

# Can I get some financial advice?



**BARBARA STEWART**  
Special to 24hrs

I was in sunny San Francisco last week and met up with one of the very bright young women I had interviewed for my research on women and investing.

She and her new husband had recently moved from Toronto to start their exciting new jobs at a famous tech firm in Silicon Valley. I don't think I have ever seen anyone radiate such positive energy. We chatted about life, love and then she said "Oh, before

I forget, can I ask you for a bit of financial advice?"

Now I'm pretty sure this happens to all professionals from time to time. You're having an informal coffee with a friend and somewhere in the conversation they ask you for stock market tips, a legal question or about a tax issue or an emergency appendectomy. Well, hopefully not the latter...

The problem is that you are rarely presented with the entire context of the situation and you almost always need this background to offer up any real wisdom. Do you think my mom is on the right type of drug for her arthritis? Should I buy Apple shares today? Whether you are a doctor or a portfolio manager, the invariable answer is

"it depends."

In this case, I took a shot at helping out — she was so darn upbeat!

HER: "We sold our house in Toronto for \$500,000. Should we convert that money into U.S. dollars now that we have moved to the U.S.? Should we buy an S&P 500 index fund?"

ME: "Well most importantly, what is the money for?"

HER: "We'll probably want to buy a house at some point in the next year."

ME: "If you only have a year or so to invest, it doesn't make sense to buy stocks or even an equity index fund. Although the outlook is positive for equity markets over the long term, there is always the possibility that your nest-egg

could have dropped in value in the short time before you want to buy that house. To be on the safe side, place the funds in a short-term fixed income investment vehicle even though today's interest rates are extremely low. Unless you are certain that you could come up with another source of funds for the house purchase, keep your money out of the stock market for the year."

HER: "OK. Do you think we should convert all the money into U.S. dollars? We hear that the Canadian dollar is going to keep dropping."

ME: "First of all, it is important to realize that although experts will always have a view on which way the dollar is headed, no one really knows. The currency market

is one of the fastest moving and least predictable markets. I traded currencies for nearly five years and my biggest lesson was that you are better off to make a decision that will protect you rather than trying to bet on the direction of a currency."

HER: "How should we decide when to convert the dollars?"

ME: "If you are 100% sure that you will need U.S. dollars in a year's time, there are products you can buy to lock in at today's exchange rate (these are called forwards). On the other hand, if a) you think your plans might change, or b) you would prefer to keep your options open in case the exchange rate moves in your favour, I suggest you convert just half of

the money now. This way you have hedged your bets."

HER: "What if we decide not to buy a house after all? Do you think we should invest in U.S. or Canadian stocks?"

ME: "Again, you could try to guess which market will outperform over any particular timeframe but you will be wiser to split the difference. Invest half in each market using the respective currency. Or outsource it. Hire a professional to do the ongoing analysis and actively manage your portfolio of short-term investments, stocks and currencies."

This is just an example of the kind of conversations I end up having on a weekly basis. The advice is pretty general, but probably applicable to a lot of people.