DOCUMENT ONE

Owning Assets in Order of Asset Security™

Why the sequence in which you secure wealth matters more than most investors have been taught to believe

THE ASSET SECURITY REFERENCE SERIES

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The Merrick Spitters Reset Report™

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Most financial planning begins with a question about return. We begin with a more fundamental question: What do you actually own, how securely do you own it, and what must continue functioning for you to retain control?

The Question Beneath Every Portfolio

For most of my career, the investment industry has taught people to organize wealth by asset class, expected return, volatility and time horizon. Those measures are useful, but they begin too far down the road. Before asking what an asset may earn, we should ask what could prevent the owner from accessing, controlling or passing it on.

That distinction is easy to overlook when markets are calm and institutions are functioning normally. An account statement shows a balance. A title document shows a name. A policy shows a value. Everything appears to be owned. Yet every asset sits inside a chain of dependencies. Some chains are short and visible. Others run through banks, brokers, custodians, clearing systems, counterparties, regulators, tax rules, digital infrastructure and several layers of law.

When conditions change, the strength of the asset is only part of the story. The strength of that chain becomes equally important.

Asset Security Is Not the Same as Investment Safety

Asset security does not mean that an asset cannot fluctuate, require maintenance or face risk. No serious framework can promise that. Asset security asks a different set of questions:

- Is the asset directly owned, or is ownership represented by a claim through someone else?
- Can the owner reach it when markets, institutions or settlement systems are under pressure?

- Does it depend on a counterparty remaining solvent and honouring a promise?
- Can its purchasing power survive monetary debasement and persistent inflation?
- Can regulation, taxation, jurisdiction or a change in legal interpretation impair its use?
- Can control pass cleanly through incapacity, death or succession?

An asset may be financially attractive and still be structurally weak. It may also be structurally strong while producing no income at all. Confusing these roles is one of the central errors in modern wealth planning.

Why Order Matters

A building is not made secure by choosing the most attractive upper floor. It is made secure by establishing the foundation first. Wealth works the same way. If the assets intended to produce growth depend on the same financial institutions, the same liquidity, the same policy support and the same legal assumptions, the appearance of diversification can conceal a common point of failure.

Owning assets in order of asset security means dealing first with risks that cannot be repaired after a crisis begins. Monetary risk must be addressed before a portfolio is asked to produce return. Counterparty and custody risk must be understood before convenience is mistaken for ownership. Liquidity and tax obligations must be planned before a family is forced to sell. Succession and legal authority must be settled before incapacity or death removes the freedom to choose.

> **The order is not a public ranking of products from best to worst. It is a sequence of financial dependencies: secure what must endure first, then build income, growth and opportunity on top of it.**

An asset can rank highly for security without producing much income. Another asset may offer better growth but depend on more institutions, counterparties and favourable market conditions. Both may belong in the same wealth plan, but they do not perform the same job. The purpose of putting assets in order is to determine what each one can reasonably be expected to protect and which risks should be dealt with before taking on additional exposure.

Three Market Lessons Behind the Framework

The framework did not begin as a theory. It grew from market cycles that repeatedly showed why market value, diversification and financial security cannot be treated as the same thing.

Black Monday: Market Value and Financial Security Are Not the Same

I became licensed in 1987. On Friday, October 16, the Dow fell 108 points. On Saturday, October 17, I wrote my Canadian Securities Course exam. On Monday, October 19, Black Monday, the Dow fell another 508 points, or 22.6 percent. That first weekend taught me that market value and financial security are not the same. Nearly four decades later, that lesson still shapes how I help families prepare.

It has kept me focused on ownership, access, diversification and preparation, not simply on what an asset is worth on one particular day. I am the son of a Dutch farmer and co-author of It Starts With Gold™, an international bestseller. Those roots, together with decades of experience through major market corrections, helped shape Owning Assets in Order of Asset Security™.

Technology Concentration: Different Assets Can Take a Different Path

Long before the technology bubble broke in 2000, I advised my clients to sell all their technology and dot-com stocks of the day and reposition toward Canadian financial and resource sectors. My concern was that technology valuations had become excessive and that investors were becoming too dependent on one part of the market. At the October 9, 2002 closing low, the Nasdaq Composite was down 77.93 percent from its March 2000 peak, the S&P 500 was down 49.15 percent from its March 2000 peak, and the S&P/TSX Composite was down 50.0 percent from its September 2000 peak.

Canadian financial and resource sectors took a different path. The S&P/TSX Canadian Financial Index increased 74.7 percent during calendar 2000. A transparent resource proxy, calculated as the simple average of the Canadian Energy and Materials indexes, increased 19.0 percent during calendar 2000 and 16.4 percent over the broader September 2000 to October 2002 correction. These index and proxy results do not represent client returns. They show how concentration can create vulnerability while different return drivers can respond differently during the same market cycle.

The Global Financial Crisis: Preparation Before Crisis

By 2007, I believed equity markets were overvalued and that real estate and credit markets had become dangerously extended. I recommended reducing equity exposure and increasing bond exposure. From its October 2007 peak to its March 2009 low, the S&P 500 fell approximately 56.8 percent. From its June 2008 peak to its March 2009 low, the S&P/TSX Composite fell approximately 49.8 percent. Broad Canadian investment-grade bonds did not experience a comparable collapse. Using XBB as a transparent proxy for the broad Canadian bond market, its temporary total-return drawdown was approximately 3 percent, and it had recovered by December 2008.

History Supports Preparation, Not Market Timing

The lesson is not that history will repeat in exactly the same way. It is that concentration and valuation matter. S&P Dow Jones Indices reported that the ten largest companies represented almost 40 percent of the S&P 500 by mid-2025, a concentration level not seen since the mid-1960s. As reviewed in July 2026, market-cap-weighted indexes remained heavily dependent on a small group of AI-related technology companies. In my view, parts of this sector were significantly overvalued.

That does not mean selling everything or making the same recommendation to every family. It means examining how much of a portfolio depends on one expensive part of the market and how much of the family's financial security depends on one market, institution or form of ownership. Where appropriate, the response may be to remain invested while reducing concentration and repositioning toward reasonably valued sectors, other asset classes and different sources of return.

> **History supports preparation, not market timing. Repositioning may reduce exposure to a market correction, but it cannot prevent market losses or guarantee protection.**

Source note: Historical comparisons draw on Federal Reserve History, the Federal Reserve Bank of St. Louis, S&P Dow Jones Indices, the Autorité des marchés financiers, Statistics Canada Table 10-10-0125-01 and BlackRock's iShares Core Canadian Universe Bond Index ETF data. Detailed source links, methodology and supporting calculations appear in the Selected Sources and Methodology appendix.

The Four Tests of Secure Ownership

We use four practical tests when examining where an asset belongs in the hierarchy.

1. Control

Who can make the final decision? Direct legal title matters, but practical authority matters just as much. An asset is less secure when the owner requires an institution, counterparty or regulator to approve access, transfer or use.

2. Access

Can the owner reach the asset when it is most needed? Daily liquidity is not the only measure. An asset that can be sold instantly during normal markets may become difficult to settle, withdraw or transfer during institutional stress. Access that depends on permission is conditional liquidity.

3. Independence

How many systems must continue working? Assets held outside leveraged financial chains behave differently from claims that rely on banks, custodians, exchanges, clearing houses or continuous digital operation. The fewer essential dependencies, the more independent the ownership.

4. Continuity

Can the asset remain intact across time, taxation, incapacity, death and changing jurisdictional rules? Wealth that cannot pass without a forced sale may have value, but it lacks continuity.

Apply these four tests to physical gold and a financial product that tracks the price of gold. Their market prices may move for many of the same reasons, but the ownership is different. Physical gold held under the owner's control is a tangible reserve asset. A fund or other financial product remains a claim held through an issuer, broker, custodian and settlement system. Similar price exposure does not provide the same asset security.

From Foundational Assets to Conditional Claims

The order begins with assets intended to remain available when other parts of the financial system are under pressure. From there, it moves into productive private assets, professionally managed capital, planning for tax when assets are sold or moved, and comprehensive wealth and continuity planning. At the other end are financial claims that depend more heavily on institutions, markets, regulation and continued public confidence.

The order can be understood through five levels.

1. Foundational assets

These assets are owned for independence rather than income. Properly held physical gold and precious metals belong here because they are not promises issued by a bank, government, corporation or borrower. Their job is to preserve purchasing power and provide a reserve outside the conventional financial system.

2. Essential productive assets

These include assets connected to shelter, land, infrastructure, storage, private businesses and other necessary economic activity. Their security depends on the quality of the asset, the amount of debt attached to it, the competence of the manager and the durability of the demand it serves. Their job is to generate income and retain economic usefulness without relying entirely on public-market pricing.

3. Professionally governed investment capital

Some wealth must remain liquid and invested in financial markets. That capital may provide growth, income and access to opportunities unavailable through direct ownership. Its security depends on portfolio governance, independent custody, account segregation, diversification and clear decision-making authority.

4. Tax-advantaged strategies for repositioning assets

A business, farm, portfolio or real estate sale can create a significant tax obligation. Planning before an asset is sold or moved may reveal lawful strategies that reduce tax friction and preserve more capital for suitable reinvestment, liquidity, debt reduction or other family priorities. Tax savings are not guaranteed, and any strategy must be reviewed with the family's accountant, lawyer and appropriately registered or licensed professionals.

5. Comprehensive wealth and continuity planning

The strength of every asset eventually depends on whether the family's financial, insurance, estate, tax and succession decisions work together. Comprehensive wealth and continuity planning may include permanent insurance, wills, powers of attorney, corporate structures, shareholder agreements, beneficiary designations, trusts where appropriate, business or farm transition and cross-border planning. Its purpose is to preserve liquidity, authority and continuity through incapacity, death and generational change.

These five levels do not represent a fixed allocation or a mandatory implementation sequence. They identify the responsibilities that should be addressed as wealth is built: establish a reserve outside the system, add productive assets, govern the capital that remains in financial markets, plan for tax when assets are sold or moved, and coordinate the wealth, insurance, estate and succession decisions that keep the family plan intact.

Cash balances, deposits, publicly traded securities and credit instruments still have legitimate uses. The problem arises when they are expected to provide protection against risks they were never designed to carry, including currency weakness, institutional failure, prolonged inflation or a disputed transfer of ownership.

A strong foundation reduces the pressure on every investment decision that follows. The family does not need every forecast to be right or every market to remain liquid at the same time. More than one part of the structure is capable of carrying the weight.

Diversification by Failure Mode

Traditional diversification divides money among asset classes. Asset-security diversification divides risk among different failure modes. That is a more demanding exercise.

- Monetary failure is addressed by assets that do not depend on the currency being defended.
- Market and liquidity failure are addressed by assets with essential use, durable cash flow and different valuation cycles.
- Custody and concentration failure are addressed through governance, segregation, independent custody and active oversight.
- Tax and repositioning failure are addressed through planning before a major asset sale or transfer.
- Family and continuity failure are addressed through coordinated wealth, insurance, estate, succession and cross-border planning.

This hierarchy explains the order in which financial risks should be addressed. The Five Pillars of Asset Security™ explains how we build around those risks through direct ownership, productive private assets, managed investments, tax planning and comprehensive family planning. Each pillar performs a different job because adding another investment to the same account does not solve every form of financial vulnerability.

What Changes When You Use This Lens

The conversation changes immediately. Instead of asking only, “What return can I expect?” you ask, “What job must this asset perform, and what could stop it from performing that job?” Instead of assuming that a statement balance equals control, you trace the custody and legal structure. Instead of treating estate planning as paperwork completed at the end, you recognize continuity as part of ownership itself.

This lens also disciplines emotion. In rising markets, it prevents return from becoming the only measure of wisdom. In falling markets, it prevents price volatility from being confused with permanent impairment. It directs attention toward what can be controlled before conditions remove that choice.

Consider a family whose wealth is concentrated in a farm, operating company or real estate portfolio. The assets may be productive and worth millions of dollars. Yet the family could still be forced to sell if there is too much debt, no money available for tax, no plan for incapacity or no agreement over who takes control. The weakness may not be the asset. It may be everything surrounding the asset.

A Principle, Not a Product List

Owning Assets in Order of Asset Security™ is not a model portfolio, a universal allocation or a prediction of the next crisis. The appropriate structure depends on family circumstances, business interests, tax position, jurisdiction, time horizon, liquidity needs and existing assets.

It is a governing principle: establish control before convenience, resilience before optimization and continuity before the transfer is forced upon you. Returns still matter. Growth still matters. Liquidity still matters. But they must be built on assets and structures capable of surviving the very conditions for which the wealth was intended.

> **The first purpose of wealth is not to look impressive on a statement. It is to remain useful, accessible and under the owner’s control when circumstances change.**

The Five Pillars of Asset Security™ turns this principle into The Merrick Spitters Asset Security Framework™. It identifies five separate jobs that must be coordinated if wealth is to withstand monetary change, difficult markets, institutional pressure, tax friction and the transfer from one generation to the next.

Owning assets in order of asset security begins by deciding what each asset is expected to do. A financial claim should not be asked to provide the independence of a directly owned tangible asset. A productive property should not be expected to supply immediate estate liquidity. A valuable business cannot protect the family if nobody has the authority or resources to carry it through a transition.

Establish the foundation first. Then add productive assets, properly governed investment capital, planning for tax when assets are sold or moved, and the comprehensive wealth and continuity structure needed to keep the family plan connected.

Next reference: The Five Pillars of Asset Security™

This companion page explains the five-part structure we use to examine direct ownership, productive private assets, portfolio governance, tax-efficient repositioning and comprehensive family continuity.

Continue Exploring Asset Security

If this page has changed the way you think about ownership, risk and financial security, subscribe to The Merrick Spitters Reset Report™.

Each week, Peter Merrick and Adrian Spitters examine the monetary, financial and structural risks facing families, business owners and investors. The purpose is to help you recognize those risks before they become tomorrow's headlines and consider practical ways to build greater financial resilience.

Button: Subscribe to The Merrick Spitters Reset Report™

If you would like to discuss how your assets are currently structured, you are welcome to book a 45-minute Asset Security Conversation™. The first outcome is clarity, not pressure to act. We can examine what should remain exactly as it is, which risk deserves attention first and whether a focused introduction to a Referral Partner may be useful.

Button: Book Your 45-Minute Asset Security Conversation™

Prefer email? Contact Adrian at aspitters@pfcwealthsolutions.com.

Important Planning and Role Context

This reference document provides general education and strategic context. It is not an offer to buy or sell a security or enter into an insurance contract. Any personal recommendation requires a review of the client's complete circumstances. Index and benchmark-proxy results shown are not verified average client returns, and actual outcomes would have varied based on individual holdings, timing, fees and taxes.

Private investments are not automatically safe. They may be difficult to sell and can lose money. Income is not guaranteed. Fees, timing, value and risk are set out in each offering document. Securities and products require suitability review, dealer approval and applicable registration. Diversification and de-risking do not remove risk or guarantee a return.

Tax savings are not guaranteed and must be considered with investment risk, liquidity, timing, tax treatment and personal circumstances. Tax results depend on the client's situation and current law. Gold and silver prices change, and direct ownership requires appropriate storage, insurance, verification and access. Account and custody agreements govern how financial assets are held.

Each professional is responsible for advice within their own licence and field. Insurance, estate, legal and cross-border planning depend on the client's needs and professional advice. Before services begin, clients receive required information about Referral Partners, roles, fees and conflicts.

Where specialized product, portfolio, tax, insurance, legal or other advice is required, the appropriate Referral Partner conducts their own review and is responsible for recommendations within their area, subject to registration, licensing, professional responsibilities and firm requirements.

Repositioning may reduce exposure to a market correction, but it cannot prevent market losses or guarantee protection.

Before any recommendation is made, the responsible professional must review the client's objectives, risk profile, time horizon, liquidity needs, costs, tax consequences, existing holdings and reasonable alternatives. Any recommendation must be suitable for the client and put the client's interests first.

When this framework is used through PFC Wealth Solutions®, Adrian C. Spitters, CFP®, FCSI®, CEA®, serves as advisor and facilitator. He is President and Private Wealth Advisor of Performance Financial Consultants Ltd., operating as PFC Wealth Solutions®. He is a dealing representative of Axcess Capital Advisors Inc., a registered exempt market dealer. He is licensed for life and accident and sickness insurance and conducts his insurance business through MAX Financial Ltd. CFP® certification is granted by FP Canada.

Selected Sources and Methodology

The following sources support the historical comparisons and market context used in this reference document. Source titles are clickable in the electronic document.

Market History and Index Data

- Federal Reserve History: Stock Market Crash of 1987
- Federal Reserve Bank of St. Louis: Nasdaq Composite
- S&P Dow Jones Indices: In the Shadows of Giants
- S&P Dow Jones Indices: Historical Peak and Trough Data
- Autorité des marchés financiers: Turbulence on the Canadian Stock Markets
- Statistics Canada: Table 10-10-0125-01, Toronto Stock Exchange Statistics
- BlackRock: iShares Core Canadian Universe Bond Index ETF (XBB)

Methodology

Financial and resource results are price-index changes calculated from monthly closing levels in Statistics Canada Table 10-10-0125-01. The resource proxy is the simple average of the Canadian Energy and Materials index changes.

The approximate 3 percent XBB drawdown is calculated using adjusted monthly total-return values from August to October 2008, rounded to the nearest whole percentage point. The adjusted series had recovered by December 2008. Supporting calculations are retained with the presentation records.

Specific investments, accounts, insurance policies and tax strategies are governed by their offering documents, account or custody agreements, insurance contracts, illustrations and applicable law. The market-history references and calculations reflect the source materials used for the July 2026 presentation and brochure.