

**WHAT GRANDPA  
LEARNED**  
FROM HIS  
**HONEYBEES**

**THE LITTLE BOOK TO BE SMART WITH YOUR  
MONEY AND HELP THE ENVIRONMENT**

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## Disclaimer

This book is based on my experiences as a Servant Beekeeper, 30 years as a Clinical Psychologist, and some 40 years of value investing. The stocks and other investment examples presented in this book are for illustrative purposes only. While I have invested in them, make sure you review any changes to your investments with your investment advisor. I am not an investment advisor. Depending on when you read this book, the specific stock purchases may or may not be still in my portfolio.

# DEDICATION

For Chloe, Ella, Poppy, and our future generations.

Bee Well and Prosper.

Grandma and Grandpa Svec

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# INTRODUCTION

When I was a child, I grew up around honeybees. I watched my dad while he took care of his hives and caught swarms. Once a year, we took some honey from the hives. Tasting a spoon of fresh honey is very special. The experience never leaves you.

About 5 years ago, I started to work with bees. Mary and I decided to turn our 50-acre farm back over to nature and create a honeybee sanctuary. I spend a great deal of time watching honeybees to study them. We currently have a 24/7 webcam pointed to an entrance to a hive so I can watch them day or night.

The bees have taught me a great deal during the past 5 years. Things like, how important their habitat is to their survival and why I should stop trying to fix things that they can fix on their own.

They have taught me many lessons of how a successful hive is very much like someone who is smart with their money. How to save, invest, not spend foolishly, and have reserves for the future. Likely, you already know a lot of this but learning from the bees is how you will be able to do those things easily. This is because the Bees have systems and rules in place that make them act without really thinking about it. The bees show us how we can do this, too.

Honey is money to bees. A beehive has over 100 pounds of honey stored to take care of emergencies and thousands of bees during the winter. To survive they need to have enough food to live until the flowers bloom again in the spring. Honeybees are smart with their honey. They spend all their time, from April to November here in Canada, building up their honey reserves.

Many lessons from the bees in this book are new discoveries. Here is an example:

When a honeybee enters a flower to gather nectar for honey, it also pollinates it. It's not doing that on purpose. It rubs some pollen from other flowers on to this one by accident. The bees just happen to be doing something great for the flower while they are collecting nectar.

It's a win-win. The bees collect nectar from the flower and by bumping into it, the plants produce more seeds. The next year, because there are more seeds, there are more flowers for the bees. Pollinating the flowers helps increase the probability that the next generation of bees will survive. Being smart with your money means you invest in ways that are also accidentally good for the environment. Like the bees accidentally pollinating flowers, helping the environment is an accidental outcome of your investing. Like the bees, your unintentional help to the environment will also help you be smart with your money. You'll learn more about how to do this in a later chapter of this book.

What does it mean to be smart with your money?

Saving some of your earnings is the first step. Regardless of how much money you have coming in, you save every week. It could be just \$5 a week or up to 25% of your salary. Whatever it is, being smart with your money means you save a bit every week.

Investing some of your money is a necessary part of being smart with it. Investing wisely means you are sustainable. It means that the next generation will also be sustainable as well. You will learn how bees are value investors and what you can do to be one, too.

Sometimes, bees do dumb things that mean the end of them. You don't want to be foolish or dumb with your money. You understand the difference between things you buy that you need versus the things you just want. You never carry a credit card balance that charges you interest. If you use a card, you pay it off every month. You will learn some of the dumb things that bees do and how this often leads to their failure.

The final step to being smart with your money is to have reserves in case of trouble. It means that you have put enough away to protect yourself if you should lose your income. Reserves are designed to make you feel comfortable and safe regardless of what happens in the world.

The key way to know if you are smart with your money is to notice how often you stress about it. Stress is not good for anyone. Bees that are stressed are more vulnerable to disease and most don't survive. Being smart with your money means you have a system in place to take care of all those money problems that cause you stress. Like the healthy beehive, you thrive, are sustainable and can independently take care of your money needs.

Most people are not smart with their money. Some studies say that over half of us don't have any savings beyond this week's paycheck. Many of us are paying over 25% interest on credit card balances that we can't even start to pay off.

Each of the 10 chapters of this book will teach you a lesson from the bees you can start using right away to be smart with your money and help the environment. Each chapter has three sections.

The Bee Story explains a bee example that you can use to be smart with your money. Most of what I have to say comes from my observations on our farm.

The Smart Money section will give you practical solutions you can start doing today to be smart with your money.

Finally, the Investment Example will set you on your way to thinking differently about stocks, bonds, and other business investments. It's about putting the theory into practice if

you will. It's about bringing the true honeybee lesson into your investment portfolio.

So being smart with your money means that you save, invest, avoid foolish purchases, and have reserves in place. The 10 lessons from the bees will teach you through the Bee Stories, Practical Examples, and Investment Ideas how to do this.

I hope this book helps you as much as it has helped me while I was writing it.

I wrote this book for grandparents, parents, their children, and grandchildren. Children and teenagers would benefit greatly from learning some of the lessons from the bees. To do that, parents and grandparents may have to read it to them or take a couple of weeks and do a daily theme. Using real money would help, so that children can see the benefit of being smart with their money. It's never too late to start, so adults can also benefit from some of the honeybee lessons. What's most important is to start smart money strategies from the honeybees as soon as possible.

For myself, having a set of investment rules fits with my philosophy of value investing. What it also does is introduce the need to take care of the environment in all my investment practices. Just like the honeybee, the purpose is so that my investments will be more successful and sustainable. Helping the environment helps the investment be a better one. Just like the bee creating more flowers for

the next generation, positive environmental impacts of my investing will also have an impact on my next generation of grandchildren. That's why I'm writing this book in the first place. For Chloe, Ella and Poppy. Now, let's get started.

# CHAPTER 1

## Survival

### The Bee Story

As I started to work with bees and find ways to help them, it became clear that everything they did was for survival. For honeybees, survival is everything.

In a beehive, the queen is the boss. She lays the eggs that keep the hive going. Without her, there can be no hive. The drones are the males of the hive and are a bit mysterious. We know that their main job is to fly to the congregation area to meet up with new queens and fertilize them. In the hive, they also regulate the temperature and humidity. They seem to be the heating, ventilation, and cooling machines. The worker bees are females, and they do pretty much everything. From keeping the queen fed, to feeding the babies, cleaning up, protecting the hive, and collecting food, they do it all. In the late fall, a different kind of worker bee, the winter bee, is born. It can stay alive for up to 6 months and has special features to survive the winter here in Canada. The summer bees only live for about 6 weeks.

In the spring, the hive builds up its stores of food whenever flowers are blooming. First, with blossoms from maple and willow trees, then dandelion, golden rod, and asters in the fall. Bees bring in many different types of pollen and nectar

because that helps them survive and fight disease. Stores of honey and pollen are needed in case something happens, such as possible drought, cold or inclement weather and eventually, the winter here in Canada.

The queen will increase the number of eggs she lays as the amount of food increases. The bees also tell her when some extra flowers are going to bloom 3 weeks from now, so she lays more eggs to produce a workforce to collect that extra food. The hive must get ready to store as much food as possible to survive.

In May or June of each year, there are so many bees in the hive that there is no room left. Swarming is a way for the hive to create a sister community and reduce the population by one half. So, 40,000 bees in a hive become 20,000. With one swarm, a hive becomes 2. But if there is only one queen in a hive, how do the bees create the second one that will stay behind in the old community?

To create new queens, the workers select a few healthy babies and start feeding them a different type of food. Royal jelly is the magic that turns a regular worker baby into a queen.

Sixteen days later, the new queen hatches. If the other queens hatch at the same time, there is a fight. Only the original queen and the one new queen that has survived the battles are allowed to move on. To start the swarm, the old queen very quickly gathers with about half the bees.

The workers fill up with honey for the trip to their new home. The swarm then leaves the hive and clusters on a branch of a tree some 500 feet or so from the main hive. The swarm looks a lot like a football made from bees. There are now two families of bees created from the one. This is a crucial step to honeybee survival.

Most swarms don't make it. There is a lot of risk once they leave the hive. Only one out of every five swarms will make it into the next spring.

So, bees work to be sustainable by their swarming behavior, creating enough new families with strong genetics to ensure that the community of honeybees in that area will survive.

Over the years, however, as beekeepers try to stop bees from swarming, we've encouraged some dumb bee behavior.

Sometimes, we try too hard to help our bees. Here's an example of a dumb behavior we see in our bees that leads to their downfall. It's like you having a large credit card balance that you can't pay off and deciding to go on a lavish trip to Europe. Pretty dumb and likely to lead to your money downfall as well.

As a Servant Beekeeper, I want our hives to swarm whenever they want to. Most bees that we have purchased, however, come from a tradition of not being

allowed to swarm. Beekeepers may try to stop that, by removing queen cells or even clipping the wings of a queen so she can't swarm and fly away with the bees. It is all well-intentioned and designed to help with the livestock type of beekeeping. If the bees don't produce enough honey, the farmer/beekeeper can't keep the bees and you won't be able to buy honey in the grocery store.

But by stopping the bees from swarming, I think that the bees have forgotten, in some instances, how to do it.

On our farm, I have watched swarms sit on the ground instead of in a high tree branch away from most danger. A hive that swarms and sits on the ground is easily eaten by predators and pests. When full of honey, the workers can't sting. They are helpless if attacked. Swarms that sit on the ground almost never make it.

I've also watched bees swarm in late April when it's very cold outside. In one case, a swarm sat out for 3 days while temperatures dropped to -5C. It rained on them, too. I don't think they made it.

This is just one example of how we, as humans, can encourage bees to do dumb things. The best answer I think is to try to only help them when that help won't mess them up. "Do no harm" if you will. Sometimes, as a Servant Beekeeper, it's hard to know when to step in and try to help or leave them alone. I guess that's a lifetime of learning we all have to do. Maybe, when in doubt, I should just leave

them alone. The more we do for them, the more likely we stop them from being smart.

It's a lot like how you handle money. The more you let other people make decisions for you or try to "help you", the more likely you are to fail and not be smart with your money.

The bees also work to ensure that each hive survives by collecting as much food as they can find. Guards watch over the entrance for pests and enemies. When watching my bees, I noticed that when conditions were ideal, the bees worked hard and sent out massive numbers of bees to collect food.

As farmers used to say, "make hay when the sun shines".

On rainy or cold spring days, few bees will fly to gather nectar or pollen. As a result, when the weather is perfect, they must work to take advantage of those opportunities. That is another part of their survival strategy.

Bees survive because everything they do is focused on that one goal. Survival.

For bees, pollen and honey are their money. They store it so that they can survive during difficult times and have enough to live through 6 months of cold weather and winter. Their survival strategies help them be ready.

## Smart Money Lesson

We all need to be ready for an economic winter. You may get laid off, or your business suffers to the point where you can't pay yourself for months.

To be relaxed, you will likely need up to 6 months of living expenses in cash, or short-term notes that you can easily access. This is money to pay your bills, groceries, and gas. It's not money to go out to eat in a restaurant or buy clothes you don't need. It's for needs, not wants.

If you are like most Canadians, you may have a problem doing this. How can you save 6 months of living expense money when you have very little left after you get paid?

If you are healthy and young, there are many things you can do now to "Make Hay when the Sun Shines". One choice is to take on a second part-time job. Working an extra 10 hours per week would add some \$800/month, or \$9,600 per year to your savings account.

A second strategy is to take a small amount from your bank account where your salary or allowance is deposited and transfer it to a savings account. If you take out \$100 each pay period, and have 2 per month, over a year you would have saved \$2,400.

What you will see almost immediately is that you will adjust your spending to adjust to the amount that you have available.

Maybe the next month you try to transfer \$125. Your money stress is reduced as you have more money in reserves for your survival.

So, to match the bees and their storage of honey for survival, you need to have a savings of at least 6 months. Calculate the amount you would need each month and multiply by 6. This should be your savings goal for the next year or two. Now as you start saving, what can you do with the money to keep it safe but grow it a little faster?

Today as I write this, the Government of Canada will pay you some 3.5% interest on a short-term Treasury Bill. The 3.5% means on \$1,000 you will earn \$35/year in interest if you keep investing that money every 30 days. After 30 days, the government will pay you back \$1,002.91, the \$1,000 you initially lent them, plus the \$2.91 you made in interest. The money you loan to the Federal Government is guaranteed by them, so this is considered a safe way to park your money. After 30 days, if you need the money, it will be there for you. So, to do this strategy, keep one month of needed savings in a regular bank account, and the rest loan to your government 30 days at a time.

Being smart with your money means you have savings of 6 months or more to cover your bills. It also means that you place that money into a safe place such as 30-day Canadian Treasury Bills or a high interest savings account.

## **Investment Lesson**

Like the bees, having access to 6 months of cash is part of your survival strategy. Having that cushion is an investment in your mental health. You will notice reduced stress as your reserves of cash build up. Invest in yourself and your family with less stress and the security of knowing you will survive. If you are still in school, having money in a bank account will improve your self esteem and confidence. Regardless of your age, having money in the bank to take care of yourself and survive is the best investment you can make. Only secured bank accounts or a Canadian Treasury Bill is what I recommend here.

# CHAPTER 2

## Environmental Accidents

### The Bee Story

Honeybees are important to all of us because we know that they are responsible for the creation of our food. When the bees collect pollen for the hive, they pollinate the plants. The same happens when they work to collect nectar. But pollinating flowers is an environmental accident.

When a honeybee enters a flower to collect pollen or nectar, they accidentally brush off pollen from other flowers of the same species. This action helps the plants produce more seeds, and the next year, more flowers for the bees as well. So, the unintentional outcome of more flowers, more seeds, and a better environment, is because of the bumbling and stumbling of the bees when they are working. They aren't pollinating more flowers on purpose; it is just part of what happens when they do their business.

So, while many of the actions of the bees seem to be focused on helping others, it's really not true. The bees aren't helping the environment on purpose. When they go from flower to flower, yes, they pollinate that species of wildflower so more of that flower will have pollinated seeds to propagate and survive. They don't purposely try to save

our planet. They are accidentally doing that while they focus on their jobs.

The accidental pollination of more flowers, however, will help future generations of bees survive. This action is for their great-great-grandchildren, if you will.

The next summer there will be more flowers to provide food to the bees because of this pollination of more flowers. Pollinating the flowers is a positive, unintended consequence of bees collecting nectar or pollen. In the end, it will make them more honey money.

### **Smart Money Lesson**

About 14 years ago, the Ontario government came out with a program to encourage the development of green energy. The program would pay eighty cents/kwh for people to produce solar power. The government was encouraging people to do this, and banks were providing low interest loans with only the solar panels as collateral.

So, to do the deal, you just had to fill out some forms and the bank provided the money. The system would payoff the loans after year 7, so for 13 years the panels produced pure income.

Each system, produced about \$14,000/year in cash flow.

I thought, at first, that this was another one of those 'too good to be true' deals. But the more I dug into it, the more

it became clear that this was a legitimate offer from the government. So, I signed up for 5 different contracts. Some of the buildings we eventually sold, but we currently have 3 systems left, each producing regular monthly income. In fact, one of those systems continues to produce income even though we don't own the building any longer. When I sold the building, I kept the roof rights to produce power.

No one else I talked to had taken advantage of the deal with the government. There were lots of excuses. Just because no one agrees with you doesn't mean it's not a great deal. I listened to all the reasons, but no one had any evidence to show why it wouldn't work.

After it became obvious that this was a great deal, the government started to cut back on the contracts. It also changed the rules, making it tougher to actually get one approved. We were protected, however, from all these changes and to this day, we continue to be paid for our power.

When this program was finally stopped, the government announced another opportunity. You could generate solar power, feed it into the grid and get credits. Those credits would be used to offset your power use for the year.

The price of solar panels and hardware had dropped by about 75% since we did the original project. When we figured it out, you could buy about \$25,000 worth of solar panels and equipment that would take care of about

\$1,750 worth of a power bill each year. That's a return of about 7% per year.

That's pretty good but there is even more. The money you don't pay, isn't taxable. The best way to explain it is that you would have to earn about \$2,750 before taxes to have the \$1,750 to pay your personal power bill.

That means that your \$25,000 solar system is actually returning you 11% before taxes. You would need to get a return of 11% in any other investment to match your solar panel return on your home.

But wait there is *still* more. In many cities and towns, the government will give you a grant to put up the panels. Finally, the even more exciting part of this, your return goes up when the cost of electricity goes up. The contracts are guaranteed for 30 years or more with the government. Do you think electricity prices will stay the same 10 or 20 years from now?

Green energy is great for the environment, but that is not why I put up the solar panels. I got involved in solar because I decided it was a good business, AND it just happened to also be good for the environment.

To be smart with your money, pick businesses and investments that will give you a return and also help the environment. Like the bee accidentally pollinating a flower, everyone benefits.

## **Investment Example**

A few years ago, the US administration decided to help a company called Solyndra. The company had as its goal, to make the world a better place by producing a new type of solar panel. That is a very noble idea, but not consistent with the lesson from the beehives.

The company was started for the purpose of environmental protection, not to create a viable business that also happened to be good for the environment. On August 31, 2011, Solyndra filed for bankruptcy, shut down its plant, and laid off 1,100 people.

Solyndra produced an outstanding solar solution to collecting energy from the sun. In fact, likely I was the only Canadian to have a Solyndra system on my roof of an office building in Sarnia, Ontario. It was sleek and an excellent idea. Rather than bulky solar panels, think of a bunch of small black hoses connected together that can be easily moved around a flat roof. They were very light and didn't require a great deal of installation cost. They were also very efficient, producing excellent return on our investment.

The problem is the product they were building was touted as good for the planet, not necessarily a good product to sell. Without government grants and free money, it wasn't a self-sustaining business. They couldn't make a profit.

The best businesses to invest in today, are concerned about the environment, take action that benefits their business AND the environment. Both are necessary.

One company that I'm following closely is a Canadian REIT, Killam Properties. I'm following it as I believe it's too expensive to buy right now, but they are working to add solar and other environmental products because they are good for their business. Currently, the price of \$16.53 per share is about 15% above what I think it's worth. I'll keep watching it, but I don't like the fact they bought a lot of expensive apartments during the housing boom and want to diversify out of Atlantic Canada. I do love their mobile home communities though! But Atlantic Canada is the place to be for the next 50 years, in my opinion.

# CHAPTER 3

## Recycle

### **The Bee Story**

When there are too many bees in a hive and more babies on the way, the bees start to prepare to swarm.

To do that, the hive sends out scouts to hunt for a possible future home. The scouts investigate the location of potential spots and walk the inside of each crevice or crack to see if it's a place they want to live.

Once the hive swarms, all the bees packed with honey surround the queen in a football-shaped ball on a branch a few hundred feet from their old home.

The scouts go back to some of their favourite places, then back to the swarm ball and dance out the location of the home they choose. The dance is called a waggle dance. In the dance, the bees communicate the location and distance of the homes selected so the other scouts know where to go.

Other scouts then look at those homes, come back, and also dance. When most of the scouts dance the same location, some 75% or so, the hive then flies off to live in that newly chosen home.

One thing we know is that the bees will often choose a previously abandoned hive. It doesn't matter if ants or mice now live in the place they choose, the bees will clean out those insects and animals and take up residence.

The main reason swarming bees often select abandoned hives is that a lot of the wax honeycomb may still be in the hive. It takes some 7 pounds of honey to make one pound of wax. Recycling the old wax helps the bees survive. They can use the honey they brought from the old home as food and not construction material.

This is a key part of hive survival. Recycling makes economic sense to the bees. That's why they do it. Recycling an old home is also common sense if you think about it. The bees know that a previous hive survived for some time in the home. Conditions were ideal for a previous generation, so the chances are it's a good place to live. This increases their chance of making it.

### **Smart Money Lesson**

My parents saved everything. If something broke and couldn't be fixed, they kept the parts. On the farm, my dad kept every broken engine part or tool. He kept every old paper, pencil, or whatever it may have been. It was a habit his generation had because they grew up at a time when most things weren't easy to get or pay for.

It made sense to recycle and re-purpose. My mom did the same thing in the kitchen. She would make a beef soup, with a soup bone that had a good-sized piece of meat on it. After making the soup, she would grind down the meat and make a type of hamburger. They were called carbonates and were delicious. I still make them and crave them. They have an amazing flavour.

Most people today don't make beef soup from scratch and have no idea how to repurpose the meat, but it was a form of survival and sustainability strategy for my family. Like them, if you adopt a repurpose or recycle strategy today, you will save hundreds of dollars per month.

Here's a simple rule to consider.

When you consider buying a hard good, say a new phone, ask yourself if you really need it. I don't mean want it so bad that you need to have it.

I mean, is the old phone beyond repair and completely unusable? Then decide if you really do need a phone at all. Yes, I said it, and I know your answer but at least ask yourself that question.

With clothes, it's the same thing. Do you really need to buy something new or do you have something you can repurpose and wear a different way? Is there a used clothing store you can go to, or would a grandparent have

something you could wear that actually is now in style and cool?

Ok, I said cool.

Like the swarming beehive, recycling saves valuable resources and money. It's also true that a repurposed jacket is likely to last longer than a new one you buy today because you know it's been worn for many years by your grandparent and is still in good shape. It's not the same for a new purchase today.

One important strategy we have learned from the bees, and I learned from my parents, is that you have to think ahead, recycle and repurpose. When you look to buy groceries, is there food you can buy, like the soup bone with meat attached, that will serve as two delicious meals?

Like the bees, also think of future generations. Recycling and repurposing are good for the environment and the planet. Like in our previous chapter, you are doing the action with a clear economic benefit for yourself. You are smart with your money by recycling and repurposing.

### **Investment Example**

While a great idea, it's difficult to find a value investment recycling company. At the writing of this book in 2023, I am not invested in any companies in this category.

Be careful because many garbage dump companies, such as Waste Connections, are listed as recyclers even though their major business is the creation and operation of garbage dumps or landfills. They are not recycling companies.

# CHAPTER 4

## Focus, Specialize and Be Efficient

### Bee Story

Honeybees are very focused when they go to work. When a forager bee heads out to collect pollen, it only goes to one species of plant, a dandelion in the spring for example. A forager is a bee with the special job of bringing back nectar and pollen to the hive. It will go to a specific spot in a field where the scouts report dandelions are plentiful.

Bees don't go from dandelion blossoms to strawberry blossoms on a trip. It's not an efficient way to collect pollen. Bees that collect pollen on a trip also do not usually collect nectar. That's a different specialty.

At the hive, many jobs require specific skills and focus. Bees move from being cleaners, to nurse bees for the young, to protectors of the hive and then foragers in their final few days of life. They live for about 6 weeks in the spring and summer, and up to 6 months in the winter. They specialize while they focus on each job assigned to them. They learn from their elders just before they start a new one.

Orientation flights are an example. Newly minted foragers all leave the hive in a massive flight around the neighbourhood, where a veteran group of bees teach them how to find the hive on their way back. The information is passed

on and the skill taught very quickly, just enough to ensure that the bees know what they are doing. Then after one flight, they get to work. So, how do 40,000 bees in a hive in June, for example, know what their job is?

There is a great deal of debate among scientists as to what causes a bee to take on a job. Some researchers point to the temperature of the hive when the young bees are being formed. Others have discussed the content of the food fed to them when they are babies. Warmer hives produce more foragers is thought to be one finding, but we really don't know. Likely the bees switch from one specialized task to another as need be for hive survival. They aren't switching jobs because they are bored, unhappy, or unfulfilled.

All the jobs that bees do are vital for hive survival. Hive custodians or cleaners, are tasked with the job to clean and disinfect all areas of the hive, including the landing board and entrance. Bees that go out to work and come back with pollen or nectar may have pathogens or disease-causing bacteria on their feet.

When you watch bees on the outside of the hive cleaning the entrance, you notice immediately their focus on doing each minute space. They work for hours, making a very small space clean and often covering it in propolis. Propolis disinfects the area, killing all bacteria and pathogens. It's an important specialized job. Propolis is a special material bees make from plant and tree saps. It is highly effective as

a disinfectant and a cement used to close in cracks and crevices in the hive.

It's the same when you watch and listen to bees at the entrance fanning the hive to reduce the temperature on a warm summer day. They are focused on that one task, working on it until exhaustion sets in.

By focusing or specializing in very specific streams of work, honeybees are able to accomplish as much as they can during their brief time on the planet. They are taught by their experienced elders, then begin to work immediately.

Focus and specialization leads to efficiency and success.

### **Smart Money Lesson**

Before I start this Smart Money example, I want you to remember one important thing. You will learn from your failures, not successes in life. Failing many times is the only way you will achieve your potential.

The example for this chapter is still a bit painful but the true story of my first real business in life, we'll call the Ice Cream Company. It's an example of how things can go bad if you don't focus, specialize, or seek the knowledge necessary to understand a business.

In 1987, just before I left Michigan State University to return to Canada, I spent a great deal of time at the campus dairy. I was there with my family or friends often eating their

fresh ice cream. As I was about to return to the family farm, I thought it would be a great idea to start an ice cream company using the fresh fruits we were growing at the time.

I made a ton of mistakes before finally shutting down that company in the early 90's. One glaring one was not specializing and focusing on the business. Aside from the Ice Cream Company, I also had 2 full and 2 part-time jobs.

By not focusing and concentrating on the business, I was unable to see the true land mines and failures that should have been obvious. I was a bit like a lost bee looking for pollen in a strawberry flower, while trying to get dandelion nectar, while bringing back water to the hive. That's never going to work.

One mistake was the decision to expand the business before I figured out the model. We went from having one seasonal location on the farm to 3 full time, year-round stores. That expansion was doomed to failure from the start because I had forgotten to consider the Canadian climate. It is pretty cold for 6 months of the year here and most people don't feel like eating ice cream when it's -20 C outside.

It seems that I made almost every mistake in the book, and I likely did. From not knowing the market, not clearly reviewing leases, not knowing how to handle employees,

not knowing the restrictive dairy laws in Canada as opposed to Michigan and so on. I own all those mistakes.

But here's what happened after that huge mistake.

I adapted and learned to survive. I became more of an outlier than before in my life. It was a fight to be able to feed my family, fight with banks and other lenders and some very tough landlords.

Like the honeybees, I adapted and survived.

My businesses and investments today are so much better because of the Ice Cream Company. Neuroplasticity is the term we use to describe what happens when your brain is changed by your experience. For the bees, the orientation flights they take changes their brain. I do think that my brain has changed a bit, like the bees, because of the Ice Cream Company. I just have to walk into a restaurant or store and immediately get the read on the probability of its success or failure. I can't stop it. As long as I hold my tongue about that, it's all good. Still, it is often hard to do that when you know the restaurant you are enjoying is on its way to failure.

So, what could I have done, following the bee example, to specialize and focus that would have made the Ice Cream Company a success?

Focusing on ice cream production would have been a good start. I had no idea how to make ice cream, just flew

by the seat of my pants and made up the recipes. If they tasted good, we used them. There was no food chemistry or analysis to determine the best way to use fresh fruit with dairy products. I didn't take enough "Orientation Flights" to learn properly.

I failed to learn what I needed to know to be successful. But I learned from those failures.

### **Investment Example**

I love the genius of Elon Musk. His electric vehicles and batteries have changed the world. His recent purchase of Twitter to encourage free speech, while commendable, is a whole new type of business. His boring of a tunnel underground for a high-speed rail system is fascinating, but also outside of his area of expertise. His planning to go to Mars/space travel is yet another example of doing business outside of his area of expertise.

There is a tiny probability that Elon Musk will be a success in all the areas he is invested. Unlike the bees, he is not focused, does not specialize, nor does he take enough orientation flights. I'm not sure he would listen to an elder giving advice.

Can you imagine his success if he put all of his energies, focus, genius and resources into the development of an electric car that we could all afford, with the battery technology to run those cars for days?

I had bought Tesla stock years ago but sold it quickly when Elon started his space adventures. If I was a stockholder today, I'd be furious with him. How much of his energy, attention, and lack of focus on Tesla is hurting that company?

When investing in companies, you need to look at those that focus on a very specific area. Big fish in a small pond instead of the opposite.

In Appendix 1, I provide you with an example of a small company that is very focused.

# CHAPTER 5

## Live in the Right Place

### The Bee Story

The type of home bees select when swarming is important. It must be the right size, made of the right material and if possible, off the ground to avoid attacks from certain animals. Bees need some basic things around their homes to survive and thrive.

The neighbourhood needs to have plenty of fresh water, some shelter from the north winds, and diversity of plant life. The neighbourhood also needs to be safe from attack of enemies. Being above the ground helps with that.

When bees find themselves in a difficult situation where their home or environment isn't what they thought it would be, they move. Beekeepers often call this absconding. It's as if the bees leave secretly, in the night to avoid detection and to avoid being kept there by the beekeeper.

But frankly, the term is pretty silly. Bees leave a hive and an area because it's not a great place to live. Usually, most beekeepers don't understand that it is natural and healthy for a hive to leave. If they don't leave, they won't survive.

From what we know, bees make the decision to leave very quickly. I'm not sure how they all agree, or who starts the

idea of moving. Is it automatic when it gets too warm in the hive or too dangerous in the neighbourhood?

When the decision to move is clear, the queen stops laying eggs. After bees empty the hive, we see few babies or eggs which tells us that it took about 3 weeks to pack up and get ready to go.

So, when bees all get up and leave a hive, where do they go?

The first place would be a new empty home found by scouts. It's very similar to the behavior the hive used when it swarmed for the first time. They form a ball on a tree, send out scouts, and then vote. They find an abandoned hive or cavity and if agreed upon, move in. As I discussed in the recycling chapter, a home that still has wax from a previous hive is ideal.

A second way to leave a hive is called a usurpation. This happens when the moving beehive invades an existing healthy hive and takes over. Within minutes, the queen of the home hive is killed and the moving in queen takes over. It is a hostile takeover. This raid is often missed by beekeepers. Since it only takes 10-15 minutes to take over a hive, the beekeeper just thinks his hive has gotten stronger and seems busier.

Hostile takeovers are more common in the late summer or early fall. This helps the new swarm survive because the

hive they raid is full of wax, honey, babies, and pollen for the winter. The probability of survival is greater after the takeover.

If the hive didn't raid another, it would have no chance to survive this late in the summer. It would be too late in the season to start over from scratch, building wax comb or storing food.

We don't know which queen will survive a fight when the raid occurs. The strongest one will survive. The surviving queen can now pass on her strong genetics to the next generation of bees.

So, what the bees teach us is that smart hives know when they need to move. There may not be enough food in the area, or the house itself has leaks or other problems the bees can't fix. It may also be that the neighborhood is full of animals and insects constantly trying to raid them, which is too stressful for the bees.

So, geography and the neighbourhood are important to bee survival. If conditions aren't right, they move.

### **Smart Money Lesson**

Today, home ownership in many of our largest cities makes absolutely no sense. Within 90 minutes of driving distance to Toronto, you could be paying well over half a million dollars for a small condo or townhome. Your payments, with other costs, will exceed some \$4,000/month.

Fear of Missing Out (FOMO) could result in your not being smart with your money. Agents tell you there are multiple offers when you try to buy a house, so you are eager to over-pay. But that's not a smart thing to do with your money.

Like the beehive, your home is not an investment. It is a place that you live in until you move on and someone else lives in your old house. When you move, you take the resources with you (for the bees, it's honey, pollen and the queen - for you it's furniture and memories) and live somewhere else.

Even if the house you live in goes up in value, the one you buy when you move will have gone up in value as well.

Your home is also not an investment because it produces no income on a monthly basis. Investments must pay you regular income. If they don't do that, they are not an investment.

The money you pay for a new roof, taxes, new furnace, and other things in your home are not tax deductible. You make no income from it, and the government has decided a very long time ago that your own home is not an investment here in Canada. When you sell it, you pay no taxes on any increase in value you may have received. That is because the government knows, as I do, that the house you live in is not an investment. You aren't making any real money when you sell it.

If you must buy a house to live in, your choice is simple. Like the bees, you need to take a few weeks and plan to move somewhere else. If you move from Toronto, Ontario to say Antigonish, Nova Scotia, you can purchase a home for some 60% less. More importantly, if it is your first purchase, you can buy a duplex, live in one half, rent the other half, and live for free. You can buy the whole building for about \$300,000. If most of us thought like bees, there wouldn't be too many first-time home buyers in Toronto.

Unlike the bees, you have no option to do a hostile takeover. But other jurisdictions do have some benefits that are hidden, but helpful. High property taxes are a bit like a hostile takeover that will take many years to complete. Eventually, you may be paying hundreds of thousands of dollars to the local government that you wouldn't have to pay if you picked the right neighbourhood. In my community here where we have the farm, residential tax rates are 1.8% of the suggested value of a home. On a \$500,000 home that equates to \$9,000 per year in property taxes.

In Chester County, Nova Scotia, the property tax rate is .69%, meaning on the same value of house you would pay \$3,450 per year in property taxes.

In my community here with the 1.8% tax rate, there is a large landfill with zero recycling. In Chester County, some 95% of landfill waste is recycled. There is a long-term plan for sustainability in Chester County.

So, for future planning, I believe it is smart to own property in Chester County. While I maintain the farm property and homes, they are no longer as desirable as once before.

For those living in Toronto or another big city, selling your home and moving to a less expensive area may also be smart. You can harvest the capital gain from that home tax free, then buy in a better valued community. The other option, of course, is to rent a home or townhome in the city of your choosing. Usually, you can do that and stay within the 30% rule for accommodation. That means you spend no more than 30% of your monthly income on your personal residence. If you make \$5,000 per month you should be spending no more than \$1,500 on rent, all in. If you choose to sell your overpriced home, you can then invest that money to provide income to pay your monthly rent.

Being smart with your money means that you are comfortable taking action to live in a reasonably priced, safe neighbourhood. You take action like the honeybees and move when your home is no longer safe, comfortable or within your budget. You move if you can find a better place, at a better price.

## **Investment Example**

How can moving help with your investing?

The first strategy is you move to buy a home that is one side of a duplex. You buy the whole thing, living in one half and renting out the other.

Like the bees when searching for a new home, scout the potential community. What are the job prospects? Is there a university in town? What is the age and average income of the community? When you walk the main streets, how does that feel? What is the crime rate in the area? What are the property taxes in the community?

So, like the bees, take some time, but make a decision in a reasonable manner. If something isn't right, leave and go to the next opportunity. Like the scout bees, it is unlikely you will find a home or location that is perfect. Be 75% or 85% sure and then make your decision.

For more detailed information on investing in a duplex see Appendix 2.

# CHAPTER 6

## **Little Things Over Time, Become Big Things**

### **Bee Story**

When you watch bees, you will notice how they focus on tiny things. Little bits become big bits. A bee brings back just a drop of nectar to be made into honey. It's not a lot. Over their lifetime of about 6 weeks in the spring and summer, a honeybee will produce less than 10% of a teaspoon of honey. It will take about 350 bees to create a pound of honey. All of those bees working together, doing their little bit of work create over 100 pounds of honey to store for the winter.

Washboarding is another type of behavior you can see by watching the front of a hive. Bees seem to be moving back and forth as if doing a dance, with heads down, working on the surface of the entrance to the hive. Each bee has very little area to work on, less than half the size of their body. Over time, by working back and forth, the bees are able to clean and disinfect the entire entrance.

Cleaning a very small area of a surface, leads to the entire hive being protected from disease. Just a drop of honey many times over, leads to over 100 lbs of honey. Little things add up to big things in a beehive.

## Smart Money Lesson

Unlike the bees, we humans have a hard time doing little things, that over time become big ones. The lesson from the bees is clear when it comes to being smart about your money. Like the bee with honey, if you put a little bit of money aside over time you will have a big amount.

If you saved \$5/day for 50 years (and had invested it in a dividend paying stock) you would end up with just over 1 million dollars. That's just \$150 a month. If you can save a bit more, say \$7/day, that would mean in 50 years you would have just over 2 million dollars.

If you are still in school, you definitely should start now. You can start by saving half of your allowance, or the money you make in a summer or part-time job.

How early you start saving is more important than the amount you set aside. The longer you wait to get started, the more money you will need to put aside to reach your goals. Start today regardless of your age.

This is hard to do. Our human brains are wired much differently than the bees. We want to buy that special coffee today because we “deserve” it. The thought of saving that \$7 today to have 2 million dollars years from now isn't on your mind.

The bees washboard the front of their hive or collect a tiny bit of nectar thousands of times, because it is a habit. It is

just what they do. They are hard wired to save. You can change your wiring, too, and be just like them. Here's what you can do.

Stop buying that daily coffee on your way to work and make it at home instead.

Pick up a few extra hours of work per week. Get a 5 hour a week part-time job or start a small business. That 5 hours a week of extra salaried work will add some \$500/month to your income. If you invested that at 8% over 35 years you will have 1.1 million dollars. So, like the bees, just a bit each day, over the course of a lot of time, means big things.

To do this, you would need to have the amount of money you want to save taken out AUTOMATICALLY every month. You will never have to think about it. Any bank will let you set this up. Set it up and forget about it.

Once a year, you look at that account and make an investment. That's it.

Depending on the rules where you live and your age, it would be helpful to invest in some form of tax-free account. In Canada, we have the TFSA which allows you to put in money you have earned and collect interest, or dividends, tax-free. You are also allowed to take money out for pretty much any reason. Check with the rules of the TFSA and see if you are eligible. You can go to your bank

and set up a self-managed account within a TFSA or an investment account that you will put your savings into.

So, to be smart with your money, start saving a little bit every week or day. Start today. The younger you are, the less you have to save and the more you will make.

Now let's look at some ways you can invest those savings.

### **Investment Example**

There are no shortcuts to successful investing. It will take time, years to build up your investment account. It will also mean you will have to get to know a couple of important types of investments.

The first type of investment is a common stock of a publicly traded company.

A publicly traded company is a business that anyone can buy a part of. When you buy just one share of a company, you are becoming an owner of that company.

The best way to learn about stocks of companies is to choose an industry that you know a great deal about and buy some shares. I like companies that produce things that people need, like a place to live, health care, or wood to build a house to live in. I understand those industries. I also like homecare businesses that use technology. Those are the companies that I invest in today.

The second type of investment is called a bond. It's a way you loan your savings to a government or company to use. For lending them that money, they pay you interest and hopefully some day, pay you back the money you lent them.

The higher the risk, the more money they will pay you. But remember from our earlier chapter, the goal is to be sustainable to survive. Would you rather earn 4% on your money from the Government of Canada, or 7% from Joe's crypto exchange? It's not just the interest you get paid but the risk you need to consider.

Bonds are an investment choice if I'm looking to park money for a while before I invest in something else. I use 30-day Government T-Bills, which means I loan money to the Canadian Government for 30 days at a time. They pay about 3.7% right now; not a lot, but better than nothing. Remember, as the bees have taught us, little things, over time, become big things. That 3.7% on savings adds up over time.

In any investment, you also need to think about taxes. If you are young and still in school, likely you don't have to worry. You don't earn enough each year to pay any. In my two examples, dividends from stocks are the best for tax reasons. Bond interest income is the worst. If you have the money in a TFSA, you don't need to worry because anything you earn is tax free. Taxes that you pay on

earnings should always be something you think about before investing.

Once your little bits of savings add up, you have choices of where to invest that money to hit your 8% return. I like bonds and common stocks. In Appendix 3, I give you an example of one of my favourite stocks.

# CHAPTER 7

## **Be Strong, But Fight Only When Needed**

### **The Bee Story**

Bees have many enemies that attack them daily. Wasps will send out scouts to find vulnerable or weak hives and test their defenses. The wasps will slowly move closer and closer to the entrance of a hive, to assess the strength of the hive defence system. Sometimes, the bees are so busy coming and going, that the wasp will sneak in. The scout wasp will also try to get close to a bee that is fanning at the entrance, in hopes of getting some of the pheromones on their body as a disguise. Pheromones are a fine "scent" that tells the guards that the bee coming in is from their family. By getting pheromones on their own body, the wasps want to pretend they are a bee from this hive. Each hive has its own different pheromone scent.

But most of the time when we are watching a healthy hive, within a few seconds of entering, the wasp is dragged out.

Scientists tell us that it takes 4-5 bees to successfully kill a wasp. A bee can sting a wasp many times because it is an insect. When a bee stings a mammal, the bee dies. But even though the bee is free to sting a wasp multiple times, it still doesn't want to do that.

They want to send the message that they are strong and ALLOW the scout wasp to go back to their group and tell them. The scout will not return because he tested the defence system, and the bees were assertive and dragged him out. The robber wasps will not be arriving soon.

Honeybees know it takes a great deal of energy and resources to fight a wasp to the death. It also makes no sense. If the wasp were to enter the hive and sneak around to threaten the queen, likely a group of bees would attack and kill it. For the scout, however, killing it defeats the purpose. The bees want the scout to know that they are strong.

The same can be said for robber bees and other predators that attempt to breach the entrance of the hive to steal honey or harm the queen. The bees will first attempt to send a message before they resort to actually trying to harm the intruder.

Bees are strong and send the message that they will defend their home. It is more beneficial to establish a strong reputation and defence system than to fight each intruder to the death.

### **Be Smart with Your Money Lesson**

Some years ago, when we were building student housing in a town on the East Coast of Canada, we had a meeting

with a town planner. This town planner proclaimed to anyone that wanted to listen that he was the Frank Lloyd Wright for that town. He had a vision and wanted to convince us that we needed to listen to him if we wanted to develop in "his" town.

So, when it came time to meet regarding one building we were proposing to do, the planner stated, "You will never build this type of building in my town."

The meeting got heated, I stood up at the restaurant and made it known that we were going to build our building. I also had investigated the planner and discovered that he had a small rental property in town that was at best, a C standard and it, itself, didn't meet his own "vision" for his town as a planner.

We engaged with a skilled attorney who allowed Frank Lloyd Wright to send letters and documents basically confirming that our building was within the guidelines of the building code for the community.

As a result, we successfully completed the project.

But thinking he would get the last word, the planner convinced the elected officials to pass a new bylaw making our type of duplex impossible to build in the future. We love this, of course, because once we are finished building, new restrictions such as these make our existing properties even more valuable.

Our meeting in the restaurant was comparable to a wasp trying to test the entrance of a hive for strength. Once the test occurred and we rebuffed it, there was no need to show any further strength. Yes, we could have complained officially regarding his conflict of interest in personally owning properties that increased in value each time he turned down a building application.

But that wouldn't have helped us. We just needed him to know that we were assertive, had a strong legal team and wouldn't back down.

Being strong and defending boundaries means you work with excellent lawyers to keep your intruders away. Companies that you invest in should have strong defense systems in place, or proprietary products that are difficult to steal. If someone should try that, they should have a strong legal team to fight back.

### **Investment Example**

Reliq Health Technologies is a company I have been in love with for a very long time. I'm a supporter of home care, believing that the best place for people to recover from an illness or disease is in their own homes, monitored by the best medical professionals on the planet. With ageing, I also believe that we should be able to spend our later senior years wherever we choose. For many seniors in North American, our own home is where we'd like to stay.

Reliq helps makes this possible.

The little Canadian Company, based in Hamilton, Ontario provides a home technology solution that has proven to reduce hospital costs for chronic care patients, and increase revenue from those physicians who choose to use their platform. Hospitals save money and patients get better care. Everyone wins. They do business primarily in the United States, because in Canada, there is no incentive for hospitals to use their service.

The barrier to entry in their industry is huge. It is hard for competitors to get into their market. Services must be approved by government agencies and hospitals. The sales cycle for health care is a very long one, often years to achieve.

Reliq also has various IP patents and proprietary methods to deliver its service. It has a strong defense system with protected products. The patents are a form of protection from intruders into their market, a lot like the guards protecting a beehive.

Their existing contracts also make it very difficult for others to start such a business.

This is a long-term hold for my portfolio that has a strong ability to fight off intruders and a moat to protect their technology.

# CHAPTER 8

## Know the Probability of Success

### The Bee Story

As we learned in Chapter 2, one way that a beehive can naturally reproduce is through swarming. When the bees swarm, a queen and about half the hive, along with about half the honey, leave. They fly a few hundred meters from the original hive and form a ball of bees surrounding the queen. The bees are heavy with honey so can't defend when predators may want to attack them. They aren't able to sting. The clock is ticking.

Scouts fly around the area or even kilometers away searching for their ideal new home. The scouts would have been out earlier, but now they have to narrow down a location. They are under a lot of pressure because if they don't find a suitable home within a day, everyone will die. They have 24 hours.

The scouts come back to the ball of bees and dance out the direction of their choice of home. A majority of the scouts must agree on the same home, or about 75%, or the bees won't go there. The point of this is that bees make a decision based on the probability of success. The waggle dance is a routine where the bee shows by dancing, the location of where that one scout's choice of home would be. The dance shows to the other bees the distance and

direction. At least 75% of the scouts would also have to do the same identical dance, or choice of home, for that to be the agreed upon spot.

If the bees needed every scout to agree on the new location, they will never be able to leave on time to survive. They would never be able to get 100% of the scouts to agree to anything. So, to increase their probability of success, they make a decision when they are in 75% agreement. Less than 75% agreement and likely they are picking a home that isn't the best. If they wait till they have 80% agreement, it may take too long and the bees will starve to death, as will the queen. They have learned that the 75% level of agreement is their sweet spot.

Once the bees decide on a path, they act on it. They don't hesitate, or wait, they act and fly to their new home.

Even though the swarm needs 75% agreement of home selection to move in, that doesn't guarantee the hive will survive. So even with all this work, all these processes and need for consensus, only 20% of the time, will that hive survive through the winter to the next spring.

How can you, like the bees, put a system in place to increase the probability that your money and investments will survive?

What the bees teach us is the value of having a system to follow and that even with that system, there is a chance

you will fail. The system will eliminate many of the preventable mistakes. Many other occurrences that can make a decision fail are not within your control. Like the bees, you will learn to do the best you can and be sure that it will give you the best chance to be smart with your money.

### **Smart Money Example**

When you invest in a stock or bond, what do you think is the probability that the investment will survive a catastrophe? That's probably not the first thing you think about when investing. Earning money or increasing the value of your investment is often the first. But you need to start thinking of the probability of your investment losing all of your money. Preserving your investment is more important than earning, so understanding the probability of success matters.

Because the Canadian Government guarantees all the money in a bank savings account up to \$100,000 you can be 100% sure that your money is safe. The probability of risk of loss for me would be 0%. Unfortunately, savings accounts don't pay a great deal of interest, so it's likely that you won't make any return if you put your money in that type of bank account. Getting in the habit of estimating the probability of success or failure of any decision you make is necessary for you to be smart with your money.

You need to get in the habit of immediately considering that number before you invest. If you buy a Canadian Treasury Bill paying 3.7% annually, for 30 days, what is the probability that the investment will be able to pay you back after 30 days?

Well, hopefully, the answer should be that you are 100% sure. It's backed by the Canadian Government.

But you could argue, I suppose, that the country could go into receivership or bankruptcy. That would be scary. The government wouldn't be able to pay you back. We can agree, however, that it's not likely to happen.

There isn't much inflation risk either, because in 30 days there wouldn't be much. Remember though, on a bond purchase of \$5,000, you would be receiving \$15.42 as interest plus your original \$5,000 back. You then could invest \$5,015.42 for the next thirty days and so on. Stock purchases may seem riskier, but it all depends on how you calculate the probability of failure. Let's take a closer look.

### **Investment Example**

The world's greatest investors are right about 70% of the time. That means about 30% of the time they are wrong, and an investment doesn't go well. If only a few investors in the world ever achieve that 70% number, what can you do?

While a value investor knows that the 70% success rate is attainable, they also know that you must work hard digging into any investment to understand it. There are also random happenings that can result in failure even if you do everything correctly.

So how many different investments will you need to be somewhat diversified when an investment goes south? Being diversified means that you spread your money over a number of different investments so that if some go bankrupt, the others will protect you. Experts have different opinions of what it means to be diversified. I believe it's based on the number of good value businesses you have been able to purchase. Currently, at the writing of this book, I only have 3 different stocks in the portfolio. However, I have a number of other non-public investments that give me a diversified portfolio of 10 different types of businesses.

Let's assume you are a new investor and 55% of the time, you are able to select a winning investment. That's just a bit better than picking investments with a coin flip. Let's assume the return on those investments average 25% a year. Let's also say that 35% of the time, you break even, and 10% of the time you lose all your money.

That's a tough outcome but let's look at those numbers.

If you have \$100,000, after the first year you would have

A 25% return on some of your stocks.

$$\$55,000 \times .25 = \$68,750$$

In 35% of investments just money back = \$35,000

\$10,000 loss.

After year 1, you would have \$103,750 or a return of 3.75% on your investment of \$100,000

But if inflation is at 5%, the problem is this type of investing isn't sustainable. You would be losing \$1,250/year in buying power. Eventually the \$100,000 would be gone.

But I forgot one thing. The stocks you are buying pay a regular dividend of on average, 5%. You are earning 5% from the \$90,000 of stocks that survive. You would add that to your gain, meaning an extra \$4,500, which would more than take care of inflation.

There are many ways to turn this investment into a positive one. You could improve your return on the 55% of the companies that are winners or take some of your break-even money and invest it in those same companies. You could also analyze what, if any, are the common characteristics of your failures and avoid those. You do have to look at the randomness of investing and see if any events contributed to those losses.

But here's where it starts to make sense. Over time, returns from your investments will hit an 8% return and the probability of your success will improve as you learn more. In about 10 years after you get started, assuming you continue to work on your skills, you will be well on your way to that 70% success level.

Remember that you learn from your failure, not your success. Like the bees, even though 75% of a swarm think they are correct with a home selection, only 20% of the time does that work out. Random chance happenings or mistakes not considered make swarming risky for honeybees. Those two factors will also impact your ability to be a successful investor and smart with your money. Working hard to learn more about investing will help increase the probability of your success. In Appendix 4, I have a starter list of books to read. You should be reading on average, 1-2 hours per week to become a good value investor.

# CHAPTER 9

## Know What is Happening Right Now

### Bee Story

During the summer, there can be as many as 40,000 bees in the hive. Every 15 minutes or so, the bees are told that their queen is alive and well. Yes, hard to believe, but 40,000 bees are clearly communicated to about this fact every 15 minutes.

The queen's attendant bees pass on the pheromone from the queen to others who spread the word. The pheromone is that unique scent that only their queen has.

If, for whatever reason, the pheromone isn't spread as usual, the bees go into panic and repair mode.

They quickly begin selecting the best little babies to turn into queens. They start feeding those chosen babies a special food of royal jelly that will turn them into queens. The workers also start building a bigger shell around the baby so that it can grow to a larger size than regular worker bees.

The bees also take action by increasing their guards to protect the hive. When there is no queen, other predators are more likely to attack them, including wasps and robber bees from other hives.

There is also a chance that the hive will be taken over by another swarm. Usurpation only takes about 10 minutes to complete. A hostile takeover would mean the end to their genetic line.

Bees also take regular checks of temperature and humidity in the hive. If the hive is too warm, some bees park near the entrance and start fanning their wings to increase air circulation. If too hot, they fly and get water to spray within the hive.

The drone bees also get involved in detecting changes in temperature and humidity and then taking action. Drones are the preferred method to raise hive temperature in the early fall as they are more efficient than the worker bees in creating heat, by shivering.

So, survival is a result of the bees always knowing where they stand at any moment in time. They know the health status of their queen, the temperature, and the general conditions in the hive. This immediate feedback helps them to act quickly, which helps them survive.

### **Be Smart with Your Money Lesson**

Like the bees, you need to know what your financial situation is at all times. Do you avoid opening the mail, or online review of your credit card statements? Do you know what the cash balance is in your checking account right now?

Do you know what is happening with the price of groceries, or gasoline, or services you generally buy?

Watching inflation, or deflation, yourself in real time is helpful. Inflation means that the price you pay for the same amount of goods or services, over time, goes up. One day you pay \$1.50 for a liter of gas and 30 days later the price is \$2.00. That's inflation. Deflation means that the price you pay for the same amount of goods or services, over time, goes down. That liter of gas at \$1.50 a month ago, costs \$1.20 today. You can't predict the future, or worry about the past, but you can become very aware of what is happening right NOW.

Like the bees, this skill is crucial to your smart money survival. Don't believe the numbers the government may be telling you about inflation. Look and investigate for yourself.

For food, use the grocery shopping example. Over time, during a few months, have you noticed a change in price of your groceries? Has the price to fill up your car changed, or the amount of your property taxes?

Right now, in December of 2022, the government says that inflation here in Canada is from 5%-8%. But that is not true. Right now, living costs are up from 12% to 17%.

What this means to me is that I need to pay more for food and lodging than I did 1 year ago. It means I need to save more because as inflation increases, everything will cost

more. In just 15 years from now, with low inflation of just 3%, that \$100 would only be worth about \$60. This means you need to save and be prepared even with minor increases in prices. Inflation eats away at your savings. With deflation, you make more money by having cash in savings.

Like the bees, you always need to know, in real time, how you are doing with your money and what is happening around you.

### **Investing Example**

Unlike the smart money lesson, you should be careful not to watch your investments too closely. Checking the price of your stocks weekly, or even monthly isn't very helpful. Rather than the price, check the quarterly reports for the companies you invest in every 3 months.

Is there any change in the company that would increase the risk or probability of failure?

Like the bees though, you should also do a check of where the world is today. Predicting the future is impossible and worrying about the past a waste of time. Get in the habit of doing a daily thought on what you see going on around you. The cost of things, the demand for what you produce and so on.

Other than that, don't look at stock prices too often. If nothing has changed with your company and the price of the stock has dropped, you may want to continue to

purchase shares. Be patient. Being a value investor means you take your time in making decisions about new things to buy or sell. Unlike the bees, who need to worry and act right away if their queen is missing, there is no clock ticking for you. Being a value investor means you buy great investments at a price well below what you believe they are worth. Sometimes, you have to wait a long time to find those.

# CHAPTER 10

## Value Investing

### Bee Story

Being a value investor means that the bees are able to get the maximum return for the investment of their time in bringing nectar back to the hive.

Value for the bees has to do with the amount of sugar content in the nectar. Some flowers, such as white or yellow sweet clover, have twice the sugar content than most flowers.

A honeybee that finds a white sweet clover plant, will first put their tongue into the nectar and assess the sugar content. If of a high value, she will then take back as much as she can, and dance to her sisters the exact location of the plants. It's also the same type of waggle dance scouts use to tell everyone where the new swarming hive should go. But instead of a new home, the worker dances out the distance and location of the flowers.

In this way, the honeybees can get twice the return on sugar content per trip to the flower as they would with other plants.

To make honey, the bees fan the nectar in wax cells to increase the sugar content to the point where it will not

ferment or spoil. That level is usually 30% glucose and 40% fructose. Because of the high sugar content of the clover nectar, the bees only have to do about half the amount of work to turn it into honey.

Bees understand the value of high sugar content in nectar that they gather. White or yellow sweet clover are deep value purchases for the bees.

In the recycling chapter, I explained how swarming bees preferred to recycle and repurpose abandoned hives.

As a real estate example, the new home selected by the scout bees, has more value if there is old wax comb in it. This is preferred by the bees because it brings more value to them. They will require less of their valuable honey stores to build wax if the wax cells have already been created by a previous hive.

For bees, value investing means they get nectar or a home for significantly less than the usual energy cost. To be a value investor like the bees, you would purchase an investment for a price far below what you believe the value to be. Let's dig a bit deeper into this last, but very important, lesson from the hive.

### **Smart Money Lesson**

How do you know what something is worth?

In the honeybee example, the bee samples the nectar of different flowers and immediately knows if it is of high value. If you are going to buy a new pair of boots because you don't have any that fit and don't leak, how do you know which type would give you good value?

The first mistake many of us make is to only look at what you paid for your last pair of boots. You look at the price today, and what the price may have been a month ago, or way back years ago when you bought your last pair.

But none of that really matters. You may also get excited if the boots are on sale. But a deep discount in the price doesn't mean anything if you can't assess the actual value of the boots without thinking of the price.

Let's go through several ways you can see the value of those boots.

One way to measure the value of boots is to look at the price you paid and the number of years the boots lasted. If you paid \$75 and the boots lasted for 3 years, you paid \$25 per year that you wore those boots. So, one way to assess value would be the cost per year. You believe that is a fair number and will compare future purchases with that rule.

A second strategy may be to compare the prices of the boots you are considering with other boots. The boots you

are looking at are selling for \$100, but others are on sale for \$45. Which is of better value?

The third way to determine value is to rate the quality of the boots. You need to compare similar quality of product to determine value. You would class the \$100 boots as AA quality while the \$45 were of B quality. They are not very comfortable or walk-friendly. They seem as insulated as the other more expensive boot but walking a great distance in them would likely not be practical.

When you consider the construction of the boots, you estimate that the cheaper boots will last you, at best, 2 years. The more expensive boots would last you at least 4 years, given their construction and quality.

The \$45 boots will cost you \$22.50/year and be hard to walk in while the expensive boots would cost \$25/year and would be good for long treks.

Now to make the final decision, you consider all of the factors, including the timing of your purchase.

Because it's late spring, very soon boots won't be needed. There will be no more snow.

If you delay the purchase and take the \$100 and add it to your investment account at 8%, after 30 years your \$100 will have grown into \$1,006. After 40 years to \$2,172, and 50 years \$4,590. So, the question then becomes, do you really need a new pair of boots?

The point of this exercise is to make an informed decision and seek out the best possible value for your money. Buying boots is not like buying an investment, but NOT buying boots when you don't need them just may be.

### **Investment Example**

Understanding the true value of an investment is an important part of any decision you will make. Let's take the example of a house price. Regardless of whether it is a duplex or house to live in, let's look at the different ways to assess value. In this chapter, let's just look at the basic ways to assess value of a home.

Right now, in many large cities in Canada, home prices are still in a bubble. For our example, let's say that a house is selling for \$500,000 which is considered a bargain. It sits on a large 1/3-acre lot and is 1,500 sq. ft. in size with no basement. It is 20 years old. The land isn't for sale as it is a condominium. You only own the house. The land is owned by the condo corp. You own the inside walls; they own the rest.

The first way to assess the value of the condo is to use the price that it is listed for. That price of \$500,000, however, has nothing to do with the value. A real estate agent or the owner decided that would be the price. It is not based on any real test, or realistic assessment.

The first rule is to ignore the listing price. It means nothing.

The second strategy is to look at "comps". That will tell you the price that similar condos have sold for most recently. Let's say that the range in condo prices for similar units was from \$400,000 to \$600,000. That was last year. Nothing has sold in the past 3 weeks that is similar to the one that is for sale. In fact, nothing has sold.

At 1,500 square ft of space, the price of previous sales has been from \$267 per square ft, to \$400 per square ft. The current price of the one you are looking at is \$334 per square ft.

When looking at real estate prices, comps mean nothing to me, and they shouldn't to you. Past prices have nothing to do with current value. The prices simply tell you what someone was willing to pay for a house, not the value.

Next, you would look at replacement cost. What would it cost to build that condo? Usually, you can get a good idea from an insurance broker, as they insure properties for replacement cost. If the broker tells you the condo would be insured for a replacement cost of \$350,000 that would mean a cost to build of \$233/square foot. That would mean that the current price of \$500,000 is about \$150,000 over replacement cost. Very expensive.

Even though the house is one you would live in, let's look at the value using the income approach. That is, the amount of money you would expect it to bring in if you used it as a rental.

Rents in the area are \$2,700/month plus utilities. If you paid \$500,000 and put \$100,000 down, the monthly mortgage payment would be \$2,462 per month. Next, you would have to pay a monthly condo fee of \$400, plus taxes of \$200, plus insurance of \$50, plus management fees of \$225. That would mean your costs would add up to \$3,157/month, or a loss of \$695 per month, or \$8,340 for the year. This would be a horrible purchase.

So, what would be the value from my perspective?

You would have to purchase the unit at a price from \$200,000 to \$275,000 to provide you with adequate value. I still wouldn't buy it at that price. I don't like condos.

Perhaps we could have started there. I would never buy a condo as an investment. Someone else owns the land you don't. Condo boards can raise management fees at anytime for any reason. You have no control.

Currently, the only option may be to find a reasonable apartment to rent if you have to live in this neighbourhood. I'd do that for a short-term basis and would hunt for property in a different place. As I explained in the previous chapter, sometimes you just have to move your location.

In the end, you also need to have some rules that would make you walk before you even take the time to assess the value. I don't buy condos or townhomes, so that would be a non-starter. Having your own set of rules to evaluate

value is important. Only you can decide what something is worth. The price someone is asking, or the words of a real estate agent, have nothing to do with the true value of an investment property, or one to live in.

The final thing to remember from the bee lesson of assessing value, is to remember that buying a house to live in, is not an investment.

To look at value if you are wanting to do that, the house should not cost you more than 30% of your income or cash flow to maintain. If it does, look for renting or moving, and invest the rest. Again, a house you are going to live in is not an investment.

# CONCLUSION

The bees have many innate skills that help them to survive by being able to cope with change and assess value. Many of these skills are akin to behaviours that you can learn to help you be smart with your money.

The earlier you begin to save and invest, the more money you can potentially earn through interest and investments and the power of compound interest. When you are smart with money, you have the advantage of being able to weather job or investment losses and have the peace of mind that comes with knowing you have accumulated enough wealth to live stress-free since you will always be able to pay your bills.

And that, my friends, is what Grandpa has learned from his honeybees.

## ABOUT THE AUTHORS

In 2017, Henry and Mary Svec started converting their 50-acre farm back to nature as a honeybee sanctuary. Henry received his Ph.D. from Michigan State University in 1988. For 30 years he worked as a clinical psychologist in Ontario, Canada and for 40 years as a value investor in real estate, bonds, stocks and early-stage start-ups.

Mary Svec is a Servant Beekeeper and chief photographer of nature at the farm. One of her pictures creates the front cover of this book. To download some of her coloring book pages from her pictures, or to learn about the bee sanctuary, go to [WildFlowerBeeFarm.com](http://WildFlowerBeeFarm.com)

# APPENDIX 1

## **Focus, Specialize and be Efficient**

One of my long-term value holds in the portfolio is European Residential Reit. ERE is a Canadian company with 6,900 apartments in the Netherlands.

The company focuses strictly on apartments and townhouses for rent in that country. It has 2 commercial buildings with some apartments in them but has no intention to continue to add to commercial properties.

With a market cap of just 267 million dollars, it is considered very small in the REIT space.

So, how do I assess the true value of a publicly traded company like ERE? Here is how I do it.

1. Taking the 267 million value and dividing by the 6,900 units leaves a price per apartment of \$38,695. I get excited when I see that number. So, I keep digging. Another REIT, one of the largest in Canada, Killam, has a value of \$103,321 per apartment and Minto REIT \$70,800/apartment. In this comparison, ERE is selling for a very cheap price compared to most on a cost per apartment basis.

2. Separating hard assets from cost is hard to do because the price is so low. Some 30% of the apartments or

townhouses are separately deeded. They can be sold individually as you would sell a house. The price they receive when selling the odd unit ranges from \$300,000 to \$800,000 Euros. This is starting to sound like a deal too good to be true, so more digging is needed.

3. The dividend appears sustainable and attractive when compared to GIC and Bond rates. At the current stock price of \$2.98 the dividend is 5.5% on an annual basis. It is sustainable as they payout just 13% of earnings. It's very sustainable.

4. What is the value based on current mortgage rates and return if the money was invested elsewhere? This is one of the primary risks of investing in this company. Mortgage rates were very low when taken out but now increases in interest rates will have an impact on profits. It is likely that the company will have to re-finance at higher rates when those mortgages come due. This is a negative factor when investing in this company.

5. What is the likelihood or probability that if we had a fire sale, the investment will be safe? The company has a current book value of \$6.68/share and is selling for \$2.95. It is selling for a 68% discount to that value. With a fire sale, I am 98% confident that the investment of \$2.95 per share will be returned.

6. How does this price compare to other possible apartment investments? Generally, it would cost some

\$200,000 to build an apartment today. At least that is the value I would think is fair. ERE is purchasing new units today for that amount. In point 1 I have done a comparison with other REIT's. ERE demonstrates better value if you were going to build new apartment buildings or invest in a competitor.

7. How does the value compare with the income the company generates? The company generates a CAP rate of 7.7% This means that after expenses without accounting for mortgage interest, the company returns 7.7%. With mortgage rates at 1.52% locked in, you can see the cash this company is generating. To calculate the CAP Rate, you determine the return if all of the properties were paid for and had no mortgage payments. Because of leverage, the actual returns the company generates is significantly greater than the 7.7%, more in the range of a 15% return on capital.

8. Debt is the enemy for this company as interest rates continue to rise. It is highly leveraged which explains the significant return on equity. With properties valued at 1.87 billion dollars the company carries mortgages of 833 million. Every 1% increase in interest upon refinancing means an extra 8.33 million dollars in long term debt expense each year.

9. Government rules. In the Netherlands, there are many rules when you own an apartment. It's very complex, but to summarize, some apartments are open market rents

and some are government controlled. Many investors see this as a problem. I see it as an advantage - a barrier to entry if you will. It would be difficult for someone to go to the Netherlands and decide to start a REIT. But here is the other advantage. Tenants pay their own utilities, shielding the company from increases in gas prices and electricity due to the Ukrainian war. Even more remarkably, many of the tenants do their own repairs on the units. Except for the roof and windows, tenants pay for and do the repairs. If the company does those, they bill the cost back to the tenants.

10. Final impression. I believe that this company is focused, sustainable and specialized to the point of maximizing profits. It also works out to be highly undervalued at this time. I can find no other reasons to not consider this a 98% probability of receiving the investment back in case of a company bankruptcy, with a strong regular dividend over the long term.

## APPENDIX 2

### **Should You Buy This Duplex?**

Let's say you find a duplex in a city that you believe is promising. Let's go through the steps of what I do when analyzing a duplex for purchase. Remember, you will live in one side and rent the other side out to a tenant.

Let's say you found a duplex in Antigonish, Nova Scotia, with a list price of \$350,000. You start by offering \$225,000 and end at \$265,000. You make sure that in your offer you have 30 days to inspect the property. You can walk away and get your deposit back if you don't like the inspection for ANY reason.

In my investment career, on average when I was accumulating properties, I had to make 10 offers to get 1 accepted. Of 3 that got accepted only, 1 would fit my criteria or pass inspection and become my purchase. So, if you do the math, to buy a property I would have to make about 30 offers. The value of those properties that I purchased had nothing to do with the asking price. It was what I thought the properties were worth.

1. The Inspection. You want a conservative inspector with a technical background. Some form of engineering is needed. What is the state of the roof, is there mould, the age of the heating, air-conditioning and ventilation units? You also would inspect the property yourself. What is the

cost to repair any of the deficiencies? Usually if under \$3,500 I don't go back and negotiate a price change. Anything over that, I do. I would also bring in special inspections if I have some concerns. A plumber to look at pipes, or an HVAC expert to make sure the heating and cooling is installed correctly.

2. What is the income value of the property? To do this, even if you are living in part of the building, consider the number if you rent out the whole thing.

Price \$265,000

Down Payment: \$53,000

Mortgage \$212,000 Payment at 5.3% of \$1,269.46

Taxes: \$180

Insurance: \$175

Repairs: \$250

Utilities: 0 (Tenants Pay)

Total Expenses: \$1,874/month

Income: 2 apartments rented for \$1,750 plus utilities each or \$3,500/month

Net cash flow: \$1,626 or \$19,512 in profit.

If you live in one side of the building, you will be paying \$124 plus your utilities to live there.

The other choice is to rent out the entire building and take the profit of \$1,626 and find an apartment somewhere else. If you do this, you will have to add a management fee for someone to take care of the business. Most management fees are 9% of rents collected or in this case, \$315/month.

So, at this point the numbers look good.

3. Post inspection review. Once you receive the inspection report, you dig deep to look for the costs of doing the recommended repairs. You want to make sure any issues are cosmetic and below your \$3,500 target.

4. You may have noticed I didn't put financing in the offer conditions. That's because I would have had some 60 days to close and if I knew I was going to waive the conditions I would then start hunting for financing. I always had backups or an idea of how I would get the money to buy the property. I have to say in most of my investment career, I never had a financing condition. I liked the pressure.

5. What is the replacement cost of the building? If you were to have just the building lot, what would it cost you to replace the building? Most insurance companies will tell you. Today, I assume \$150-\$250 per square ft. to replace a building. If the total square feet is 2,750, the cost to replace

would be \$550,000 at a cost of \$200/sq ft. If you are paying \$275,000, and say the lot is worth \$75,000, then you are buying a \$625,000 investment for \$275,000. I like this very much.

6. What would the appraisal be? Most banks will want an appraisal. Most appraisers work for banks and tend to appraise a property on the low side. The appraisal will need to come in at \$275,000 for you to be able to get financing. What have other houses sold for in the same neighbourhood?

7. Depreciation and cap X. This refers to the overall condition of the building. It may be that the building is now livable but in 2-3 years, you could be looking at spending \$50,000 or more to replace a number of things including heating, cooling units and a new roof. Ask the appraiser how many years are left on those specific items and other major structural things before making your decision.

8. Rental demand. What is the vacancy rate for the town and neighbourhood? Are most apartments rented or are there a lot of 'for rent' signs up in the community?

9. Is it insurable? Depending on where you are buying, you may want to make sure the property is well up from a lake or the ocean, or a river, so that flooding can be ruled out. You need to be sure you can get insurance for the property should you go ahead and buy it.

Go or no go? Like the bees deciding to vote on a new home, once you get all of the information and review it, decide to purchase or walk away. There will always be buildings to offer on and purchase. You never have to buy something if you aren't sure.

What would I do?

Well, assuming the inspections were fine, I'd be buying this as a first time or long-term investment hold for a portfolio. I wouldn't buy it regardless of how great the deal is if I didn't have great management in place. When you aren't living in the other side of a duplex, outside management is key. Don't buy any rental, unless you have solid management lined up.

Once you decide to buy make sure you have a great real-estate lawyer working for you. They will do searches and make sure the property is legal for you to buy. They also will suggest title insurance to make sure there are no other issues with your assuming ownership.

## APPENDIX 3

### **Little Things Can Add up to Big Things**

When looking for an investment, it's important to know the value of what you are thinking about buying. I'll use this next stock example to explain how I assess the value of a common stock. Also, have a look at the books I want you to read. Take your time and listen to those books or read them over the next 12 months. You can find a list of them at the end of this book.

Goodfellow Lumber Ltd symbol GDL. This company pays a dividend of 8.2% on today's price of \$12.10/share. They make lumber products for builders of homes, or large buildings for universities or government.

I know it's valuable and I know that chances are some 95% in my opinion that it won't go to zero. It's been around for over 100 years now and has survived many different economic cycles. In my opinion, it is a long-term hold.

It fits my example as well, of what happens when you invest a bit over a long period of time. The dividend alone will meet the 8% target plus you have the opportunity for an increase in the share price.

Some businesses understand how working on the small important things can add up to be a great thing. Goodfellow is that kind of company.

Another company, I discuss in detail in another chapter, that I believe today has incredible value is European Residential Reit. It has so many attractive benefits it shows up in more than one chapter of this book. It understands how little bits become big things.

Residential REIT is a publicly traded stock on the Canadian Exchange. At the writing of this book, right now, it trades at European about \$3.00 a share or about 40% of its Book Value. It is a Canadian company that owns apartment buildings in the Netherlands.

It has about 6,900 apartments. It also has 2 mixed use buildings, so a bit of commercial real estate thrown in.

This REIT is working to slowly do upgrades in their apartments. Each time they do this, they can charge a bit more rent in those apartments that aren't controlled. In the Netherlands, there are many rules about owning apartments that makes it a difficult place to do the business of apartment rentals.

This fact is what is pushing down the share price of this stock.

Also, with the war in the Ukraine, there is a belief that heating costs for the REIT will be out of control. But the Netherlands has a significant amount of liquified natural gas, and also produce a significant amount from their own wells. They will be fine this winter.

The people of the Netherlands also are very conscientious with regard to paying their rent. During COVID, very few if any tenants asked for rent abatements. They are proud to say they are responsible and pay their bills.

This REIT is also held by a large Canadian apartment owner, CAP REIT, that provides expertise to this enterprise. So, management understands what they need to do to make this a great company.

The final part that fits our theme is that the REIT pays a dividend of 5.5% which may not seem like a lot, but over time, will generate a great return. A little bit every 3 months if managed well, will lead to prosperity and wealth.

There are risks of course as with any beehive. Should the war escalate to other parts of Europe, then the REIT would be vulnerable.

With REITs, it's important to look at the little things to see if it is a company worth investing in. The lessons from the hive tell me that this is one where the random chance of failure, while present, are overshadowed with the benefits as I've described.

If this company improves 100 apartments per year, that equals a return of over \$120,000 in profit from that one strategy alone. If the company is able to use a line of credit where they are paying 6% interest on the money used, the

company is realizing a profit of \$60,000 for that year of renovations.

For some, that may not seem like a lot of money. But as an investor, you are investing in a company that, like the successful beehive, understands that working on the small things, over time, brings great rewards.

Eventually, the company would have improved all of its apartments. This has the benefit of not only increasing monthly rents but keeping tenants happy in the apartments. If occupancy (the number of apartments that have tenants and are not empty) can increase by 5%, the company also increases in profitability.

An added long-term benefit also has to do with the value of each apartment building. Moving from a B class to an A class building because of the renovations means that the building is worth more. Your investment has grown in value. Think of an A class building as being nicer and newer than a B class one.

Over time, the company will also increase its dividends because of the increased cash flow. You benefit by receiving more money each month by owning the shares.

So, when it comes to investing in stocks, ERE and GLD are my two picks today. I believe they provide good value for today's price and are sustainable. They are a lot like a

great beehive. They understand that little bits of savings and increased profits lead to big things.

# APPENDIX 4

## **Books You Should Read**

1. *The Intelligent Investor* by Benjamin Graham
2. *Berkshire Hathaway Letters to Shareholders 1965-2021*
3. *How to Smell a Rat* by Ken Fisher
4. *Thinking in Bets* by Annie Duke
5. *Quit* by Annie Duke
6. *Richer, Wiser, Happier* by William Green
7. *Thinking, Fast and Slow* by Daniel Kahneman
8. *Zero to One* by Peter Thiel
9. *The Most Important Thing* by Howard Marks
10. *Shrink Money Advice* The prequel to this book, that I wrote some 10 years ago
11. *Fooled by Randomness* by Nassim Taleb
12. *Rich Dad, Poor Dad* by Robert Kiyosak

# SUMMARY OF SIGNIFICANT CHANGES TO THE PORTFOLIO

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August 26, 2023

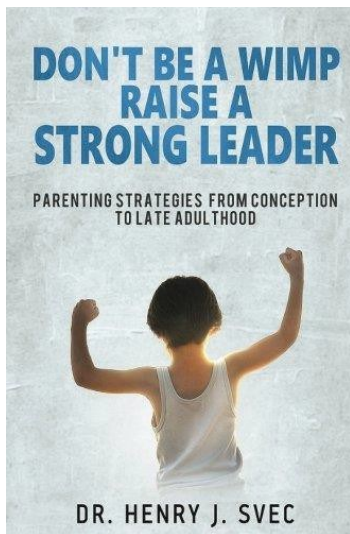
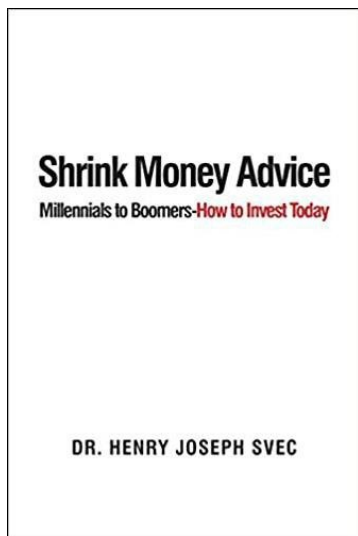
I sold a significant holding in Goodfellow Inc. at a profit, cash to be used for future investment purposes. I continue to hold some 1,500 shares. I took a position in Slate Office with some of that cash.

October 19, 2023

I sold most of my Reliq Healthcare stock today due to the following:

1. They diluted my holdings by issuing many new shares.
2. They became confused regarding the goals, objectives, and markets they are targeting.
3. I lost all confidence in management.
4. I continue to hold just 25,000 shares which is a bit of a lottery ticket. I expect them to go to zero.
5. I replaced the equity from Reliq with Vital Hub, a software healthcare management company.

OTHER BOOKS BY HENRY J. SVEC, PH.D.



**AVAILABLE ON AMAZON**

## **ASKHANK.MONEY — INVESTOR TOOL GUIDE**

AskHank.money is a rules-based platform designed to help investors understand what they own, what they are paying, and how assets behave under real-world conditions.

The system avoids forecasts, targets, and recommendations. All tools are built to slow decision-making, surface costs and structure, and reduce avoidable mistakes.

### **ETF & Mutual Fund Checker**

This tool is designed for Canadians who already own mutual funds or ETFs and want clarity.

It shows:

- Asset class and mandate (as stated by the provider)
- Top holdings and portfolio weights
- Management Expense Ratio (MER) and estimated annual dollar cost
- 5-year and/or 10-year annualized total return (CAGR)
- Side-by-side comparison to the S&P/TSX Composite Total Return over the same period

The output is factual and standardized.

No opinions. No rankings. No buy or sell language.

### **Company & REIT Analysis (Full Hank Analysis)**

AskHank.money does not analyze companies without audited financial statements.

Before a full analysis can begin, users must download and provide audited filings from SEDAR+ or the company's official investor relations site. If audited documents are not provided, the system stops.

When documents are available, the analysis examines:

- Multi-year financial growth (revenue, earnings, cash

flow, book value)

- Balance sheet strength and debt discipline
- Capital allocation and reinvestment behavior
- Cash-flow yield (Hank Cap Rate)
- Dividends, buybacks, and shareholder returns

The process is intentionally conservative and document-driven.

### **Snapshot Mode (Orientation Only)**

Snapshot Mode provides quick factual orientation without analysis.

It includes:

- Business description and operating geography
- Reported historical financial figures
- Latest share price (timestamped)
- 52-week high and low

Snapshot Mode contains no valuation, conclusions, or judgments.

If a question moves toward value or attractiveness, Snapshot ends and full analysis rules apply.

### **Back-Check Analysis**

Back-Check asks: "What would this have looked like at the time?"

This tool analyzes a company at a specific historical date using:

- Only audited financial statements available at that time
- The actual market price from that period
- No hindsight and no future data

Back-Check is used to study decision quality and process — not outcomes.

## **100-Bagger Comparison — Constellation Software Framework**

The 100-Bagger Comparison does not attempt to predict the next winner.

Instead, it compares a company's structure and behavior to Constellation Software, used as a reference framework for disciplined long-term compounding.

The comparison focuses on:

- Capital allocation discipline
- Reinvestment economics
- Cash-flow durability
- Governance and incentive alignment
- Balance-sheet behavior
- Acquisition discipline, where applicable

This is a structural comparison only.

Audited data is required. If unavailable, the process stops.

### **Find Me a Cash-Flow Rental**

This tool evaluates rental properties strictly on cash flow and survival.

Before analysis, users must provide:

- Location
- Maximum purchase price
- Property type
- Financing assumptions
- Minimum required monthly cash flow

AskHank.money then:

- Searches real property listings
- Uses actual expenses where available or clearly labeled estimates
- Calculates conservative cash flow
- Evaluates income and survival value

- States what Hank would be willing to offer based on supported value

No appreciation forecasts.

Cash flow comes first.

### **Design Philosophy**

AskHank.money is built on limits, not promises.

- No hype
- No targets
- No shortcuts
- No analysis without primary data

The goal is not activity.

The goal is fewer mistakes, made deliberately.

Educational use only.

Do not make portfolio or real-estate decisions without speaking with your advisors.

I am not a financial advisor.