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NORTHWOOD STEPHENS
PRIVATE COUNSEL INC.

Best Independent Family Office in Canada
EUROMONEY Private Banking Survey 2008

THE NORTHWOOD STEPHENS PERSPECTIVE

WINTER 2008

President's Message

Happy new year to all our clients, colleagues, and friends! While it may seem like ages since you made your 2008 New Year's resolutions, here are a few fun quotes on the topic.

"A New Year's resolution is something that goes in one year and out the other." ~Author Unknown

"People are so worried about what they eat between Christmas and the New Year, but they really should be worried about what they eat between the New Year and Christmas." ~Author Unknown

"Youth is when you're allowed to stay up late on New Year's Eve. Middle age is when you're forced to." ~Bill Vaughn

Welcome to the seventh edition of the Northwood Perspective and thanks for the great response. For instance, we have had a lot of feedback on the book review of Silver Spoon Kids: How to Raise a Responsible Child in a World of Affluence from last quarter's newsletter. Obviously this is an issue that many parents and grandparents are facing and trying to address.

A related topic is found in the article in this edition (actually a summary of an article that I was interviewed for in MoneySense magazine) called 'Is your Financial Future in your DNA?' which show how genograms can help us understand the influence of our family history on our views of money, risk and philanthropy. All part of a good long-term, well thought-out family game plan.

And the need for a sensible plan and consistent advice is felt even more acutely when capital markets are volatile, as they have been particularly in the past six months. While simple, the common-sense advice in the adjacent article is one of the best ways to stay on the straight and narrow on a bumpy road.

Finally, I thought you might be interested to hear that Northwood was once again ranked as the best independent family office in Canada in *Euromoney's* 2008 global private banking survey (see page 2). We are honoured to have received this recognition again and grateful to our clients and professional colleagues who have given us their trust.

Tom

Tom McCullough
President and CEO

Photograph courtesy of Frances Juriansz Photography

What to Remember in Volatile Markets

Scott Hayman, CA, CFP, EVP and Head of Client Service
Northwood Stephens Private Counsel Inc.

If you are an investor, you have likely heard the word "volatile" a lot over the past few months. While 2008 could yet end up being the fifth consecutive year of growth for the Canadian market, it is not likely to come without hearing that word a lot more than you already have. Between the strength of the Canadian dollar, the sub-debt crisis in the US and the number of emerging economy issues, there is no shortage of things to "worry about". Saying that, here are a few things to remember to help lessen the worry:

You Have a Plan - Reviewing your long term plan and evaluating the risk level of your portfolio can help you understand the potential changes your portfolio may encounter with increased market volatility. If your current risk level is too high for your personal circumstances, this may be a good time to adjust asset allocation away from volatile assets. But if you find it too low, market fluctuations may also present a good entry point into different assets.

Not All Your Eggs are in One Basket – Fundamental to any good risk minimization plan is diversification. Diversification is often referred to as "the only free lunch in investing", and is one of the primary tools to reduce risk in a portfolio. Diversification can be achieved on several levels. The first and most fundamental is ensuring your portfolio is diversified across asset classes. This means understanding the risks of various asset classes and how the use of multiple asset classes can reduce your overall risk level to what is appropriate to achieve your goals and objectives. While the two traditional asset classes (stocks and bonds) are familiar to most investors, other asset classes such as real estate, private equity and hedge funds should also be considered. As you diversify across asset classes, you can also further diversify within each asset class by choosing investment managers who focus on different styles of or approaches to investing. Managers' performance and actions during previous periods of market turmoil can be a valuable indicator of their ability to outperform during challenging market conditions.

Think Long Term - When the market does fall, the first response of many investors is to retreat and pull out of risky assets. However, this emotional decision is often a knee-jerk reaction to the news and events of the moment. It is important to take a step back and consider the long term goals of your portfolio before making any radical changes. When reviewing these goals, remember that over the long term, more volatile asset classes such as public market equities have outperformed less risky classes such as GICs or government bonds. But the cost of this performance means that you will need to weather the short term fluctuations in prices – both on the upside and the downside!

As we start the New Year, considering the few points above may not only increase your returns over the long term by preventing reactive changes, but also give you the confidence that you're on the right page to achieve your goals.

NORTHWOOD STEPHENS PRIVATE COUNSEL INC. IS A MULTI-FAMILY OFFICE PROVIDING COMPREHENSIVE NET WORTH MANAGEMENT™ TO WEALTHY FAMILIES AND FOUNDATIONS.

Northwood Stephens – Once Again Rated #1 Independent Family Office in Canada

Northwood Stephens Private Counsel Inc. has been ranked as the #1 independent Family Office in Canada in *Euromoney* magazine's 2008 annual global private banking survey. Northwood was also ranked number #1 in 2007.

This year's *Euromoney* survey was based on responses from 398 private banks and wealth management institutions from around the world, representing $7.6 trillion of assets under management. Participants in each country nominated their peers whom they felt were leaders in their respective fields.

Guest Column: Investing in Art

Kathryn Minard, Principal and President
Contemporary Fine Art Services Inc.

Prices at auction for Canadian works of art have soared to levels that were unimaginable a decade ago with record prices being achieved in all of the major auctions this past November. Joyner Waddington's, for example, sold Winter Thaw, a 5" x 7" sketch by Tom Thomson for a world record price of $1,463,500 against a pre-auction estimate of $300,000 to $400,000. Why were the buyer, a respected art collector, and the under bidder willing to pay so much more than the estimate?

Comparatively few paintings by Tom Thomson remain in private hands. In July of 1917, at the age of 39, he died under mysterious circumstances and his body was recovered from Canoe Lake in Algonquin Park. Winter Thaw was painted in the last spring of Thomson's life. It is a vibrant and iconic northern landscape with a gem-like quality and immediacy that cannot be replicated in illustration. Its value is enhanced by impeccable provenance, having belonged to members of Thomson's family, and references to it in literature. I have no doubt that the successful buyer was diligent in assessing all of the attributes of Winter Thaw.

Many art collectors are reluctant to view art as an asset class like any other that is bought or sold in the marketplace but the truth is that art is subject to the same economic principles. The price of a work of art is determined by characteristics of value and will fluctuate with the economy, fashion and other changes. Art collectors who are interested in making sound investments would be well advised to evaluate all of the factors that contribute or detract from value before buying or selling a work of art.

It is also critical to understand that art is not liquid. You cannot readily convert a work of art into cash as you can a stock or bond. While a painting may be sold in a matter of seconds in an auction, the process leading up to those moments may take months or years. Because of its illiquid nature, smart art investors only spend discretionary income on acquisitions and never tie up funds that may be needed in the short term.

Art is different from other asset classes and it is especially difficult to value because one work of art is never equal to another the way that one gold stock is equivalent to another. There are many variables to be considered in valuing art and characteristics like aesthetics are not readily quantifiable. Personal bias will always play a role in weighing certain attributes but one important point is that subject matter is always the key characteristic of value. Few buyers want to own a Robert Bateman painting that is not a wildlife image and astute art investors want to own something that everyone else wants to own. Otherwise there is little chance of a work of art increasing in value and generating a monetary gain when it is sold or donated.

Is art a good monetary investment? It can be. But acquiring art purely as a financial investment is a high risk proposition. You can minimize your risk by acquiring "blue chip" works of art by respected artists with a strong history of sales in the secondary auction market. Investing in contemporary artists with no history of auction sales carries the highest monetary risk because how they may perform in the resale market is unknown.

Pictured above is the 5X7 sketch titled "Winter Thaw" by Tom Thomson which recently sold for $1,463,500 at auction

One approach is to simply buy art because you love it and you want to live with it. However, beyond a certain price it is financially reckless not to exercise due diligence to be assured that you are acquiring quality works of art at a fair price. My advice is to do what the professionals do and carefully examine all aspects that influence the value of a work of art including authenticity, the artist's reputation, subject matter, conformity to the artist's style, date or period, aesthetic merits, quality, size, condition, rarity, medium, provenance, exhibition history, illustration in literature, representation in the collection of public museums, commercial representation and secondary market sales. You should also consider the related costs of ownership such as conservation, appraisals and insurance. And one final word of advice – always buy the best that you can afford.

Are You Ready to Sell Your Business?

Bryan O'Neill, CA
Northwood Stephens Private Counsel Inc.

For many business owner/managers ('owners') the mere thought of considering the eventual sale of their business or openly discussing succession planning brings about a sense of anxiety. After all, owners have often worked their whole lives to build the business and the thought of one day waking up and it being under the control of someone else can be rather unsettling. While there will always be tax and legal issues, the following simple but often overlooked considerations can help to ease this sense of anxiety:

Lifestyle Readiness – As an owner you have probably spent a great number of your waking hours working and all other outside interests have fit around your work schedule. In preparing to step away from the business, it is important to consider what you will do with your new found free time. Many owners find that once they step away, they cannot stay idle. In fact, filling up their free time can seem like a burden.

Financial Readiness – It is important to understand the level of liquidity that you will require should you decide to sell or take a reduced role in your business. It is easy to be distracted by the large dollar values thrown around in sale negotiations, but you have to realize that your proceeds from the sale will have to support your desired lifestyle going forward. You do not want to run out of money or have to adjust your standard of living later in life due to poor financial planning.

Communication – Family members who may be involved in management of the family business often incorrectly assume that they have earned the right to eventually take over the business from parents. And parents often incorrectly assume that certain family members will (or will not) want to take over. However, owners often see current family management as ill equipped to run the day to day operations when they are gone and some family members do not want the responsibility of having the final say in their parent's absence. Having a clear understanding of everyone's intentions at the outset can help you to navigate through these delicate family issues.

Your New Role – As an owner, you have become an expert in the area in which your business operates. However, when you sell the business you are thrust into your new role as 'CEO of your family's liquid wealth'. How should you invest your proceeds? How can you minimize taxes? How do you ensure your estate plans are effectively implemented? You should position yourself early in the process to either become educated in these areas or start a search for someone who can assume these responsibilities.

Many owners put off the contemplation of the sale of their business or even a discussion of succession planning. However, if you begin the thought process early and take into account the above considerations, you can ease the anxiety level for all involved.

Guest Column: Life Coaching…What is it all about?

Caird Urquhart, President
New Road Coaching Inc.

In this world of split families, transient living, international business and limited job security, it is important to have someone who is consistently in your corner. A person who is watching out for you and holding you accountable to your goals and dreams without bias. That person might be your Personal Coach or Life Coach.

What is the difference between Coaching and Therapy? The Canadian Oxford Dictionary defines it this way:

Therapy is "the treatment of physical or mental disorder other than by surgery".

Life Coaching is "professional guidance on how to attain one's social, work-related, or personal goals".

A professional coach will:

- listen to every word you say without judgment
- help you clarify your goals
- provide you with tools to help lead you to the results you want
- hold you accountable
- keep you moving forward toward your own goals and dreams
- tell you the absolute truth
- listen to the very best in you, even when you can't hear it in yourself
- help you to create change

Coaching doesn't look to your past to try to resolve why you are the way you are, but rather works with who you are today and helps you move forward towards the life you want.

What is involved in a typical coaching session?

One-on-one coaching sessions may vary in length and frequency depending on the schedule of the client and the coach. Usually sessions are a half-hour in length, four times a month. One-on-one sessions can be conducted over the telephone, by email or in person. The telephone is the most common approach, allowing the client the luxury of not having to travel to each appointment but to still be heard and understood clearly by the coach. Telephone coaching allows the client and the coach to connect at any time from anywhere in the world.

The agenda for each coaching session is determined by the client. Some of the topics that clients bring to coaching are:

- Career change or mobility
- Developing new business and business strategies
- Defining goals and passions
- Physical health
- Strengthening self esteem
- Productivity vs. procrastination
- Life/work balance
- Time management
- Life planning
- Overcoming fear

At the end of each session the coach will make requests, challenges or pose inquiries of their client.

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Who could use a Coach?

Everyone. There is a coach out there for you regardless if you are a business owner, a professional or a stay home Mom. The trick is picking the right one.

What to look for when you are hiring a Coach:

- Are they certified?
- Do they have the expertise that you need?
- Do they have references?
- Do you like them?
- Do you trust them?

It is very important that you and your coach have a good rapport since you will be confiding your most personal information and beliefs in this individual. It is important that you know that your coach has your best interest at heart. If you ever doubt that… question it. If you're not satisfied with the response, get a new coach.

There are many different types of coaches out there. If you don't have a good experience with one I strongly recommend that you try again. There is a reason that coaching is such a rapidly growing industry….it works!

"Is Your Financial Future in Your DNA?"

The following is an excerpt from an article Tom McCullough was quoted in, produced by MoneySense magazine in January 2008 edition.

A genogram is a schematic diagram of your family history that allows you to see recurring patterns of behavior at a glance. It lets you analyze your financial situation not only in terms of your own life, but also in terms of all the generations that came before you.

A genogram looks a lot like a family tree, except it's packed with all the stuff that's usually never talked about. Genograms tell you what a family is really like – who's divorced, who isn't speaking to whom, who has a history of bad relationships, and who has alcohol problems. Patterns of behavior often recur in families and those patterns can foretell your own financial future.

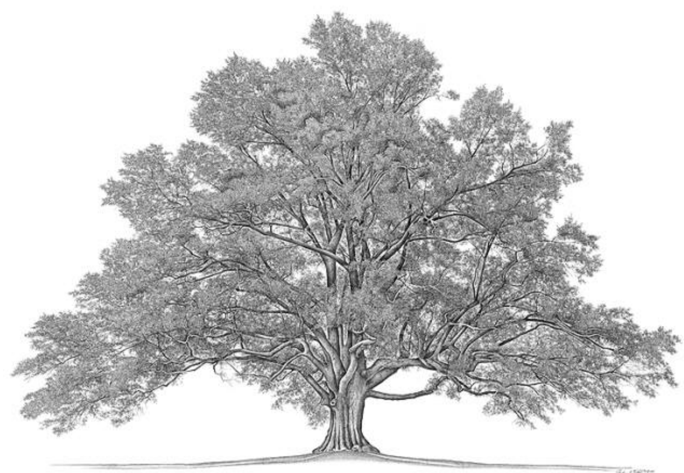
"How you deal with money is a family trait," says Fredda Herz Brown of Relative Solutions, a firm in Cresskill, N.J., that uses genograms to help wealthy families resolve conflicts.

"Attitudes are taught emotionally, sometimes without words. Kids learn by what they see people doing, so every interaction you have with money teaches your kids your attitude towards it."

Sometimes the behavior spotlighted by a genogram can be as simple as a refusal to talk about money. Sometimes it can be as dramatic as a tendency to clinical depression. In many cases, though, the patterns are more subtle. "In one client's case, there was a history of strong parental favoritism and conflict in the family," says McCullough. "So when ever a financial issue came up, our client was first and foremost concerned that her children were treated completed fairly."

Not all the news that's turned up in a genogram is bad, McCullough says. In fact, a genogram can help give your kids a sense of your family's accomplishments and build a sense of pride in the legacy they've inherited. "Imagine if the last three generations of your family were generous to a particular cause. You may want to expose your kids to that."

Creating a genogram is a lot of work, says McCullough. But if you're willing to go through the process of interviewing family members and inquiring into family history, you're nearly certain to have flashes of self-discovery.



The goal, says McCullough, is to allow people to lead the lives they want to, rather than the lives their family background has pushed them into. "If there are strong patterns in your family, you may decide to avoid them if they're negative, or reinforce them if they're positive. But the first step is understanding that these patterns do exist."

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