

ME AND MY MONEY

Passive is the key word for former IT manager

TONY MARTIN

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JEAN LESPÉRANCE

AGE: 56

OCCUPATION: Semi-retired former IT manager.

PORTFOLIO: ETFs - iShares TSX 60 index, iShares Canadian REIT, iShares TSX Mid-cap, iShares Lehman Aggregate Bond ETF, iShares Canadian S&P 500, Hedged Vanguard Large Cap, iShares Canadian Russell 2000 Hedged, Vanguard Small Cap Value, Vanguard REIT, Vanguard Europe, Vanguard Pacific, Vanguard Emerging Markets, iShares MSCI EAFE Value, SPDR DJ Wilshire International Real Estate, iPath DJ-AIG Commodity Index Total Return.

Funds - Altamira Income, GrowthWorks Canadian (formerly CapitalAlliance Venture).

Bonds - Ladder of 17 corporate bonds maturing 2008-2026.

THE INVESTOR

There was no tech wreck for Jean Lespérance, a 56-year-old IT manager. This despite having been laid off and putting some 90 per cent of his pension lump-sum payout into technology stocks, just as the tech bubble was starting to inflate. Mr. Lespérance - who recently moved to Scotland - admits his strategy was more foolish and lucky than wise, but he sold near the peak. The proceeds went into fixed-income securities, which paid about 8 per cent annually over the next 10 years.

HOW HE INVESTS

Today, Mr. Lespérance buys and holds a diversified portfolio of passively managed index funds. "I end up with average returns but it's what I as an average investor seek." Not only does he want different asset classes, but those that "move out of sync with each other." His aim is to have about 30 per cent in fixed income and the rest in equities; he'll rebalance perhaps once a year, and only if his portfolio's asset allocation deviates more than 5 per cent from his ideal model. There are two benefits from such an approach, he says. Not only does the diversification mean he's avoided big falls, "the confidence of having a viable long-term plan lessens anxiety."

WHY HE SHUNS STOCKS

Mr. Lespérance says it simply takes a huge amount of work to conclude that one stock is worth buying. Not only does it take a while to develop the skills to be successful, "I don't think it's worth the time and I don't think it will pay off often enough."

BEST MOVE

California-based Internet security technology provider Check Point Software Technologies Ltd. gave Mr. Lespérance a sixfold return in a couple of years after he purchased its shares in 1998.

WORST MOVE

High tech giveth, high tech taketh away. All the money Mr. Lespérance put into now-defunct Intelligent Detection Systems of Ottawa, which specialized in bomb detection technology, went up in smoke. The stock, he says, is "still sitting there as a big zero in my account to remind me of how it's quite possible to lose money."

ADVICE

"Unless you are prepared to spend considerable time and effort to learn and to constantly monitor your investments, passive index funds are a steady, sure way to grow your investments for the long term."

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