Diversifying may not be where it's at

Canadian Moneysaver head says investment mantra could lead to financial peril for investors

By BRUCE ERSKINE
Business Reporter

Diversified investments may not be the best route to financial growth and security, says Dale Ennis, founder and editor-in-chief of **Canadian Moneysaver** magazine.

"I would be very cautious about diversifying, diversifying, diversifying," he said in an interview in Halifax on Monday. "I would suggest that most of us do not need to do it."

Mr. Ennis, a former teacher who founded the independent, membership-funded financial advice magazine in Ontario 25 years ago, said over-diversification can expose investors to financial peril.

"For example, if you take X number of dollars and you want to put it into bullion or you want to put it into principal and protected notes or other kinds of more esoteric types of investments, you've got to say, 'OK, if I put this money into that type of investment, will it have a significant impact if that investment, say, doubles?'

"So you're putting $1,000 into something and it doubles and you walk away with $2,000 — is that significant? If it isn't, you've got to question why you're doing it because, unfortunately, there's a greater danger of downside in those investments, particularly principal and protected notes. Bullion, it's cyclical, so you've got to decide am I going to buy bullion, or am I going to buy the mining companies? You really need to know what you're doing, you really need to know the costs."

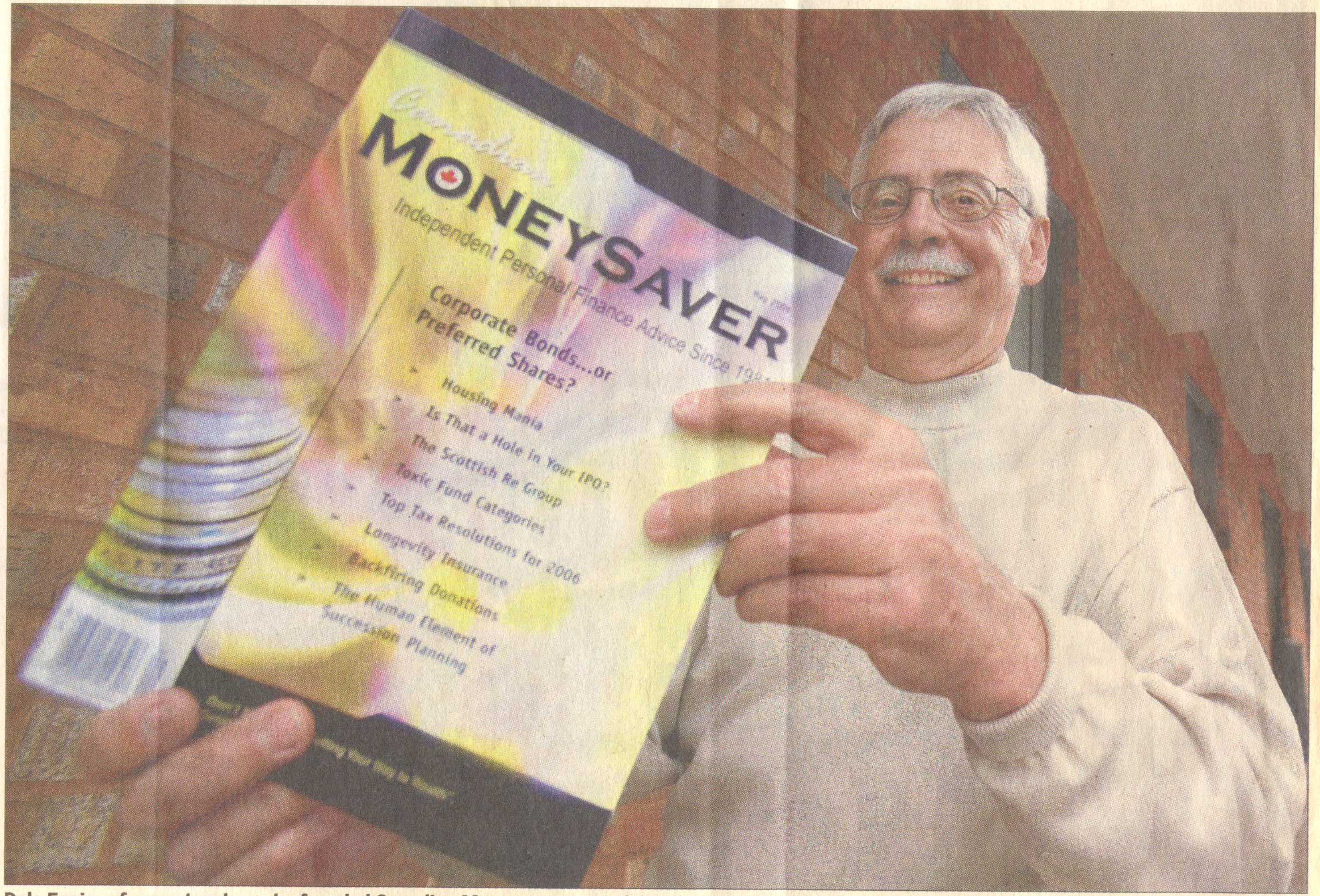
Mr. Ennis said prudent investors should select investments that they can understand completely.

"Know them, as (Warren) Buffett would say," he said. "Be very cautious, because the worst thing you can do is lose money — that's Buffett's rule, never lose money, because it will take you years to catch up."

Mr. Ennis said investors have to move some of their money from investments like GICs to the stock market if they want to realize growth — "You must have growth" — but he said there are relatively safe ways to go about it.

"I don't believe investment has to be that complex. It's like any other skill, you start at what's your level and as you become more actively involved in it, you'll get better at it."

Mr. Ennis said investors should consider buying stocks in companies that offer dividend re-investment and share purchase plans, something he's done for years.



Dale Ennis, a former teacher who founded Canadian Moneysaver, an independent, membership-funded financial advice magazine in Ontario 25 years ago, says investors have to move some of their money from investments like GICs to the stock market if they want to realize growth.
(CHRISTIAN LAFORCE / Staff)

"The share purchase plan simply means that once you own a single share of a company that qualifies, you can buy those shares directly from the trustee or, if you like, the company, thereafter for your life or at least the life of that company's program at zero cost — you don't pay the brokerage fees," he said, noting that the 26 Canadian companies that offer share purchase plans, like the **Bank of Montreal, Scotiabank, Emera** and **Fortis**, are all solid, relatively risk-free investments.

"These are companies that, if they're in trouble, I suspect that many of our investment products might be in trouble," he said. "They give us dividends year after year after year. These are companies that, even if there's a downturn in the market, (they) may drop a bit, but nothing compared to the majority of the market."

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