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other real estate investments," says Susan St. Amand, an advisor at Sirius Financial Services in Ottawa. Investing solely in the sectors you know best (i.e., your own) means missing out on good opportunities elsewhere. It also means doubling down on the sector your business is in. To avoid this risk, consider setting investment criteria that will lead to a diversified asset mix, then put your money to work in *any* industry meeting these criteria.

BACKSEAT INVESTING: Mark Weisbarth, who founded and sold Toronto ad agency Due North Communications, concedes that his DIY mindset made it tough to let his investment advisor get on with the job. "For me, all the risk was tied up in my entrepreneurial venture, so I was loath to take on any other risk at all," says Weisbarth. "I'd see a slight gain or loss, call up my advisor and say, 'Git, git, git—let's get the money off the table,' instead of letting those with more time and expertise make that call for me." Ironically, by being so risk averse, Weisbarth fell short of his targeted return.

Many entrepreneurs, after handing off the driving to an advisor, can't resist grabbing the wheel. But, warns Jeff Westeinde, executive chairman of real estate developer Windmill Development Group in Ottawa, "You can't be calling up your broker and switching up your portfolio with every investment idea you hear about in the locker room."

Successful delegation requires the same balancing act it does within a company: neither micromanaging nor giving too little direction. Set clear goals for your advisor and—barring an emergency—review performance annually. Then force yourself to step out of the way.

STARVING YOUR OUTSIDE INVESTMENTS: Most entrepreneurs have most of their wealth tied up in their business. (See "Is it time to pocket your profits?" at PROFITguide.com/pocket.) But any single investment is inherently far riskier than a well-diversified portfolio. You're taking a big gamble if you leave so much in your business you have little to invest elsewhere.

Lee Helkie, a partner at Helkie Financial & Insurance Services in Toronto, says many entrepreneurs learned how risky betting almost all your chips on your firm is when business valuations plummeted during the 2008-09 financial crisis. Several of her clients saw a steep drop in their net worth that wasn't cushioned by other holdings. That left them stuck running businesses they were keen to sell.

> It's tough to stay the course: "I'd see a slight gain or loss, I'd call up my advisor and say, 'Git, git, git—let's get the money off the table'"

There's no consensus on how much of your net worth you should invest outside your firm. But business owners can apply two rules of thumb adapted from prudent advice for any investor. Pay yourself first by allocating a set percentage of your share of company profits to outside investments. And, as you get older, boost this percentage steadily to reduce your overall risk.

FALLING IN LOVE WITH RISK: If your company is doing well, your rate of return from it will likely be much higher than outside investments can offer. So, it's tempting to load up your portfolio with risky assets in hopes of generating comparable returns.

"The thing that blows my mind is that the entrepreneur is in a high-risk business and then the portfolio also is high risk," says Helkie. "It makes more sense to take a long-term, conservative approach than to put it all into equities."

Doing so requires accepting that your investment portfolio's role is to balance the risk of your stake in your business. That means being realistic about the rate of return you should expect, says St. Amand: "Anything above 6% to 7% these days is great."—**M. COREY GOLDMAN**

INVESTMENT TIP

Most people would be wary of an asset class that is 20% to 30% more volatile per year than average stocks. But fear of global small caps meant missing out on superior ROI in recent years: the **MSCI World Small Cap Index** notched a compound annual return

How I invest

MONIQUE JANOWER has enjoyed a nice mix of income and capital gains since clearing the No. 1 hurdle to buying the building where she does business

PHOTOGRAPH BY POOYA NABEI

"It sure is nice to pay yourself and not a landlord. When my partner, Lori Billey, and I founded our marekting agency RED in 2001 and were looking for space in Edmonton, we wanted to own the building. That would give us the security of an asset we could sell if the space no longer suited our needs. And there was probably money to be made as the building appreciated in value. So, it really didn't seem like a risk.

The hardest part of buying a building is usually the down payment, which is typically 30% to 40%. But this property was brand new, the developer wanted to move it and the Edmonton market was soft. So, the developer agreed to lease us the property and delay the transfer of ownership for 18 months, giving us time to come up with the down payment. The lease eliminated the developer's carrying costs—*and* gave it a guaranteed sale.

Before buying your building, you have to do a cost-benefit analysis of buying vs. leasing, and the costs don't necessarily go up and down together. You also need to be sure that lots of other businesses will be interested in buying or leasing your building if you decide to move.

Lori and I each own 50% of a real estate holding company we set up to buy our first unit for $212,000. As RED grew, in 2005 we bought the unit beside it for $340,000 and a third unit for $515,000 in 2007, then knocked down the walls to turn it into a single building. The market has really gone on an upswing, although Edmonton is not overinflated like some other markets. Our building is worth about $2 million, and we have monthly income from RED's lease. So, I feel pretty comfortable with this investment."

JOB **Founding Partner, RED The Agency Inc.**
AGE **40** | VALUE OF PORTFOLIO **$1.3 million**
TARGETED ANNUAL RETURN **No set target**
CORE INVESTMENT **Her company's building**

of 9.1% since January 2001, versus 5.2% for the S&P/TSX Composite Index. The few Canadian companies that offer this type of investment do something that's too impractical to try yourself, namely, applying a long list of criteria to scour the globe for well-run but little-known businesses. Those that make the cut have less debt and faster growth than big companies, in part because they're in rising sectors. And some of these firms grow so much that they turn into big companies. SOURCE: **Sam Wiseman**, WISE CAPITAL MANAGEMENT