

Reality Cheque

July / August 2008

Create abundance from what you have regardless of how much money you start with.

Quick Facts

- The current overnight rate remains at 3.0% Interest rate announcements for the rest of 2008 are September 3, October 21 and December 9.
- The percentage of underfunded pension plans dropped from 57% in 2005 to 45% in 2006.
- Q1 2008: Alberta had the largest population growth in the country, primarily from new immigrants. The growth rate for British Columbia, Alberta and Saskatchewan was greater than Canada's growth rate.
- 0.27% of mortgages in Canada are in arrears. The highest level was 0.65% in 1992 & 1997.

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Expect the Unexpected

Up until now there has been an ongoing debate as to whether or not the Canada Pension Plan will have enough funds to support you in your retirement.

For many employees this is somewhat of a non-issue because of corporate pension plans.

With GM's recent restructuring announcement, plans for a long, stress free retirement are now in question as well.

Imagine having worked hard for decades for a company you thought provided great security. Now you're enjoying the 'golden years' of retirement safe in the knowledge you will be taken care of.

Then in the blink of an eye somebody you never even knew turns your world upside down.

Worse yet, imagine you are nearing an age where you know you will be asked to take 'voluntary' early retirement. Thinking you would have a great pension to fall back on you never really made alternate plans to retire on.

Now the stark reality is you'll head into retirement without health care coverage but an increased pension to "defray the impact".

Then there are the investors relying on the seemingly solid blue chip company for dividends and that



cash flow is suddenly gone too.

In this fast changing world very little remains the same and many of the changes to your lifestyle are caused by the decisions of others.

Being the decision maker in of your own life rests on being informed and being educated, both of which are not only possible but attainable as well.

The Next Generation

Do kids use their money wiser when they earn it??

The answer is yes they do because they had to WORK hard in order to earn that money. They are more conscious of what they buy.

If you simply GIVE them

money they know you will give them more money when they want something new. They become quite careless about figuring out if they really want that new thing, unlike if they had earned the money themselves.

So when they get that new

thing they supposedly "wanted" they become bored with it sooner than if they had bought it with the money they worked for.

If the money comes easy it goes easy...but if the money doesn't come easy it doesn't go easy either.

Investing In Experience

from the desk of Debbie & Gary

The song “You gotta know when to hold em...know when to fold em” refers to a card hand but I think an investment portfolio is similar to a card hand. We often wind up holding both some winners and some losers.

Cutting the losers can be difficult, as it can be hard to accept the loss. The temptation is to hold onto the loser stock or fund until we recover our losses and break even again. As difficult as it is to lose money, the realization of lost time and opportunities is worse.



So folding your hand on those bad investments and drawing from a new deck of opportunities is the way to go.

We usually thoughtfully plan and execute our investment purchase aiming for the best deal, but the exit plan is often not thought about until things go awry.

Determining your exit strategy at the time of purchase will remove the emotion from

the decision. As we know, when emotion goes up our ability to think logically goes down.

Ask yourself...Is this a short term or a long term investment?

Do you plan on selling that stock within a few months, or flipping that property you purchased? Or are you buying a blue-chip stock which you plan to hold for many years, or a buy and hold rental property?

At what point are you going to cut your losses and move on? On the other hand at what point are you going to take your profits and walk away from the table?

The Lighter Side

“You and I can never do a kindness too soon, for we never know how soon it will be too late.”
Ralph Waldo Emerson

B.Z. Toons

by Brian Zaikowski



By The Book

“Meatball Sundae” by Seth Godin - 2007, ISBN: 978-1-59184-174-6

Delete keys and fast forward buttons taught smart consumers how to skip interruptions. They aren't hostages to marketing messages any longer.



So how do you get their attention? The traditional meatball marketing approach is getting the attention of

the unreachable masses through as many interruptions as possible to buy what you are offering.

The New Marketing sundae approach delivers products and services the consumer is seeking while connecting others to talk about it for you.

The biggest mistake is to try and use both strategies rather than commit to one.

New Marketing is more than marketing ... it's a different way of organizing and doing business.

Applying just a few of the 14 new trends will position any business for the consumers of tomorrow.

Diving into Due Diligence

Speculation

The end result of speculation most often resides at one end of the spectrum or the other. You win big or you lose big.

The risk of speculation is due in part to the emotional basis from which decisions are made rather than a factual or fundamental basis. Emotions cause important details and steps to be overlooked.

Speculative deals by their nature are one time events.



This means it is very difficult, if not impossible to turn speculation deals into a system. Business owners know the repeatable, predictable nature of a system is fundamental to success.

Using a system based on the fundamentals is the "slow and steady" path to wealth creation. Speculation

tends to be the roller coaster ride to wealth creation ... or not.

That said, a sophisticated investor can include speculative deals as part of their portfolio given

certain circumstances.

The most important consideration is having enough money to lose without impacting the rest of one's portfolio. This is akin to deciding to gamble \$50 while in Vegas knowing that losing \$50, and only \$50!, will not hurt one's financial situation.

The other important consideration is one's ability to mitigate the deal's risk by some means.

One way to mitigate risk is to complete as much research as necessary to build a factual foundation on which to make a decision. Another way is to have a backup investment that will cover any potential losses.

What's That?

Basis Point & Percentage Point

Why are interest rates stated as percentages (eg 4.5%) but changes to interest rates are stated as basis points? To remove confusion between three closely related concepts:

- *percentage* - the ratio between two numbers expressed out of 100
- *percentage point* - measure of the difference between two percentages

- *basis point* - 1/100th of a percentage point. Useful for expressing percentage points less than 1.

So while a 10% increase to a 5% interest rate gives you a result of 5.5%, a 10 percentage point increase to a 5% rate gives you a result of 15%. That same 10 percentage point increase can also

be expressed as 1000 basis points.

Basis points are commonly used to express rate changes or the spread between two rates.

"All our words are but crumbs that fall down from the feast of the mind."

Kahlil Gibran

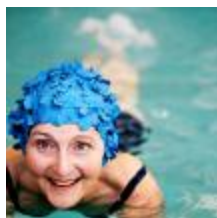
When you hear a change of 75 basis points you know right away there is a change to the rate without questioning which percentage.

Time For Fun

Did you know:

Blood facts:

- The body contains 5 litres of blood on average
- The average patient requires 4.6 units of blood
- One unit of blood is 450ml
- Less than 4% of eligible donors in



Canada donate blood. (Canadian Blood Services)

Brain Teasers

a) What turns everything around but doesn't move?

b) How can it be that when I walk into a room full of people I don't see

a single person?

c) How many bricks does it take to complete a building made of brick?

- see answers next month -

June's Answers:

a) time b) a blank c) Mary

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*Transforming dreams ...
into extraordinary lives.*

Lorraine Watson & Bonnie Duckett

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MALIROO PROPERTIES INC.



*Dreams Become
Reality ...
One Property at a Time!*

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Cashflow Game Nights

Come out and have a fun night playing your way onto the Fast Track ... where your money works hard for you instead of you working hard for your money.

Okotoks (doors open 6:15pm)
Crystal Shores Beach House - 403 Milligan Drive

- summer break
- September 2008 - TBA 6:30pm - 9:30pm
- October 2008 - TBA 6:30pm - 9:30pm

RSVP to vpcinfo@glommar-vpc.com or register at the Beach House: 995-1358

Calgary (doors open 6:30pm)
Willow Ridge Community Centre - 680 Acadia Dr SE

- summer break
- September 12, 2008 7:00pm - 10:00pm
- October 17, 2008 7:00pm - 10:00pm

RSVP if possible to vpcinfo@glommar-vpc.com

Please remember to bring a calculator, pencil, eraser and paper.

Join our courtesy Game Night reminder service at:
www.glommar-vpc.com/event_schedule.html
or www.maliroo.com

Catching Up

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Bonnie & Lorraine

Funny how the weather patterns work. Except for some rain and thunder prior to the weekend the wild and wacky weather has slipped right by High River. We've been startled to see some of the storm pictures on the news. The mosquito population has definitely dropped off this past week.

Yesterday we had a good laugh at our upper body workouts of late from the treadmill and floor. Moving either one is good for both the biceps and triceps. The intense part of our "rejuvenation" project is coming to a close which leaves the somewhat lengthy punch list left to tackle. A few outdoor projects are still on the list for this summer so we should have time to complete those before the snow flies once again.

In the meantime we've been keeping an eye on the markets as they go through their readjustments. Don't think we could ask for better timing to jump back in after the riffraff has been shaken out of the markets.

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Deb & Gary

Schools out and summer is here at last! Vacation time on the west coast is coming up soon. We are looking forward to dipping our toes in the Pacific Ocean and visiting family along the way. Time at home to work on projects around our house and a

little R&R is slated too.

Ryan is now at the university in Australia and is meeting new people and exploring new places. He has sent pictures of kangaroos, koala bears, and beautiful beaches with golden colored sand.

I really enjoyed the weekend real estate investment seminar I attended in June. It was jamb packed with great information.

The rain storm in Lethbridge on Canada Day left us with a disaster, sewer back-up in the basement of the rental property. I guess I'll consider it practice dealing with problem situations.