

THE green REPORT

Paul's Perspective

by Paul Green, CFP®, CIM®

Another good year!

2014 finished strong enduring some wild swings along the way. Once again the U.S. markets ended on top with an impressive year. Canadian markets also had a great year finishing up over 10% for the year. The energy sector has continued to decline as oil drops to \$50 a barrel. This put pressure on the TSX in the final quarter as well as the Canadian dollar. As I have been reporting out since 2012, we continue to stay firm on our equity positions in the U.S. inside the growth part of our client portfolios. The safety portion of client portfolios remains in U.S. T-bills. As mentioned in my last perspective, we were looking for the dollar to break resistance at \$1.13 giving us a continuation in the impressive rise in price. We are currently sitting at \$1.17 and have seen a 9% increase over 2014. All of these factors have given our clients another year of strong performance with most balanced portfolios up over 11%!

What next?

We continue to see favourable equity markets especially in the U.S and some International. On a technical basis, we believe stocks will outperform

bonds in the short to mid-term. The impressive returns we have seen over the past few years could continue for many years to come but we will stick

to shorter time frames and continue to monitor our tools every day. A few areas of concern are the economy in Europe, how much volatility investors will have to endure with the Federal Reserve handling ongoing interest rate decisions and how/if the emerging economies will improve.

Realistic expectations....

Over the past few years, we have had exceptional performance for which I am truly grateful. I want to acknowledge that I am even more grateful for your continued appreciation and encouragement for the work we have been doing since our major changes to investing. Having gone through the market crash in 2008, it is very nice to see portfolios doing well again! That said, I want to write a word of caution and ask that you don't get too excited about the growth of your portfolios. I would prefer you think that the average balanced portfolio will perform at roughly 6% per year. As you know, we will experience years with a better than 6% return and then there will be years that are below. Enjoy the good years when they come but know you can't count on them every year and that you need to budget accordingly.

Looking forward to a fantastic year!

As we say goodbye to 2014 and our 20th anniversary as Green Financial Group, we are incredibly excited for 2015! Not only do we start the year with a positive outlook for portfolios but we look forward to becoming Portfolio Managers soon and completing what we set out to do back in 2010.



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*Charting Your Course
to Financial Independence*

Service Matters

Tax Slips Coming Soon

Tax slips from HollisWealth and other Fund companies will soon arrive in the mail. Please hold on to these as well as year end statements. You will need both to complete your tax returns.

2014 RRSP Deadline

The deadline to contribute towards your 2014 RRSP limit is March 2, 2015. The maximum contribution limit for the 2014 tax year is \$24,270. Please call the office to book an appointment to avoid a last minute rush. Take this opportunity to reduce your income taxes!

Income Splitting for Families

The Federal Government announced a new income splitting opportunity for couples with children. A taxpayer may transfer up to \$50,000 to his or her spouse to collect a non-refundable tax credit of up to \$2,000/year. The universal child care benefit will increase to \$160/month for children under 6 and a new monthly benefit of \$60 for children aged 6 through 17 was also announced.

Just a Reminder

Statements are mailed out from HollisWealth on a quarterly basis for all accounts. In addition, they will mail out a monthly statement only if there is activity in the account during that month. This monthly statement will only be for the account that had activity.

GREEN TEAM NEWS

15 Year Anniversary

It is hard to believe but Susan has been working at Green Financial Group for 15 years! We have been very fortunate to have her here at the office and look forward to many more great years. Susan has many gifts and some of them were made for her job. It has been a pleasure to work with a true professional and learn from someone who has so much to offer. To our clients, I cannot thank you enough for all the great comments and feedback you have given us over the years. I know Susan has played a major part in your satisfaction and works hard everyday to serve you better.

Congratulations Dave

Dave was busy studying over the fall and has successfully earned his Chartered Investment Manager (CIM®) designation offered through Canadian Securities Institute. This position allows for Dave and Paul to apply for Portfolio Manager later this year. This will allow Green Financial Group to offer more investment options to our clients.

Service Above Self Award

Dave was awarded the prestigious Service Above Self award by the members of the Rotary Club of Woodstock. This is awarded to a member who demonstrates exemplary humanitarian service with an emphasis on personal volunteer efforts and active involvement in helping others through Rotary. He has been a member of the Rotary club of Woodstock since 2000 and has been actively involved in the Woodstock Dragon Boat Festival and other club activities since that time. Pictured with him are President Chris Cunningham and Rotarian Dr. Fred Fenton, a 50 year member of the club.



From left to right: Chris Cunningham, Dave Harris, and Dr. Fred Fenton



Mix up a batch of these home made granola bars for a satisfying morning breakfast or afternoon snack!

Home Made Granola Bar

CHEF'S CORNER with Chef Rob Bartley

Ingredients:

65gr Brown sugar
 65gr Chopped Pecans
 65gr Chopped Walnuts
 31gr Slivered Almonds
 31gr Raisins
 250gr Oats
 125gr Quinoa
 50gr Melted Butter
 125gr Honey
 50 ml Orange Juice
 65gr Sun Dried Cranberries
 65gr Bran Flakes

Method:

- 1) In a mixing bowl combine all ingredients and mix together
- 2) Spread ingredient on a parchment paper lined baking sheet
- 3) Bake at 330 degrees for 20 to 30 minutes until lightly brown
- 4) Allow for cooling, Cut into portions
- 5) Store in airtight container

Throughout 2014 we collected winter gear for the local Coats for Kids campaign. Green Financial Group gave \$15 per item donated from our clients which amounted to \$400 this year! We also learned of some families down on their luck during the holiday season. We were happy to donate \$2,000 to help these families through rough times.

Dave's daughter also brought to our attention WCI's "Hats for the Homeless" fundraising campaign. We donated \$500 to the cause that directly supplied 50 care packages for people who access the services of "Inn Out of the Cold".

Some of the other causes we supported throughout the year included Knapsacks for Kids; we contributed to a family to assist in covering funeral cost for the loss of a child; we sponsored the Fall Banquet for the Beginnings Family Services.

A very rewarding year for Share the Green and we want to say thank you to all of our clients for bringing these great causes to our attention and for your participation in these events.

Return to "Pay it Forward"

We are excited about going back to our original format for 2015 – let's "Pay it Forward"

This year, the Green Team has decided to revert back to our "Pay it Forward" format. We feel this gives our clients more of a voice for the charities and causes that are important to them and in turn, makes us more aware of where help is needed both in our community and around the world.

You may recall that we award 10 clients with \$1,000 to support the charity or a cause that has touched them in some way. Ask yourself – What would I do



Students at WCI help raise funds for their "Hats for the Homeless" campaign

with \$1,000 to help the world or our community be a better place? Our goal with Share the Green is for these ideas to inspire others to pay it forward in some way.

One of our winning entries in 2012 found 5 families that were in need of financial support and invited them over for dinner. Each of these families was given \$100 to help them pay for necessities.

An additional \$100 was given to each of the families for them to give to another family they knew of that was also struggling.

Another winning entry gave the \$1,000 to a children's centre in Mwanza, Tanzania. This shelter gives food, education, medicine, counselling, clothing and shelter to homeless children in Mwanza. The shelter was at maximum capacity with little to no funding at the time of the donation. This money was used to help

them fundraise and buy food for the children that would last a month.

This highlights just a couple of the great charitable causes that have been submitted over the years and we are extremely excited to read about what you would do with \$1,000. You can read all of the previous entries on our website www.greenfinancialgroup.com under Our Philosophy – Share the Green.

We will provide communication shortly on how to submit your idea. This year 5 entries will be selected by a panel of judges and 5 entries will be selected at random. We feel this gives everyone an opportunity to win \$1,000 for their cause. Please email Susan Burton at sburton@greenfinancialgroup.com if you have any questions.

Forecasting Returns – Art or Science?

DAVE'S INSIGHTS by David Harris, CFP®, CIM®

When we undertake the financial planning process with our clients, a large part of a successful result relies upon a projection of future returns on their investments. How do we determine what rates to use? Behavioral Finance teaches us that investors tend to expect their investment returns to continue in the same direction as the most recent results (recency bias). So when markets are good (as in the past 3 years) the expectation is that investments will continue to perform at the same level going forward. Therefore they can overestimate future long term returns and possibly want to increase their risk level to achieve even better returns. When markets are poor, as in 2008-2009 investors feel that there may be no end to the bad news and they tend to under-estimate long term performance or look to more conservative investments with guarantees of some positive return. Unfortunately, yielding to these emotional responses will lead to poor decision making and take investors away from their long term goal of financial security.

When developing our financial plans we look at the long term results of various asset classes (stocks, bonds, cash) and then adjust for where we are today and our expectations going forward. We then take into account the advisory fees that are paid for wealth management and advice. This gives us a reasonable forecast from which to build a financial plan. The only thing that we know for certain is that actual returns in the short term will not be the same as forecasted returns. In any given year the investment performance will be higher or lower than the forecast.

So what numbers are we using in financial plans today? If we look at the US Stock market represented by the S&P 500 index; the most recent 5 year return is 15.32%, 7.68% over 10 years and 9.84% over

50 years (including reinvested dividends). You can see from these time frames that if we invested with expectations that the market would continue to perform at recent levels we would overestimate our return. If we go back a little further to 10 years, we include moderate to low returns due to the significant market decline during the 2008-09 financial crisis. By going back 50 years we get a good perspective of long term results through several market cycles with a return of 9.84%. We then adjust the performance to compensate for anticipated management and advisory fees and our projected view on the markets over the next few years. We do this with each asset class to ensure that our plans are as accurate as possible. A typical balanced investment portfolio would have a 6% return forecast. Depending on your risk tolerance and time horizon your forecast may be higher or lower than this.

The value of this forecast is that it gives us a long term view on how your current savings and investment plan may look in the future. This is not an exact science but it is an important part in long term planning. Since conditions are constantly changing this is also not a one-time event, but a process that must be repeated regularly and more often as you approach and transition to retirement.

Most importantly we do not want to significantly change our forecast based on recent results, so even as we have experienced strong returns over the past couple of years, we need to moderate our expectations that this trend will continue indefinitely. We will continue to employ our risk management process and react to changes in the market to help you achieve your financial goals.

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