

Presentation to the annual conference of

MEDAC

(Association for the education and defense of shareholders)

by

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Founder and Editor

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## PROCESS

- Length
- Screen
- Questions
- Text will be published on my site. (N.B. Presentation originally given in French)

## OBJECTIVES OF THE PRESENTATION

- Introduction to self-investing and to my site.
- Rights of active and index/passive investors.
- Review of the year 2009.

## SELF-INVESTING- Why?

*There is a crucial difference about playing the game of investing compared to virtually any other activity. Most of us have no chance of being as good as the average in any pursuit where others practice and hone skills for many, many hours. But we can be as good as the average investor in the stock market with no practice at all. **Jeremy Siegel**, finance professor, Wharton School, University of Pennsylvania*

## FOUNDER - Marc J. RYAN

- Did not made a career in the investment world.
- Graduate- McGill (Engineering) and University of Montreal (law degree and Masters of Business Law).
- Legal counsel with the QSC (now the AMF).
- 26 years as securities counsel and as a member of management of BCE and Bell Canada.

## DISCLAIMER

- Not registered as a dealer or investment adviser.
- Our site seeks to help its readers become better investors, not to choose for them the best investments
- Do not trust a single source of information, including our website or presentation.

## FEATURES OF OUR WEBSITE

- A free source of objective, independent and disinterested information on investing.
- Independent of banks, insurance companies, brokers and financial advisors.
- Does not seek to manage your portfolio.
- Does not seek to sell you financial products or services.

## SELF- INVESTING - guiding principles

- Invest for the long term.
- One key factor, your asset allocation. Rule of 90%.
- Better control of your expenses: minimize your costs and the number of your transactions.
- Index products for the equity portion of your portfolio.
- Ladder of provincial bonds for the fixed income portion of your portfolio (as strip bonds in your RRSP or TFSA).
- Tax management is important.
- And actively managed mutual funds? Our conclusion: generally, these products are inappropriate for the typical DIY investor.

## RIGHTS OF PASSIVE INVESTORS

- As a DIY investor is up to you:

to pick the asset allocation that's right for you

choose an index or actively- managed (trying to beat the market) approach

choose between high and low-cost products

borrow or not to invest (leverage)

use a discount or full- service broker

## RIGHTS OF PASSIVE INVESTORS - continued

- If you follow the guidelines of our site, there's good (not likely to find yourself in a litigious situation- but discuss custody of securities) and bad (you are responsible for your own decisions) news.

Typically, your investments are index products and follow the general market, and your expenses are limited.

- If you do not follow the guidelines of our site, you are more at risk of finding yourself in a litigious situation.

## RIGHTS OF ACTIVE INVESTORS

- Litigation against the financial adviser typically involves:

Examples: adviser recommending high risk securities or asset allocation, use of leverage, or high costs products

- Other possible litigation may involve challenging the conduct of the senior management of companies in which an investor holds securities.

Examples: inadequate disclosure, corporate mismanagement etc.

## YEAR 2009 AND INVESTORS

- Volatility: inappropriate asset allocation and investor panic by some individual capitulation) and institutional (eg - Caisse de dépôt and Harvard University) investors; miraculous disappearance of mutual fund losers.
- Market return: see *The financial markets in 2009: how did your portfolio do?* on my site
- Highlights of the year: see *2009: the good, the bad and the ugly of the past year (and even decade)* on my site

## YEAR 2009 AND INVESTORS - continued

- In the U.S.: the SEC tackles mutual fund costs by questioning trailer fees, and the federal government is investigating the causes of the financial crisis.
- In Canada: a friendly settlement with the banks in the ABCP fiasco; a government report on pensions recognizes the failure of actively managed mutual funds, but none of the securities commissions question the level of mutual fund charges; and there is no commission appointed to inquire on the financial crisis in general or the ABCP scandal in particular.

## END AND CONCLUSIONS

- We hope this overview of 2009 has allowed you to realize the benefits of self- investing for those who have the required prerequisites.
- Index/passive investing is good for investors (a less volatile, better long term return), less so for lawyers (you will avoid being caught up in potentially litigious situations).
- For more, join our site: it's free.