

PREFACE

I hesitated for a long time before putting pen to paper to write this book. Like many Canadians, I have a strong sense of privacy about financial matters and am reticent to admit success. But I'm glad I finally did. For our generation, retirement will be a lengthy reality. If we are unwilling to become knowledgeable about financial matters, we risk making that reality an uncomfortable one. As a very successful Canadian journalist once said, "I don't want to eat kitty food when I'm old!" My friends and colleagues frequently pose investment questions to me; this book is my less-than-perfect answer, based on over a decade of learning from my own mistakes. If this book helps even a few Canadians find the confidence to take control of their retirement investments, then this financial striptease will have been worthwhile.

The final push I needed to write this book came from two New York colleagues. Arthur H. Spiegel III — just plain Art to the 300 of us who toiled at American Practice Management (APM) — provided the initial impetus. Art is rightly viewed as an unstoppable force of nature in the health-care consulting industry. He and three initial partners built APM from a home-based business to a \$100-million-per-annum leader in the health-care consulting industry in just twenty years. In 1996, Art and the other thirty-eight partners, myself included, sold APM to the much larger Computer Sciences Corporation. We each received a large

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lump-sum payment for our shares. Art was founder and CEO; his share of the proceeds was a nontrivial sum. In early 1997, Art expressed some interest in my investment approach and confessed his desire to learn much more about investments. I was surprised and flattered. If Art Spiegel, entrepreneur extraordinaire, was seeking my investment advice, then, surely, it must be worth wilting down.

Jim Kagen, another senior partner at APM and a genuinely delightful human being, provided the final goad. Upon hearing me trumpet some minor triumph in the market. Jim asked where I found the time to learn about investments. APM has been dubbed AM-PM by many of the junior staff, on the not-wrong belief that APMers work twenty-four hours a day. I explained my thirty-minutes-each-morning regimen and the resultant investment success. Jim, only half in jest, commented that perhaps I should devote an additional fifteen minutes per morning to the investment challenge and quit my day job! I am grateful for Jim's offhand advice. Writing this book has absorbed those additional morning minutes, as well as many evenings and weekends. And I have, also, quit my day job!

Recently, more and more friends have sought my advice on investing for their retirement. Often they relate stories that horrify me: stories about ill-considered investment tips from acquaintances, stories about brokers regularly recommending highly overvalued stocks. Sadly, many investors today have acquired a flavour-of-the-week mentality. Highly intelligent, hard-working people often devote more intensive effort to choosing a computer or stereo system than to selecting their investments. They talk about investing "in the market" when they are really investing in Individual companies. The growth of a lottery mentality towards the stock market, which should instead be approached as a learning curve, disturbs me.

I love John Le Carre's novels, especially his brilliant descriptions of the "tradecraft" of spying ill all of Us arcane detail: how to set up

a letter drop, how to tap a telephone, how to follow a suspect. Over the past decade, I have discovered that investing has its own compelling tradecraft; learning it is the first essential step towards successful investing. If you want to become an investment sleuth, then becoming skilled at this detailed work is essential. It on the other hand, you opt to hire professional managers, you still need enough trade knowledge to select the right ones.

This book documents my success in building a retirement fund from less than \$50,000 to well over \$1 million in ten years through careful investments *in* a self-directed RRSP. For anyone setting out to duplicate my experience, a few cautions are in order. The first concerns context. Most of my gains occurred during one of the greatest bull (rising) markets in history. Between 1992 and 1997, the Dow Jones Industrial average soared, and so did other measures of stock prices in New York, Toronto, and London. The rise has made winners out of many investors, and heroes out of mutual fund managers. These conditions helped to make some of my good investments great, and to cushion some of my bad investments. But these buoyant conditions are unlikely to continued uninterrupted. This fact underscores a central belief of mine: you should invest in companies, not in the market. My second caution is that I have been lucky enough to find advisors who were knowledgeable observers of particular industries or sectors. I don't know how far I would have gotten without such good advice.

Building a million-dollar RRSP can be a wonderful adventure in the investment world, one worthy of your time and talent. By making a commitment to learning about individual companies and applying your own common sense, you can succeed as an investor. As our planet shrinks, as vast quantities of information become available through magazines and the Internet, you can be as well-informed and as equipped to make profitable decisions as I was. If you can find a little money, a little time, and a little patience, you can ease yourself into a more comfortable retirement

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If you are worried that the Canada Pension Plan will be broke before you retire, this book is for you. If you have RRSPs in term deposits yielding a meagre 2, 3, or 4 percent, this book is for you. And if you worry that the grand days of the raging bull market are numbered, then this book is also for you. Above all, if you are willing to invest some time and energy into securing a more comfortable retirement, then this book is for you.

Markets are driven up, down and sideways by the interaction of fear and greed. The market brings together all of an investor's emotions. As Winston Churchill once noted, "You may take the most gallant sailor, the most intrepid airman, or the most audacious soldier, put them at a table together, what do you get? The sum of their fears." Markets "sum" both fears and hopes. They are volatile when one emotion prevails. On a personal level, you must conquer these emotions and be very disciplined about your objectives. If your objective is instant wealth with no thought or study, there are many lotteries available to relieve you of your money. If your objective is a comfortable, or more comfortable, retirement then you will need to build confidence in your own investment management ability.

In the pages that follow, you can watch one amateur investor find his way through the self-directed RRSP challenge. After you have observed my journey, you can decide if this trip is for you.

Chapter 1 tells the story of how I got started on my investment adventure, and outlines the basic principles of my strategy for building a self-directed RRSP. Chapters 2 through 5 take the reader through my journey, investment by investment, from a \$50,000 nest egg to my original goal of \$1 million — and beyond. I outline each major investment I made, how I selected it, and what risks I took. Most importantly, I also share what I learned from each experience — triumphs and mistakes. Chapter 6 provides a tour of my current portfolio, now over the \$1.5-million-dollar mark. If anything my enthusiasm for this adventure is

greater than ever! At last, Chapter 7 provides advice for how to make my million-dollar strategy work for you. The appendices provide more information on the details of my own investments, on finding a broker, and on useful reading material.