATIVE

A financial instrument whose value is based on another security.

(from hyperdictionary.com)



DEFINITION OF OPTION

A privilege sold by one party to another that offers the buyer the right, but not the obligation, to buy (call) or sell (put) a security at an agreed-upon price during a certain period of time or on a specific date.

they should be followed hour by hour, or in a volatile market, minute by minute. For some people they provide an interesting challenge to unravel, but it is best to receive professional advice and/or assistance to execute them.

The first type of derivative is called options. They provide the option to buy or sell a security, but not the obligation. Options are like a side bet that a stock will go up or down when you don't want to trade the actual stock. Options have three components: the stock, the month of expiry, and the strike price. Options have an expiry on the third Friday of each month. You choose in which month or in what time frame you expect the stock to move. Options differ from stock purchases in that you pay for the term that they exist. This is called the time premium. The strike price is your expected value of the stock when the option expires. Careful evaluation of these elements can

Options trade in lots of 100 shares and the minimum number of options you can trade is one. This implies "1 board lot" of 100 shares. Each option, or contract, therefore represents the 100 shares. For example, if you buy two call contracts of XYZ, then you are taking out the option, but not the obligation, to buy 200 shares of XYZ.

make an option an effective addition to your investment strategy.

The simplest option strategies are to buy a call or a put. If you think a stock is going to rise in value, you want to buy a call. If you think a stock is going to decrease in value, you should buy a put. You determine in what time frame this will happen. You can choose to buy the option when the strike price is equal to or near where the stock is currently trading; this is called "in the money." Depending on how far out your expiry is, you will have to pay a time premium (in this strategy, time has a monetary value). As an option nears its expiry, the time premium decreases until it has zero value.

A simple example is:

A) Stock ABC is trading at $100 today in January. The call option "call ABC March 100" is trading at

$6. Therefore, the time premium is $6. Since it is in the money, hypothetically, the option rises $1 for every $1 the stock rises. Remember, you paid an extra $6 for a three-month maturity, because you may not have the funds or want to actually own the stock. Over time the $6 time premium will erode to zero value at maturity.

B) The option "call ABC March 110" is trading at $4. Therefore, the time premium is still $4. This option is out of the money. It will need to eventually reach $110 as a stock price before rising in tandem with the stock. The benefit is that you pay less for the option, but the negative is that the stock needs to rise more to have a higher correlating return. This is a strategy if you are extremely bullish (positive) that the stock is going to appreciate in value.

Now let's say you bought the call and the underlying stock goes down. The time premium is still eroding away and your option value is also going down. If the stock does not rise above the strike price the option expires worthless and . . . you lose the price you paid. If the stock price goes up, you can elect to exercise your option and call the stock from an owner that sold the call option at the strike price even though the stock price is higher on the market. Remember that for every buyer there is a seller. It usually does not make good investment sense to exercise an option out of the money.

Now for the good part . . . when you make money. Our second example was where we bought a "call ABC March 110." It is nearing the third Friday of March and ABC is trading at $125. The time premium is zero or near zero and the option is trading approximately at $15. We paid $4, so our profit is $11. Choice 1 is to sell the call, take the profit, and run. This would give us a good return percentage-wise based on the original capital we invested. Choice 2 is to exercise the option and call the stock. You are electing to buy ABC at $110 and hold it with the thought that it will continue to rise above the present $125.

The converse strategy of a call, the put option is the option to "put the stock" to someone or force them to buy your stock at a higher price than what it is trading at. Your intuition with a put is that you feel the underlying stock will decline in value. In this case, though, you own the stock and want the protection to sell at a higher price if it does go down in price. If it doesn't decline you let the option expire and you continue to own the stock. This is like buying

insurance on which you hope not to collect.

Another basic option strategy is "covered call writing." This is a neutral expectation of the underlying stock where you neither expect the stock to rise nor fall much from its present value. You can receive some money with this strategy while you are waiting for the next big move in the market.

You now own ABC. You sell or write a call against this stock, which is similar to a short sell in that you receive the money for the option instead of buying or paying for it. You are now just waiting for the time premium to erode on the option so you get to keep the money. But, don't get excited. . . . If ABC goes up in price the buyer of your call option may, and probably will, call your stock away — forcing you to sell your stock at a price lower than for what it is actually trading. You do get to keep the value you wrote the option for, but it may not be as great as the rise in ABC.

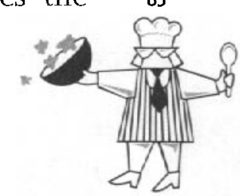
To buy a call or a put or to write a call are just three of the simplest options strategies. There are others more sophisticated so remember to do a lot of research if you are going to trade options on your own. Even better, use a professional who specializes in options.

Another kind of derivative is the convertible debenture. It is like a fixed income product with the option attached for the debenture holder to swap it for the underlying stock before the maturity date. In the meantime you receive interest payments from the company, as you have effectively loaned them money. The correlating market price is tied to the stock price and interest rate environment.

A third derivative product is warrants. Warrants are similar to options, but sometimes with a longer time frame. They have an expiry date and an exercise price. You purchase the underlying stock by paying a fixed price upon the expiry. You do not have the flexibility to choose at which price you buy the stock.

> **An element that you will hear about when people refer to derivatives is the intrinsic value – "the implied value of the instrument" that may or may not be reflected in the actual price.**

These are three basic types of derivatives that you can use to spice up your portfolio. When a recipe calls for cayenne pepper, you would add a very small amount, taste it, and then possibly add more until you reach the right amount of spiciness you can handle. You should handle derivatives the



same way. Only add them to your portfolio after you are a more experienced investor and can fully assess the high level of risk they expose you to. You don't want to spoil your food by adding too much ZING!

Spice It Up Chili

2 tbsp vegetable oil

1 lb stewing beef, cubed

2 onions, finely chopped

3 cloves garlic, minced

1 lb ground beef

1 14½-oz. can peeled and diced tomatoes with juice

1 can or bottle of beer

1 cup coffee

2 6-oz. cans tomato paste

1 10-oz. (284 ml) can beef broth concentrate

¼ cup brown sugar

1 tbsp chili powder

1 tsp unsweetened cocoa powder

1 tsp dried oregano

1 tsp ground cayenne pepper

1 tsp salt

4 15-oz. cans kidney beans (light and/or dark)

1 to 4 fresh hot chili peppers, seeded and finely chopped

Heat oil in a pot large enough to hold all ingredients. Brown the stewing beef. Add onions, garlic, and ground beef. Cook until onions are clear and ground meat is browned. Mix in the diced tomatoes and juice, beer, coffee, tomato paste, and beef broth. Stir in brown sugar, chili powder, cocoa powder, oregano, cayenne pepper, and salt. Drain beans, then add them to the pot. Add the finely chopped chili pepper. (Add the number of chili peppers according to how spicy you want your chili. You can also increase the amount of chili powder and cayenne pepper to your taste.) Bring to a boil and then immediately reduce heat to a simmer with lid off. Stir periodically so chili won't stick to bottom of pot. Continue to simmer for 2 hours or more until thickened. Serve hot. You can add a dollop of sour cream for those who can't take the heat.

Notes

SECTION TWO

PREPARING AND EATING YOUR MEAL

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Generic or Name Brand?

Grocery Stores/Brokerage Houses

Where you buy your food usually varies. You can buy from a major grocery store, big-box store, farmer's market, specialty fruit and vegetable market, butcher, or costly variety store for quick things. Now you can even order your groceries online.

Likewise, there are many ways you can buy your stocks, mutual funds, and fixed income products. There are full-service brokerage houses, boutique specialty houses, high net worth houses, private money managers, discount traders, and online trading. Each of these choices is targeted to specific levels of investors' needs. You need to ask yourself various questions to decide where is most suitable for your needs.

Complete the questions below to help guide you to where you should start looking.

Excellent	Good	Fair	Weak	Poor
1	2	3	4	5

What is your investment knowledge? 1 2 3 4 5

What is your investment experience? 1 2 3 4 5

What is your willingness to be involved? 1 2 3 4 5

How good are your computer and Internet skills?
1 2 3 4 5

How are your skills, interest, and ability to research a company? 1 2 3 4 5

What is the probability of you doing research?
1 2 3 4 5

Extremely	Very	Somewhat	Slightly	Not
1	2	3	4	5

How concerned are you about the commission charges? 1 2 3 4 5

How independent would you be from someone giving you advice? 1 2 3 4 5

How well would you be able to weather through a downturn in the market without your hand being held by a professional? 1 2 3 4 5

How well would you be able to track your investments on your own? 1 2 3 4 5

How well are you able to accept losses in your investments? 1 2 3 4 5

How secretive or hesitant are you about disclosing all of your financial information? 1 2 3 4 5

How unwilling are you to pay for convenience and time? 1 2 3 4 5

How satisfied would you be with little or no contact from an advisor? 1 2 3 4 5

How likely would it be for you to review your investments on your own? 1 2 3 4 5

How likely is it that you would initiate a trade? 1 2 3 4 5

Look at your responses. Check the number you most frequently circled against the suggested type of investment institution you could use below.

5 – Managed money account.

4 – Full-service brokerage firm.

3 – Mutual fund company.

2 – Discount brokerage house.

1 – Online trading account.

Bear in mind this can be an experimental process until you find one that works for you. Don't be afraid to ask questions. If you need to transfer your account from place to place, realize that transfer fees may arise and can be costly. Also, your expectation of level of service may not be what that company provides. Referrals from friends are especially good because usually the service has been tested, but your friend's expectation and temperament may be different from yours. It is as important to shop at the right store or trading house as it is to find the right chef or advisor.

Your Menu, Sir

Menu/Technical Analysis

The menu posted on the outside of a restaurant is there to give you an idea of the type of food to expect. Technical charts do the same. They are one of the various ways to check or analyze the quality of a stock. Charts show the current and past price performance of a stock will give you some idea of direction. They should not be used to try to time the market — inevitably when you wait because a stock seems too pricey, the next thing you know it has gone up — but they will allow you to know at a glance that the price is increasing. If the lines on the graph go from the lower left corner to the upper right, it is very simple to see the rise in value. The most valuable element in learning technical analysis is that it is an unbiased opinion. Techies look at only the chart to tell

them whether or not to buy or sell a stock. They don't look at the sector, industry, importance of the name of the company, management, fundamentals, or valuation.

There are reports that give you the description of the company, financial make-up, and year-over-year earnings. Looking at the same characteristics of each company you are interested in will help you choose which is the better investment. Also review various time horizons to fit your expected holding period. If the long-term trend of a stock is up and you intend to buy it, park it away, and forget about it, then it may be the one for you. If you are going to worry about the day to day peaks and valleys, the stock may require a more thorough look at its management, earnings, and overall value. There are many facets to technical analysis and it takes numerous books and research to fully understand them.

Once you have made your selection, you tell the waiter (place the order), sit back, and wait for the dish (growth rewards).

There are so many sources of information that it is impossible to cover them all. Your local daily newspaper, national news, financial television shows, radio, Internet Web sites, chat rooms, and brokerage house analysts' reports are just some of the sources that can give you information to make you a well-informed investor.

Where's Walter?

Personal Chef/Investment Advisor

Imagine this: a man named Walter comes to your home and helps solve your meal-planning problems. Walter is a personal chef, who can add variation to your meals when you feel like you're in a cooking rut.

Walter's first step will be to meet with you and have you complete a questionnaire about the eating habits of your family. He'll ask how many people are served at each meal, the portions each child would eat, the individual likes and dislikes of each family member, and your tolerance for trying new things. Walter will keep the form for future reference and leave you with a list — complete with full descriptions — of his most popular entrées, as well as indicate the dishes he believes would be appropriate for your purposes.

From there you have the option of choosing some meals for Walter to prepare for your freezer.

You won't always have time to do the planning, shopping, preparing, and cooking that is required to feed your family, so Walter could be the perfect solution. He would free up much-needed time, and liven up the meals that are served at your table.

A professional investment advisor can be your personal portfolio chef. You can find an investment advisor by asking friends for referrals, searching the yellow pages, calling investment houses, and conducting research on the Internet. Interview advisors until you find one that suits your particular needs. Don't be disheartened if you don't find the perfect portfolio chef immediately; the process can be very involved and, if you choose wisely, will be worth that effort. If you have a good relationship with your advisor, it is quite possible that you will be working together for 10, 20, even 30 or more years. It is therefore extremely important that you are comfortable with her and that you trust her opinion.

Don't hesitate to express your own opinion — how else will your advisor be able to tailor the menu to suit you? Let's say you have a severe allergy to nuts. If you don't inform Walter of the allergy, it could have dire consequences. On the other hand, if one of your family members doesn't like mushrooms, it's not a life-threatening condition, but is still important to disclose in order to fully enjoy the meals that Walter prepares.

This is the kind of communication that needs to take place between you and your investment advisor. Because of her expertise, her job is to suggest investments and asset allocations, and to advise you when to buy and sell shares. But her job is also to listen to you, to your feedback and opinions. If you are not comfortable with something that your advisor suggests, tell her; if you don't, you are stopping her from doing her best for you and you may be putting your portfolio at risk.

Do you have a friend who invests and can recommend their advisor to you? If they won't, then why not?

Would you recommend your advisor to a friend?

It's also important that you're comfortable with disclosing any relevant information so that

your advisor can effectively make investment decisions for you. You need to share your risk tolerance, your financial circumstances, and you may even have to divulge some rather personal information. Investment advisors do not ask questions to be nosy; rather, the information helps them make the best decisions for their clients. Your advisor may want to know details such as your marital status, your age, how many children you have, whether you own your own home, your income, and how much risk you are willing to take with your portfolio. You should be willing to give her a complete financial history and standing, just as you would provide a new family physician with a complete medical history. Also tell your advisor about any major life changes or any new concerns you may have. Sometimes details that seem minor to you can make a direct or indirect difference to your financial plan. Honesty — on both sides — is crucial to a positive advisor-client relationship.

Make sure you know with whom you can place an order or ask questions of, if your financial advisor is unavailable or on holidays.

Here are some questions to ask your prospective financial advisor:

What are your credentials?

How long have you been in the business? (Are they just starting out?)

How long have you worked for this company?

How often have you changed companies? (If they've moved more often than makes you comfortable, ask why the changes have occurred.)

What is your commission scale for equity trades, mutual funds, and fixed income products?

How many clients do you have?

In terms of account size, where does mine stand amongst your existing clients?

What are you legally licensed to sell in this province or state? (Check with local securities regulators for verification.)

How often will I get a financial review? Will it show my rates of return?

If I call you, will I be able to speak to you for investment advice directly?

Who assists you? What tasks does your assistant do, and what do you do yourself?

What hours do you work? When is the best time for me to reach you?

Is there someone for me to call when you're unavailable?

Approximately how often should I expect to hear from you?

Are there any services you offer other than investment advice? (Estate planning, retirement planning, etc.)

What do you like most about this business? Least?

Do you own shares of everything you recommend?

How will I know when to buy or sell a particular investment?

Now You're Cooking!

An added bonus to this unique relationship arises from the networking potential of a financial advisor. Investment advisors often have a comprehensive network of clients from a wide variety of backgrounds and careers. When a trusted professional refers you to another professional, it can be extremely advantageous to everyone involved.

Would You Like Fries with That?

Fast Foods/Mutual Funds

Don't feel like cooking tonight? Why not eat at a fast food restaurant? It's easy and convenient, you don't have to put any thought into it, and, if you go to a well-known place, the food is generally pretty reliable. You order a predetermined meal that includes a hamburger, French fries, and a drink. It tastes pretty good and there are no dishes to wash. Before you rush to that drive-through window, though, you may want to think about this: What ingredients are they putting in that burger? Are the fries made with real potatoes or are they potato flakes? Is that artificial color in that soft drink? And what if you hate sesame seeds on your hamburger buns? Can you substitute for an alternative bread selection? In other

words, you know what you will get when you order the meal, but not necessarily what is in each item of food — you have virtually no control over the ingredients.

Mutual funds are similar to fast food in this respect. When you buy a mutual fund you are buying a pre-packaged portfolio comprised of stocks selected by a portfolio manager, who is paid to manage the fund. This may be very convenient, but you can never be 100% certain of the ingredients, and you have little or no control over your investment. The fund manager determines the ingredients, and can change them as she chooses. Generally, consumers are satisfied as long as their food continues to taste the same, or their mutual funds perform steadily. Rarely do we question the ingredients in our fast food, nor are

DEFINITION OF MER
(Management Expense Ratio)

A percentage of the past 12 months' expenditures used to operate the mutual fund. The fraction of this cost is deducted each day from the unit price.

DEFINITION OF MANAGEMENT FEE

The fee charged by the manager to manage the mutual fund.

we given the option to assure ourselves that every ingredient agrees with our system, whether the ingredient is salt in food or an investment in a company whose ethics we oppose.

Mutual funds were popularized when busy baby boomers wanted to receive professional investment advice efficiently and conveniently. It was perfectly acceptable for them to cost more to put together than a standard portfolio as long as they looked and tasted good. All mutual funds, even those billed as no-load funds, pay a management fee to the fund managers, even if that fee is not plainly visible. In addition, there is also a cost known as the Management Expense Ratio (MER), which covers all costs relating to the administration of the fund. Examples of the MER include advertising and transaction costs, and are subtracted from the rates of returns for the funds. Investors unknowingly pay for the MER each year, regardless of whether the fund earns money or not. The MER is deducted each day before the unit

value is declared. It is important for potential investors to compare the MER rates for similar funds, as it is equally important to check their relative performance.

Do you know what style of investing your mutual fund manager uses to invest?

Do you know how long that manager has run that fund?

You can find out this information from the client services department of any mutual fund. You may also want to look it up on the fund's Web site or in its prospectus information.

As convenient as mutual funds may be, you will have less input and control over your money. Since fund performance is at least partly dependent on the fund manager's choice of which stocks to include in the fund, you have to hope that the parent fund company chooses a competent fund manager. If the fund manager is extremely good at her work, you then have to hope that she does not get lured away to another fund company, leaving you with an investment manager whose decisions you may oppose.

Mutual funds are not necessarily a bad investment, but it is crucial that investors realize that conditions change and may be out of their control. It would be disappointing to buy something and then discover years later that what you now own is completely different from the product you originally purchased.

With fast food, there is usually the issue of calorie loading. Are you going to pile the calories on right up front, eating everything immediately, or do you take it all home for later? After deciding to purchase a mutual fund, you need to choose how you are going to pay the "load," which can be tricky. The load is the commission that you pay to purchase the fund. Unlike stock purchases, there are three options to the loads on mutual funds: front load, rear load, or no load. No load sounds pretty good — it almost sounds free. But the no-load fee is hidden so it seems like you are not paying any commission. You are indeed still paying it (and your "healthy" grilled chicken sandwich may have an awful lot of mayonnaise). A front-load option means that you pay a percentage of your purchase up front or when

Do you know how to find out what the top 10 holdings are for your fund? Suggestion: take a look at www.globefund.com or www.morningstar.com

you buy the fund, and is usually negotiable with the dealer. The rear-load option means that you don't pay a commission upon the purchase, but you may when you redeem the fund, depending on how long you have held it. The longer you hold a fund the lower the percentage cost to redeem it. This may help you maintain the discipline to buy and hold rather than trade. You can always switch your assets between funds within the same family and usually without any cost.

Now You're Cooking!

There are mutual funds that are closed-end funds. These are funds that trade on an exchange like a stock. They raise a specific amount of money, usually through an Initial Public Offering (IPO), then take this fixed amount and invest it in various holdings. The total amount of money invested does not usually change — unlike an open mutual fund, where the cash flows in and out so the total value of money invested changes every day. The market price of the units changes according to the supply and demand of the units. This is different from the Net Asset Value (NAV) of the shares, which is represented by the formula:

NAV = (assets - liabilities) ÷ number of shares outstanding

If the market price is greater than the NAV, then the shares are at a premium and you could be paying more than what the shares are worth. If the market price is lower, then it is like you are getting the shares on sale — you are paying less than what they are truly worth.

Remember, you can diversify your holdings even further by owning a variety of mutual funds from companies that have different philosophies. Similar to when you purchase an equity stock, it is important that you do your homework when purchasing a mutual fund. It may be better to buy one that has under-performed in a specific sector versus one that had a stellar performance last year. Or if you believe the fund manager will continue to do a good job and he will repeat the return, then buy a top-performing fund based on the previous year's results. There are numerous publications and Internet sites to help you analyze, analyze, analyze!

It's a Wrap

Wraps and Sandwiches/Wrap Accounts or Managed Money

For people who want a meal of convenience, the wrap or sandwich may be for you. It can be the all-in-one-bite meal that's an attractive package. Picture that submarine sandwich with four varieties of meat, two kinds of cheese, slices of juicy tomato, cucumber, and mushrooms, mayo or mustard, and lettuce on a warm crusty roll. Nowadays you can go to a deli and order the sandwich of your dreams. It can be customized for your likes and dislikes or pre-designed with a fancy name — just like a wrap account or managed money.

Managed money, or what are referred to in the United States as wrap accounts, is increasing in popularity. These accounts are used when you have decided to relinquish the decision-making responsibility to a professional money manager. The definition of this "professional money manager" is sometimes vague so it is important to ask relevant questions — such as how long has this person managed funds, what kind of returns do they get, how many assets do they manage, what is their investment style. . . . These questions are similar to those that you would ask about a mutual fund manager.

The difference between a wrap account and a mutual fund is that in your managed money account you would be able to view exactly what you own and how much, whereas in a mutual fund you cannot see the actual holdings. You would have some input via the guidelines for the investments, such as if you have an ethical reason for the refusal of a type of investment, but there is a cost to this personalized treatment. An annual fee, which can be charged quarterly or annually, is usually a percentage of the assets managed, and may be tax deductible. The transactions done in this type of account are discretionary, meaning you are not consulted to authorize each trade before it is done. This is intended to give you freedom from

having to follow the market or your portfolio as frequently as if you were participating in the decision-making process. You do not have to hand over all of your assets to this program if you want to keep some control. If you decide to change the account management to this type, it should be part of a full financial plan so you can easily identify your goals and expectations. Your financial professional should then review your plan annually to make sure your goals are, or will be, met. Your advisor receives compensation annually since you are his client, so he should provide you with some value-added service. If the manager of your assets is not achieving the results you expected within a reasonable time frame you can switch to another, because there is no obligation.

The downsides to a managed account are that you cannot communicate directly with the manager, they do not know you on a personal level like a financial advisor would, and you pay annual fees. A positive aspect is worry-free professional investment management, freeing up valuable time for those who can't do it themselves or may travel for long periods of time.

Serve Yourself

Self-Serve/Online Investing

For those of you who live alone, you do this all the time. You are the primary cook of the household and feed yourself. You set your own table, do the grocery shopping, prepare and serve the food, and do your own dishes. Why not have someone else plan and do everything? Even the simplest of food always tastes better when somebody else cooks it. There is a lot of work that goes into the preparation before you eat. Yet, some people get satisfaction in doing it themselves. They are in full control of what kind of food it is, the temperature, spiciness, texture, . . . Discount or online investing is similar, since you are in full control of every aspect. If you choose to invest this way, be prepared for the task of doing all the research, making all decisions, and obtaining results that may be positive or negative.

The primary cost of online investing is time — something that a lot of busy people don't have. You really have to be aware that you can't just satisfy a hunger and pick up food if you haven't had time to prepare come mealtime. Certainly having a discount account may appear cheaper when it comes to transactions, but you have to weigh the value of someone keeping an eye on your investments, informing you of changes that need to be done, contacting you at work when investment news happens, analyzing your portfolio for suitability, checking asset mix, and covering reorganizations, stock splits, and dividend changes. If it's worth your time to do it yourself rather than hire an investment advisor, then a discount house is for you. Using a discount brokerage service can cost you in other ways than the commissions you are trying to save.

Discount investment houses charge a fixed rate per trade based on the number of shares or price of the stock.

If you make the conscious decision to use a discount house, select investments that don't need to be babysat if you can't devote the time.

DEFINITION OF BROKERAGE HOUSE

Executes stock, bond, or mutual fund trades. Is either full-service, where you get professional advice and are charged for it, or a discount house with a lower cost per trade without advice.

What's That on Your Plate?

Balancing Your Diet/Asset Allocation

Once you have started to build your meal, it is important that you have the appropriate mix of each dish. This is called asset allocation. The three major categories that are usually referred to are cash, stocks, and bonds — your appetizer, meat, and potatoes. According to market conditions the experts will recommend a percentage mixture of these three components. For example, if the market is in a downturn the suggestion may be 20% cash, 30% equity, and 50% bonds. If the market is in a bullish or upward direction the suggested mix may be 10% cash, 60% equity, and 30% bonds. Following these recommendations may help you know how much meat and potatoes to put on your plate.

You should have a target for your personal asset mix with which you are comfortable. If you are nervous about the stock market's volatility, then have an asset allocation that reflects this.

To help determine your asset mix, as a starting guideline, use the formula "100 less your age." This translates into the percentage of your portfolio that you should have exposed in the equity market. For instance, if you are a student who recently graduated and just started in the full-time workforce at age 25, then you should have an asset allocation close to 75% equity and 25% fixed income. This may or may not include a cash component. If you are near retirement and aged 65, then your asset mix would be 35% equity and 65% fixed income. From these percentages you can adjust them up or down according to your positive or negative opinion of the market.

The primary purpose of this formula is to lower your equity exposure as you get older.

Historically over time, stocks have proven to earn a greater return than bonds. They also have a higher risk factor and therefore the percentage amount should decrease as you get older.

Now You're Cooking!

Another allocation that should be considered is the overall percentage of each holding in a portfolio. You can purchase an equal amount for each holding, say $5,000. You have decided that the total equity exposure for your portfolio is $50,000. This plan would then guide you to purchase 10 different holdings of stocks, mutual funds, ETFs, . . . Periodically you should assess your holdings. Holding XYZ is now worth $15,000. You should then consider selling half of the position to realize some of the capital gain,

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Know When to Sell.

Learn to sell part of a holding. Nothing says you must sell all shares. Sell half when a stock has doubled, sell part when it reaches more than 10% of your portfolio, sell when the company has negative news or changes, or sell to rebalance the asset mix.

providing that there still has been no fundamental change in the company. You then have the capital to purchase another holding. This reduces your exposure if the company announces a poor quarter of earnings and the stock falls 25%. You still have maintained your initial purchase amount and some profit, but have reduced your risk. Some people advocate not selling your winning stocks. Remember, this is not selling the entire holding; it is just taking some of your money "off the table." This strategy helps you diversify your holdings, which in turn reduces your risk.

It is not recommended that you invest more than 10% of your portfolio in any single equity stock. It exposes too much of your portfolio to risk if disaster to that one company should strike.

What's That Moldy Thing in the Fridge?

Throwing Out Leftovers/Taking Losses

We have all done it. . . . We've kept leftovers from a meal, intending to eat them later. The food was so good it would be a shame to throw it out. The next thing you know, that delectable taste is forgotten and all that remains is some unidentifiable green stuff in a plastic container pushed to the back of the fridge.

The same can happen to a stock. For some reason we become attached to it, love it, don't want to let it go, even if . . . it starts to go down. You savored it when on paper it was making you a ton of money, and probably even bragged about it to your friends. As it started to slide down you never lost faith that it would recover. The next thing you know it has mold! Yes, now you are losing money. One of the biggest errors in investing is getting emotionally attached to a stock. For some reason, we forget that stocks have no emotions. Hopefully the boards of directors do — you want the management to be somewhat emotionally tied to their company.

Taking a loss is very difficult for investors to do. What tends to prevent someone from taking a loss is the admission that they have made a decision that was not successful. Very often you tell yourself you will just hold on until you break even, that the stock will turn around and the downturn is temporary. You should predetermine what percentage amount of price loss you are willing to take. Experts usually suggest 10 to 20%. Once your holding has gone below your purchase price by this amount, you should seriously consider selling it.

"Stop losses" are an effective way to follow this strategy. Stop losses are open orders (run without expiry at the discretion of each brokerage house) that become live market or limit orders once a specific predetermined price has been reached. What you do is put in an open order for a price 10 to 25% below what you paid for a stock. If the stock falls to that target, your order becomes a market order and your stock

immediately sells at one of the next trades. If you put in what is called a limit stop order, the stock will then sell at that pre-specified price only. The danger is that in a fast free-falling market, it is possible that your order never gets filled if it does not trade at your limit price.

A negative aspect of this strategy is the possibility of being "whipsawed." The stock drops to your stop price, your order gets filled, and then within minutes the stock price rises up again and you have already sold the stock. That can be maddening, so it is important to know that it can happen. Multiple trade commissions can also become a factor if you end up wanting to buy the stock back in this scenario. You may, for these reasons, decide to use upper and lower limits as triggers only. At these points you would review your initial assumptions and determine whether you want to stay with the investment, or realize your profit (or take your loss) and re-invest in something else.

Using stop losses to preserve gains is also highly effective. If your stock is up 25% and you don't want to lose your profit, enter a stop loss order for the lowest price you would want to sell.

The other *possible long-term* recovery method is to hold on to that moldy stock and pray it will eventually recover. Some companies, no matter how good they appear on paper, do not get a positive result in the stock price. They are usually a rare breed, but it does happen. Positive things surround the company, but the price either just sits there or goes down. It may be simply due to poor or no analyst coverage, little institutional interest, little public interest, or not enough volume to drive the stock upwards. In cases like these you may want to hold the stock and forget about it for a while. If the fundamentals are that good and you can afford to hold on, maybe eventually the company will increase in popularity or get taken over by a larger company. Remember, though, this is a long-term decision that may never pay off.

The other aspect to consider is that it may make good tax sense to realize the capital loss to offset a realized capital gain and access that money to work for you elsewhere. To realize a gain or loss is to actually sell a stock and receive the money, which differs from a paper loss or gain that just occurs on paper. The adage is "You haven't lost your money till you sell." The converse is also true that "You haven't made the money till you sell," so be warned not to spend that money *before* you have realized the gain. Most

times it is best to admit that you have made a mistake and move forward. You don't want to have the leftovers sitting so long in the fridge that you could make a year's supply of penicillin.

Now You're Cooking!

Here is an aggressive strategy for the daring. It is definitely not a strategy for everyone, so do this only if you are willing to take additional risk. Buy more of a stock at a lower price to lower your average cost. If you are convinced that the stock has weakened in price because of an overreaction to negative news, but the long-term prospects still seem good, then what could be a temporary downturn may become your buying opportunity. This requires a larger amount of capital, bravery, and the understanding that it is probably a more volatile stock if you expect a recovery over the short term.

Let's assume you are emotionally tied to a stock and suddenly it drops 50%. Unfortunately, this now means that you need 100% gain to recover. Then let's assume positive things start to happen to the stock. Its volume is increasing, its price is moving upward, but not enough to sell out. Now for the daring part: you buy more shares. You buy the same number of shares you already own, to lower your cost. You now have lowered your average cost by 25% and need only a 50% gain to break even.

Example: You buy 100 shares of a stock at $50. It drops to $10. You buy the same number of shares, 100. Your average cost is now $30 on 200. You now need the stock to rise 200%. You obviously can buy any number of new shares, less than the original or five times as many. You need to analyze whether this is a wise decision to make on a case-by-case study.

It may be better for you to bite the bullet and sell that losing stock rather than risk more money. You are not rewarded by the stock for your loyalty. Only market demand will increase its price.

Watch Out

Calorie Counters/Watching Your Portfolio

One of the most common mistakes of any investor is to get caught up in watching the effects of stock prices on a moment-by-moment basis. It is easy to become obsessed with what happens to a stock during a relatively short time frame. Just as someone with an eating disorder may count every calorie, so can an investor become obsessed with small changes in his or her portfolio.

There *are* times when a stock price needs to be watched very carefully, however. For example, when an option you own approaches its maturity it needs to be followed closely. There may be an opportunity to exercise the option before it expires, which requires careful monitoring of the stock's price.

In the grand scheme of things, if you plan to hold a stock for a couple of weeks, months, or years it makes very little difference what happens to a stock over the course of an hour. The exception is during times of great market volatility or price swings. You should watch the general trend of a stock for a couple of days or research the chart of a stock before you decide to buy or sell it. If your decision to sell is prompted by a sudden fundamental change in the company, then this close stock-watching does not need to occur. Examples of fundamental changes include the CEO's resignation, an analyst downgrade, or a poor earnings report.

If investors are following a stock or the market too intently, they are essentially watching a movie frame by frame without being able to fully appreciate or understand the entire concept or plot. If you suddenly find yourself obsessed with watching the market, this may be your subconscious trying to tell you to re-evaluate your level of risk. If you are becoming either

overly exuberant or depressed about your holdings, you need to find out why. Super concentration on minor price changes can become detrimental to your portfolio. You need to have invested with enough conviction so that you enjoy peace of mind and you will not lose sleep.

TV or Microwave Dinners

Frozen Foods/Market Corrections

You've made a meal, gone as far as cooking all that was necessary, and before anyone gets to eat it . . . poof, it's in the freezer. The market can be like that too. Everything is going along smoothly, stock prices are going up, the economy is in good shape, inflation is low, but then . . . the markets either slowly or suddenly go through a correction. Your investment goes through a flash freeze or a slow cool down till it is frozen solid and preserved for later. We have all heard of the crash of 1929, before the Great Depression. It started with the market losing 12.9%. We know of Black Monday on October 19, 1987, when the market lost 22.6% of its value on that one day —

a total flash freeze. It was the end of a five-year bull market. Then there was the bursting of the tech bubble, an unbelievable event that few believed was happening. Investors were so caught up with stocks that practically doubled overnight, that they thought it would never stop. Because it was so easy to make money, nobody wanted to sell. The majority of professionals and investors forgot that, like anyone running at full steam, eventually they have to stop and take a break.

When the markets suffer with short-term corrections, it is as though the food has been flash frozen. Then the markets begin to recover, like the meal that was put into the microwave and reheated. In a relatively short period of time, the food not only returns to room temperature, but is hot and aromatic enough to eat. Eventually, even the worst market corrections will be over and positive growth will resume. The difficulty is that we never know how long the market will take to recover.

DEFINITION OF BULL MARKET

Positive growth.

DEFINITION OF BEAR MARKET

Negative growth.

All You Can Eat

Smorgasbord/Over-Diversification

If you have chosen the goal to have a well-balanced meal, and sold off half of a stock that has doubled and then bought a new stock, it is easy to wake up one day and find out that you hold more companies than you can efficiently follow. Your meal may have turned into a smorgasbord that has such a variety of stocks, fixed income products, and derivatives that you have difficulty remembering what you own. If you are investing independently of professional advice, then you may not have the tools to keep current with financial news that is pertinent to your portfolio. If you become faced with this

dilemma, you need to take action before one of your holdings becomes lost on the table. A portfolio is ever changing.

The first step to reduce the number of holdings you have is to review your portfolio and separate stocks that you feel are "park and hold" — companies that you bought with the intention of holding for ten years or more. Determine their weighting within the portfolio; you may choose to buy more shares in these companies if you consider them less risky than other stocks you own. The same should be done with bonds to ensure there is not more money in a maturity year than others.

The second step is to review your opinion about each of the companies and their value to your meal. If fundamentals have changed, or if their growth is slower than others, it may be time to sell. Also sell company stocks that you have lost interest in or companies that are out of favor due to the economic cycle.

The third step is to re-evaluate the dollar value of each stock and its percentage weighting in the portfolio. Your portfolio may have reached a size where it is prudent to increase the value of each holding. For example, if your original decision was to have each holding with a starting value of

$5,000 and to sell off half after it grows to $10,000 (or more over time), you may have to increase each portion to $7,500. Instead of selling off half and buying another company, add to one where your position may be less than the $7,500. Remember to review the company for its worthiness to your portfolio. Another strategy is to have a $10,000 value for the buy and hold stocks you identified in the first step.

Only hold as many stocks as you can effectively manage to follow.

Now You're Cooking!

If you don't want to be restricted to a finite number of stocks, use various financial Web sites to help you manage and keep on top of breaking news on the stocks you hold. Various online dealers provide features to alert you of news items relevant to your specific holdings.

Would You Like an Inside or Outside Table?

Tax Shelters/RSPs and IRAs

The location of where you eat is important to investing. Picture eating outside on a warm sunny day at a sidewalk table, watching the world walk by. This is equivalent to investing in a non-tax-sheltered account. Then imagine a bitterly cold winter's day, with high snowbanks framing the sidewalks, and you're eating at a serene table under a glass solarium with the sun beating down and a roaring fireplace at your side. It is a cozy setting to enjoy and escape the frigid temperatures outside. Likewise is investing with a retirement tax shelter.

Investing in a tax shelter like an IRA or an RSP can be just as comfortable as that fireplace setting, because you don't have to pay any taxes on the

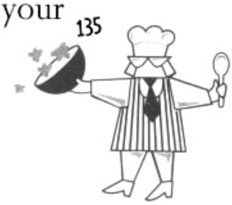
RSP and RRSP are one and the same.

RSP = Retirement Savings Plan

RRSP = Registered Retirement Savings Plan

IRA = Individual Retirement Account

money you make. Eating indoors or investing primarily within a tax shelter, such as an RSP or IRA, can greatly influence your decision-making. People are more hesitant to sell a security that may have an enormous profit or capital gain because of the income tax that must be paid on the gain. For seniors it may mean a clawback of old age benefits. For other investors it may result in an additional capital gains tax bill in the spring. On the other hand, taking such a capital gain within a retirement plan does not need such consideration. All profits and losses do not need to be reported. When you withdraw funds from a retirement plan, they are fully taxed as income. The exception is the Roth IRA, which does not incur any taxation at all, but does not allow you a tax deduction for the contributions. You therefore may choose whether to take capital gains outside of your retirement plan and be taxed immediately, or take capital gains inside of your



RSP and pay tax on all of them only when you later withdraw the funds.

Think of your holdings within the retirement plan as the food inside a restaurant. There are many types of foods or dishes. You can pick whichever and change them without any penalty or tax worries, but once you bring them outside you are obliged to pay the income tax. In other words, once you leave the restaurant and take home a doggy bag, you are presented with the tax bill.

Just Say I Do

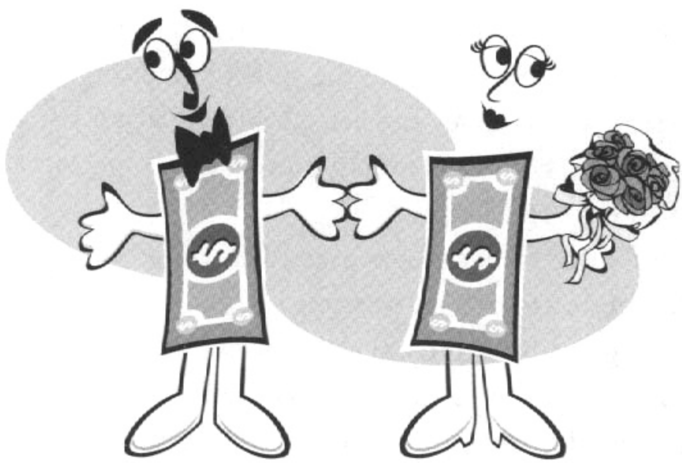
Banquets and Weddings/ Company Pensions or 401Ks

The next time you go to a wedding with hundreds of guests and you sit down at your assigned table, look around the room. Your table is just like the next. The only exception is usually the head table where the wedding party sits. After the introductory speeches the wait staff start to serve the meal. Depending on the style of wedding, the number of courses and selection will vary. A banquet or wedding is exactly how a group pension plan or 401K works.

Unless someone has asked for something different due to dietary restrictions, generally everyone gets the same meal. Likewise for a group plan. There is a manager or committee who makes the investment decisions based on what

they believe is good for the whole group. In order to keep things simpler to manage for a large group of investors, you are not allowed to select what is served to you. Individual criteria, such as age and risk tolerance, are not taken into account. There are usually guidelines and goals set for the group plan to ensure that the end result, namely end value, is the same for all.

Most pension plans do well for their investors because there are numerous checks and balances that need to be met each year. These group plans are offered to employees after they have worked for a predetermined period of time. In other words, you have to know the bride or groom long enough to get on the guest list!



The No-Meat Diet

Vegetarians/Ethical Investors

The vegetarian or ethical investor is one who, for some reason, chooses not to invest in stocks of a specific industry or sector. The investor wants to know that the company is environmentally and socially responsible, and therefore may consciously choose not to invest in tobacco companies or those that exploit cheap, third-world labor, for example. Companies whose manufacturing process produce toxins that are emitted into our air, water, or landfills would also be avoided. The ethical investor chooses to sacrifice potential investment growth because of strong personal beliefs. You will know after some research into a company whether you will choose to invest in it based on their philosophies.

For the do-it-yourself investor it will require more research to see if you approve of the products and resulting by-products of manufacturers. There may be hidden repercussions to the environment with which you don't agree.

There are specific mutual funds that specialize in this kind of investing. It would be more efficient to invest via an ethical mutual fund if you are this type of investor. This strategy would be similar to choosing to buy your food at a health food store or from an organic grower.

Don't Throw That Out!

Leftovers/Estate Planning

While the retirement goal for some investors is to spend their hard earned money, most want to pass their assets on to their children or heirs. If you are part of the majority, the simplest way to pass assets on without being subject to probate fees is to have the assets listed with joint registration with rights of survivorship. This means that if one party dies, the other (or others) solely owns the assets without having to apply for probate on the

deceased's will. There must be caution taken when choosing with whom to have joint ownership of your accounts. Usually it is your spouse. There may be problems in the case of marriage breakdown, so it is best to get advice from a lawyer. If you do not have a spouse and you name your children, it may help to simplify the settling of your estate.

Some of the many ways to help preserve your assets for your estate can be life insurance, revocable trusts, and family trusts. Each country has its own unique estate tax laws. It is important that you investigate what they are, or seek professional advice.

Sample Menus

What's on the menu for a person aged 25 with earned income?

75% Equity

10%	ETF Canadian exchanges
10%	ETF American exchanges
25%	Blue chip companies
30%	Growth companies

25% Fixed Income

5%	Cash – T-bills
20%	Bonds/stripped coupons – laddered over four years (best in retirement plan)

What's on the menu for a person aged 50 with earned income?

50% Equity

10%	ETF Canadian exchanges
10%	ETF American exchanges
20%	Blue chip companies
10%	Growth companies

50% Fixed Income

5%	Cash
45%	Bonds/stripped coupons – laddered over nine years (best held in tax shelter, retirement plan)

What's on the menu for a person aged 75 with no earned income?

25% Equity

10%	ETF combination of Canadian and American exchanges
15%	Blue chip companies

75% Fixed Income

5%	Cash
70%	Bonds/preferred shares – laddered over 14 years, providing regular income

What's for Dinner Tomorrow?

Final Tasting/Fine-Tuning Your Portfolio

You've finally done it. You have put together your meal with all the trimmings, and are ready to serve and consume. You are hopeful as you take the first bite, but then . . . something just doesn't taste right. Don't be disappointed. Investing is the same way. You will hold a variety of stocks, bonds, mutual funds, and other holdings. Some will turn out to be great investments, but be prepared — there will be the odd dud. Don't give up. Just remember to think of it as a food you tried and didn't like or it didn't fit into your meal. At least you tried it. Also, don't be afraid to go back and try it again. Maybe at a different time, with other holdings, it will be better.

When you need to change an investment that didn't work, it means going back to the drawing board. Not only look at what to replace it with, but find out why that investment didn't work. Over time it will help you gain a stronger sense as to what works for you and what doesn't. Remember that creating an investment portfolio is an ever-changing process. You still have to keep a watchful eye on it to take profits when one food type gets too large, sell when something starts to spoil, sell when a food loses its usefulness or taste, buy when things mature or get called, buy to adjust the asset mix, and alter when market trends and sentiment change. If you are educated about your investments, then it is easier to understand when things go wrong and to be appreciative of the times when things are right. There is no easy formula for investing. Since we are all different, so can and should be our investments. Be a well-informed investor who has realistic goals and expectations, and you will be happy with the prosperous results.

Notes

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