Professional Solutions

Differentiating between risk and market fluctuation imperative when investing funds

By RENA GALANIS
Advertising Features Co-ordinator

Employing a financial advisor to launch and maintain a strategy to make the most of money earned, requires more than economic and market savvy.

"My role as a financial planner is to manage money so that clients enjoy a sense of security and live a more fulfilling life now as well as in the future," says Mark A. Hugh Sam of Berkshire Securities, Inc.

His role also entails a solid knowledge of business, the stock market, its fluctuations, as well as tax laws, says the MBA graduate and former chartered accountant. Most people believe the function of a financial planner is to choose the best performing mutual fund. "However, I don't believe that's the most important aspect," adds Hugh Sam, who follows the philosophy of legendary investor Warren Buffett.

Buffett, whose holding company is Berkshire Hathaway Inc., is also one of the wealthiest individuals in the United States.

His driving principles and philosophy of investing, to which Berkshire Securities, Inc. also adheres, include "buying only excellent businesses that we understand; that are in strong long-term growth industries; and that we hold for the very, very long term."

Most people are risk-averse but there is a lot of misconception in defining what risk is, Hugh Sam says. It is imperative to understand and accept short-term fluctuation versus true loss.

"What you do with an investment is of prime importance – when you buy and deciding at what point you sell. Although we all know it's unwise to buy high and sell low, studies indicate that's exactly what most people do."

The explanation for this very common human behavior? Fear.

When the stock market falls 30 per cent as it does once every six years, and won't recover for about two years, hold your investment, he continues.

"You want to out-perform the market but the key is to be able to differentiate between fluctuation and true loss."

Furthermore, Hugh Sam's working philosophy includes establishing relationships with a smaller number of clients and delivering a high quality service in an "honest, straightforward manner."

The long-time Unionville resident works with a number of clients in Markham.

Government cutbacks and the fact that people are retiring earlier and living longer (the average is 81 years) makes planning your financial future an imperative.

"The biggest risk in our lifetime is that we'll run out of money through our retirement years," Hugh Sam says. "You can out-earn inflation and taxes with the proper investments."

Berkshire Securities, Inc. is located at 250 Consumers Rd., Suite 1103. For more information call Mark A. Hugh Sam at 416-495-1286.

> *"The biggest risk in our lifetime is that we'll run out of money through our retirement years...You can out-earn inflation and taxes with the proper investments."*

Accelerate rate o

People seldom complain that they aren't payi In fact most people will say that they pay too many don't realize how much income tax they

For every dollar earned over $29,591 you pa $29,591 you pay 27% in tax). Once you reach t pay 44.9% on your next dollar earned and so o

With this in mind, it is astounding that more the RRSP. The RRSP is one of the last remaining for the average Canadian. For every dollar inve equal deduction is received, which means no ta If that's not enough motivation, perhaps a revie facts is in order.

We live in a society that has always promoted a social safety net. We rely on company pensions, government pensions, and old age security. Can you be absolutely certain those programs will exist in the near future? Programs such as old age security and CPP were designed at a time when we had a growing population. It was assumed that the number of people working would continue to increase in order to support the people that receive pension benefits and old age security.

In the last 20 years two things have happened to circumvent the success of that system. Primarily, we no longer have a population that is growing in leaps and bounds. The Baby Boomers, who represent the largest sector of our population, are rapidly moving toward the retirement years. Currently there are about 20 people working for every one person collecting government retirement pensions. Within th next 20 years that number will change to four people working for every one person receiving benefits.

Secondly, people are living longer. These pensions were originally established on the premise that a person age 65 would likely pass away before the age of 72. Today, a person age 65 is likely to live until the age of 82. That's an extra 11 years of required income.

If you are 40 years old and earn $50,000 annually and want to retire on 75% of your current income at age 65, then you need to accumulate $1,2000,000 of capital by the time you retire. Therefore, you need to save about $800 a month to achieve that goal in 25 years.