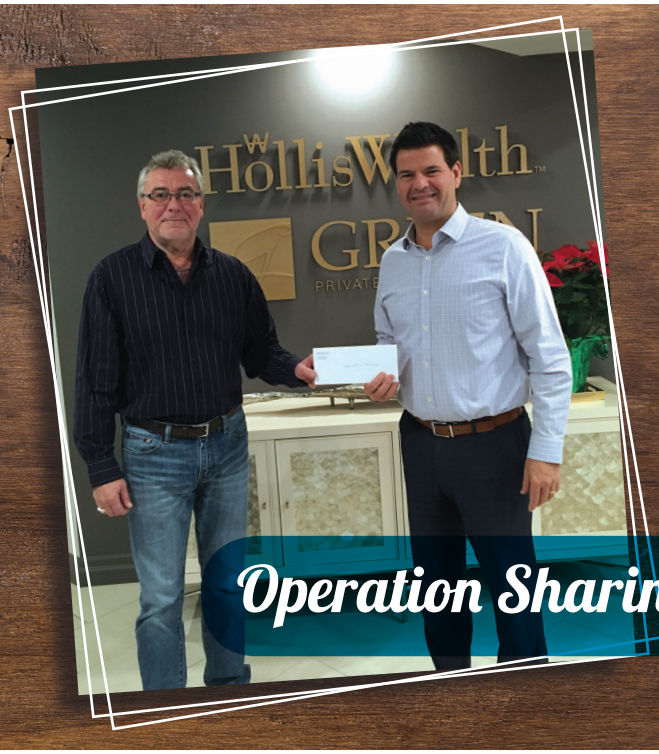
THE GREEN REPORT

GREEN PRIVATE WEALTH COUNSEL
WEALTH MANAGEMENT. EVOLVED.
HollisWealth®

JANUARY - MARCH 2018

A semi-annual publication for our clientele that provides the latest information relating to Green Private Wealth Counsel, our community and today's markets and trends.

Happy New Year!
Welcome 2018



Operation Sharing

Share the Green

The Results for the Annual Christmas Charity Vote

Top: Accepting the cheque for United Way is Lesley Farrell & Kelly Gilson and our GPWC Staff

Right: Dave Harris presents cheque to Susan Allen, Business Manager at the Salvation Army

On behalf of our clients, Green Private Wealth Counsel hosted our Annual Christmas Charity Vote on December 1. The local charities we chose to support were Operation Sharing, Salvation Army and United Way. These charities help those in need especially during Christmas. On December 18 we tallied the votes and distributed the following:

$2500 to Operation Sharing
$1500 to Salvation Army
$1000 to United Way

Thank you to our clients that participated with their votes.

Inside this Issue

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Green Private Wealth is proud to introduce our newest member to the team!
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The Market

Equities continued to be favoured

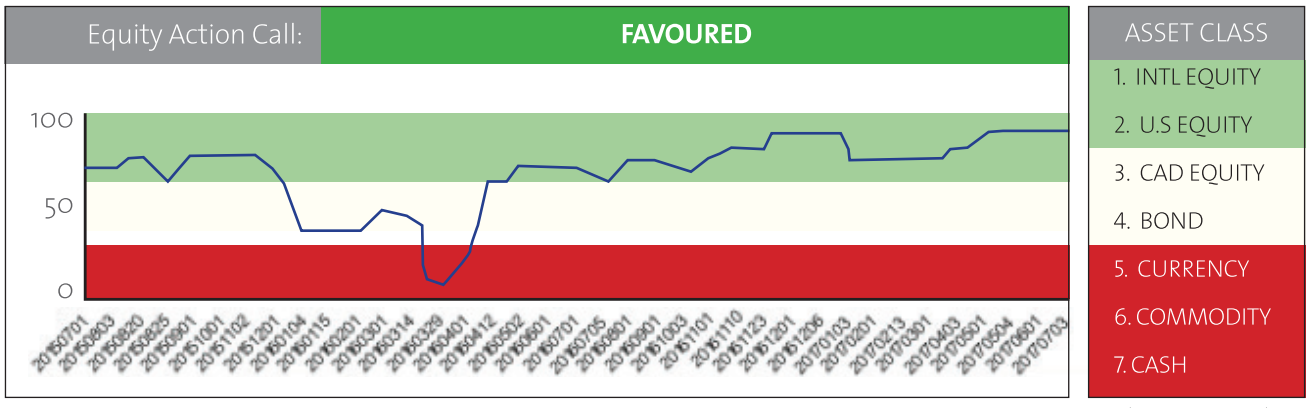
Equity markets have continued their ascent as the financial crisis and major bear market of 2008-2009 fades away as a distant memory. As I have alluded to, portfolios have seen improvement since April of 2017. The average balanced portfolio has grown over 6%, slightly higher than the corresponding benchmark. If we focus on the growth(equities) mandate, the last 9 months show a growth of 13% versus the benchmark of almost 9%. There are plenty of reasons to be optimistic as we start a new year. Economic data around the world continues to improve and most economists seem upbeat about continued robust growth in 2018. Technically, we have a favoured equity action call meaning we see stock prices (mainly in the US and International markets) outperforming all other major asset classes over the next 6 to 18 months.

With plenty of optimism around the global economy, I must remind you of the realities of our markets. Much like an elastic band, the farther stretched, the harder the snap back. We haven't seen any significant decline in the equity markets since 2008. Nine years is a very long period of time to have relatively "smooth" markets. In fact, you are more likely to see a bear market (minimum of 20% decline) every 5 years. On average, the decline has been 35%. This should be of great concern for the majority of investors involved in a buy and hold strategy. Fortunately, we have a proven sell discipline to move our equity holdings to cash at any time.

This will be extremely important to those close to or in retirement as we see the elastic band continue to be stretched even further.

I know many of you have been feeling anxious about stock market records and explosive real estate prices as you have said to me that you have never seen asset prices increase like this for so long. We all know, this never ends well, and this time will be no exception. The good news is, we will continue to watch what "Big Money" is doing with 12 billion calculations happening every night. This will give us the needed information to move to cash and be protected when the shoe falls. One thing that has been on my mind is, what happens to those who aren't protected? Specifically, those we care about that need to be warned. One major concern is for the large percentage of Canadians that have significant debt. I cannot imagine how painful the upcoming economic decline will be on those who can barely make payments currently (with low interest, and the economy at full capacity).

See graph 1.



Graph 1 - source: SIA Charts

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Service Matters

RRSP Deadline & Tax Information

The deadline to contribute towards your 2017 RRSP limit is March 1, 2018. The contribution limit for the 2017 tax year is the lesser of 18% of your earned income (in 2016) or $26,010.

Also, please keep all the mail you receive from HollisWealth and/or the fund companies *Over the next few months they will be sending out tax slips and information that you will need to complete your tax return.*

Share the Green

Century 21 Golden Gala

Over the past 17 years, the Century 21 Golden Gala has raised over $1,260,000 for the Woodstock community. In addition to the $850,000 raised for the new Woodstock Hospital, substantial contributions have been raised for charitable organizations serving the needs of communities within Oxford County.

This year the Gala will support the Alzheimer Society of Oxford, MS Society of Oxford and Easter Seals - Oxford County Chapter.

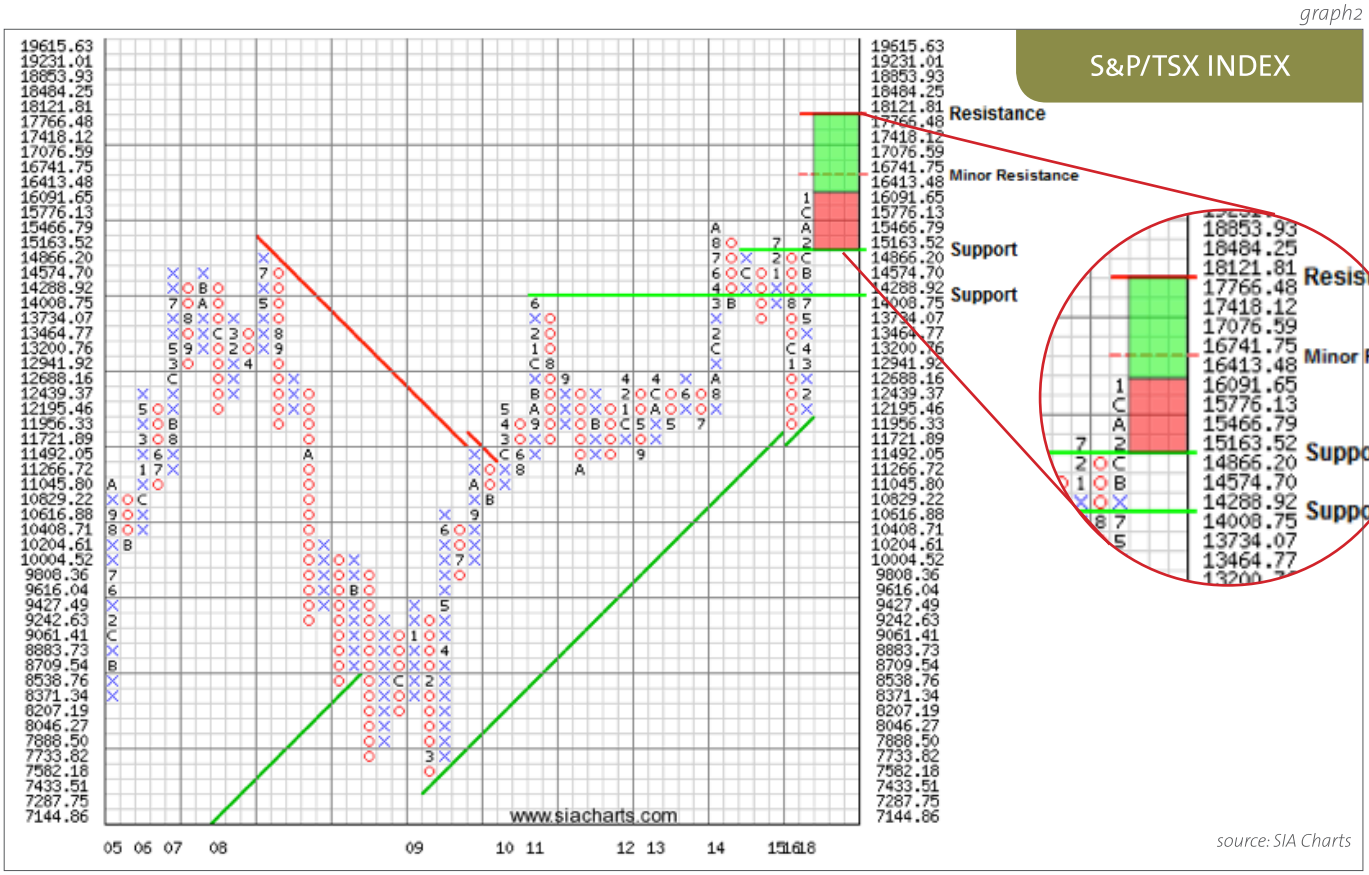
Tickets are on sale now. Visit **goldengala.ca** to purchase tickets or to learn more about this wonderful event.

The Market

Taking a Technical View . . .

One of the major concerns going into 2018 is the continued growth of the major market indices. Referring to the TSX and S&P 500 point and figure charts, we have not seen a 6% or more decline for the past year and a half. For the TSX chart, it has been since February 2016, almost 2 years! This is quite unusual especially because the TSX is known for its volatility. Fortunately, when we analyze the chart, we see a better risk/reward story happening. As you can see, there is more upside potential to downside at this point. Clearly, we will continue to watch closely but the charts are still positive.

graph2



source: SIA Charts

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The Market Cont'd

Taking a Technical View . . .

Looking at the S&P 500 chart, we see a very similar situation as the US stocks continue an almost straight up climb since March 2016 and also have more upside potential. If we did not see such favorable technical conditions to these major market indices, we would be much more concerned about the fact they have been increasing for such a long time without a significant decline. Once again, we will be monitoring these conditions daily and will move out of stocks immediately if we see cause for concern. Until then, we are happy to enjoy these improving results almost daily.

graph 3

source: SIA Charts

New Numbers for a New Year

The Tax Changes for Ontario

David Harris
CFP®, CIM® | Portfolio Manager, Director Private Client Group, HollisWealth, a division of Industrial Alliance Inc.
Insurance Advisor, Hollis Insurance Inc.

2017 will be remembered for some significant tax changes for small business owners but other areas also had adjustments. We outline some key numbers for 2018 here for you.

The RRIF minimum withdrawal rates remain unchanged. Minimum RRIF withdrawal at age 71 is 5.28%. At age 65 it is 4%.

Tax Rates for Ontario Residents – partial table of combined tax rates for regular income in 2018.

Taxable Income range	Combined marginal* rate
$46,605 – 75,657	29.65%
$75,657 - $85,923	31.48%
$85,923 - $89,131	33.89%
$89,131 - $93,208	37.91%
$93,208 - $144,489	43.41%
$144,489 - $150,000	46.41%

**marginal is the rate of tax on the last dollars earned.*

The top tax rate of 53.53% applies to income over $220,000

Charitable donations

20.5% - Charitable donation credit on the first $200 in Ontario

40.16% - charitable donation credit on amounts over $200 in Ontario

Consider donating appreciated securities (investments) and avoid tax on the growth as well.

**Source: www.canada.ca/en/revenue-agency.html*

TAX PLANNING BY THE NUMBERS

$100,000 – the cost base of US property (in Canadian dollars) required before you need to file a T1135 form with your taxes. This includes US Stocks and ETF's in non-registered accounts.

$26,230 or 18% of your earned income minus any pension adjustment – Maximum RRSP contribution for 2018. The 2017 limit is $26,010.

$74,788 – income threshold for 2018 at which retirees will see their Old Age Security benefits begin to be clawed back. We can help with income planning to minimize the impact of this clawback.

$5,500 - TFSA annual contribution limit for 2018. For those who were 18 when the TFSA was introduced in 2009 your total contribution room in 2018 is $57,500

$2,500 – the maximum annual contribution to a Registered Education Savings Plan (RESP) that will attract the 20% grant (CESG). Additional contributions of up to $2,500 will attract previously unclaimed grant.

$586.66 – Basic Old Age Security (OAS) benefit for January to March 2018. This benefit is adjusted quarterly.

$1,134.17 – Maximum monthly Canada Pension Plan (CPP) benefit for retirees at age 65. The early pension reduction is now 0.6% per month. This means that a 60 year old taking CPP benefits in 2018 will receive 36% less pension than they would at age 65. Delaying your pension past age 65 results in an increased benefit by 0.7% per month. There is also a **Post Retirement Benefit** option for those who are receiving CPP but continue to work. Contributions will increase your benefit or you can opt out of contributing.

Let's Talk
Cryptocurrency & bitcoin

The world is talking about "cryptocurrency" but what exactly is it? Cryptocurrency is a digital currency in which encryption techniques "known as cyrptography" are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Decentralized cryptocurrencies such as bitcoin now provide an outlet for personal wealth that is beyond restriction and confiscation. It is the ability to convert legible information into an almost uncrackable code, to track purchases and transfers. It was born out of the need for secure communication in the Second World War and has evolved in the digital era with elements of mathematical theory and computer science to become a way to secure communications, information and money online.

The first cryptocurrency was Bitcoin, which was created in 2009 and is still the best known. There has been a proliferation of cryptocurrencies in the past decade and there are now more than 1,000 available on the internet. Bitcoin sported a market value of over $2 billion at its peak with 1 share soaring as high as $20,000 prior to Christmas, before a 30% plunge shortly thereafter, sparking fresh speculation and raging debate about the future of cryptocurrencies in general and Bitcoin in particular.

SHOULD YOU INVEST IN BITCOIN?

This is a new type of currency with no assets to back it or regulatory authority to monitor it. As a result, our view is that any investment in cryptocurrencies would have to be speculative and you must be comfortable with the risk of 100% loss of your investment. This does not fit within the mandate of most of our clients.

Deutsche Bank recently advised that they would not recommend investing in bitcoin or other cryptocurrencies as they would likely experience significant loss. They join a list of financial institutions with this view. Because of the speculative nature, we urge caution if you are considering investing in cryptocurrencies.

Service Matters
TSFA Information

TFSA limit for 2018 remains at $5,500. With the TFSA limit of $5,500 for 2018 - someone who has never contributed and has been eligible for the TFSA since its introduction in 2009 the total contribution room is $57,500.

Service Matters
Important 2017 Tax Slip Mail Dates

With the recent sale of HollisWealth from Scotia Capital Inc. to Industrial Alliance Securities Inc. in August of 2017, clients will be getting 2 of every slip this year for the 2017 tax year. You will be receiving one from Scotia Capital Inc. and the other will come from Industrial Alliance Securities Inc.

RRSP CONTRIBUTIONS

For any RRSP contributions made in 2017, slips should have been received from Scotia Capital Inc. and Industrial Alliance Securities Inc. in the mail. Any contributions done between **January 1, 2018 to the March 1 deadline**, Industrial Alliance Securities Inc. will be **mailing contribution slips weekly**.

RRSP & RRIF

T4RSP and T4RIF tax slips will be mailed out by Scotia Capital Inc. and Industrial Alliance Securities Inc. for any withdrawals done from a RRSP or RRIF during the 2017 tax year. These will be mailed out by **January 31, 2018**.

NON REGISTERED ACCOUNTS

For any clients that have a non-registered account, Scotia Capital Inc. and Industrial Alliance Securities Inc. will be mailing **T5 AND T5008** slips by the **end of February, 2018** and **T3** slips by the **end of March, 2018.**

BUCKET LIST

MUST -DO ACTIVITIES TO DO IN ONTARIO DURING THE WINTER

NORTHERN LIGHTS
at the Torrance Barrens Dark-Sky Preserve in Muskoka.

ICE CLIMB FROZEN WATERFALLS
at the Elora Gorge with One Axe Pursuits

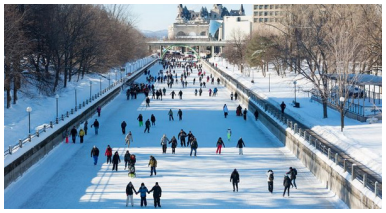
1.2KM SKATING TRAIL
on Johnston's frozen Cranberry Marsh in Bala

NIGHTTIME SNOW-TUBING
at Kitchener's Chicopee Tube Park

HOT CHOCOLATE BODY WRAP
at St. Anne's Spa in Toronto

ICE BREAKERS
winter art installation through Queens Quay West in Toronto

DOG SLEDDING
Throughout the Haliburton Highlands alongside Algonquin Park



ICE SKATING
along the Rideau Canal throughout Ottawa

THE SUGAR SHACK
experience frozen maple taffy at Matthews Maple

WINTER ZIP-LINING
over a snow-covered Elora Gorge

Get out there and enjoy what Ontario has to offer during the winter months. You won't be disappointed!

Green Team News

Plenty going on with the team from Green Private Wealth Counsel!

Keep up with our "Share the Green" program on our website and come out to support local charities.

TOP 50 CANADIAN ADVISORS
Wealth Professional Magazine

Proud Sponsor

The 70th annual Rotary Festival of Music runs from April 2-20th. This is provides an opportunity for local music students to showcase their skills and accomplishments Look for David Harris volunteering some time at the door as part of his role with the Rotary Club.

Rural Theatre is alive and well in Oxford County.

The Embro and Zorra Agricultural Society is presenting Bare Bear Bones by Michael Grant starting Feb 24th. This is a dinner theatre production. more information can be found at www.embrofair.com/dinnertheatre

The Embro Thistle Theatre is presenting Kai the Barbarian by William Butt starting March 21st at the Embro Town Hall. This play presents the story of local missonary Geroge Lesley Mackay who became a national hero in Taiwan. For more information please go to www.thistle-theatre.com/productions/

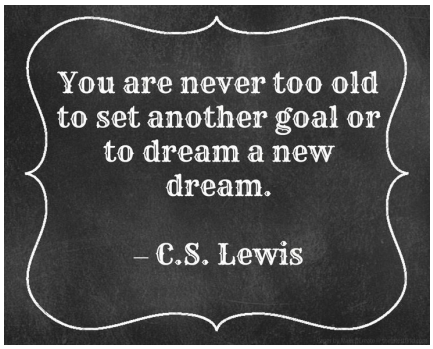
We are pleased to support these community events with our sponsorship.

Employee Spotlight
Welcome Gary

We welcome Gary Armstrong to the GPWC team. Gary is a Chartered Professional Accountant and Certified General Accountant (CPA, CGA) specializing in taxation having taken the In-Depth Tax Course offered through CPA Canada. Gary worked for 10 years with a local accounting firm, with his main focus in personal and corporate tax services for individuals and businesses of all sizes.

Born and raised in Scarborough, ON Gary moved to Woodstock close to 20 years ago. He is married with 4, almost teen-aged, children. He is very involved with his church and sports. Currently, the Treasurer for the Associate Reformed Presbyterian Churches in Canada, and actively involved in the Woodstock Christian Men's Slo-Pitch League. He also served on the board of our local swim team.

Not only does Gary's bring experience to GPWC he also has a passion to help people navigate the challenging tax environment we live in. His desire is to provide assistance to each individual person to meet their current and future estate plans through strategic tax planning.



Tax Information

Taxation of Private Businesses 2017

Gary Armstrong
CPA®, CGA® | Strategic Tax Specialist

The Canadian Federal Government made 2017 a very interesting year for owners of small & medium businesses in Canada. It all started on Budget Day, March 22, 2017 when the Minister of Finance announced "The Government intends to release a paper in the coming months setting out the nature of these issues in more detail as well as proposed policy responses." The Budget targeted 3 areas of concern that they believed created an unfair tax advantage for business owners: Income sprinkling, holding passive investments, and converting income into capital gains.

Fast forward to July 18th, a nice quiet summer day, when the Minister of Finance decided to release havoc on the business community and its advisers with the release of a consultation paper with a short 75 day window for community response. The proposals in the consultation paper had wide sweeping legislation to tackle the perceived tax advantages. The remaining 75 days of the consultation period was a back and forth public relations battle as the tax community would show a negative impact the legislation would have and the Government stating it wouldn't affect that many people.

October 2nd was the ending date of the consultation period. In the end, the Government received an overwhelming 21,000 submitted responses to the proposed changes. On October 17-19, the Government had daily releases in response to the July 18th proposed changes.

Day 1 - Income sprinkling. The government was going back to the drawing board to clarify and simplify the intended tax target. The original released proposed legislations was too broad and affected more taxpayers than intended. So, the Government was going to release these amendments sometime in the future (discussed further).

Day 2 - Passive investments. In the original July release, there was no released legislation, only a discussion on how to proceed. The unknown rules created great uncertainty which led the government to clarify that they were going to allow for a "safe harbor" of an arbitrary $50,000 in passive income that wouldn't be taxed under the unreleased new system. The government did state that the income amount was picked to be equivalent to a company with $1,000,000 in investments earning a 5% return. All additional details are still unknown at this time.

Day 3 - Converting regular income into capital gains. This topic had two important subsets: 1. Receiving money from your company and not paying personal dividend tax rates; 2. Multiplication of the Capital Gains Exemption. The Government was not going to proceed with these proposals as they were currently written. The Government did state that they will continue to work with the business community to develop a better system to achieve their desired outcome with the proposed rules.

Then on December 13, 2017, just before the Christmas break, the Minister of Finance released the simplified rules on income sprinkling. The simplification came through means of definitions to exclude certain income from the higher split income tax (TOSI). A key requirement in all the exclusions is "regular, continuous and substantial" contributions to the business. The exclusions are "excluded business", "excluded share", and "reasonableness test".

Excluded Business - An excluded business is a business in which the individual is actively engaged on a regular, continuous and substantial basis in the taxation year of the individual in which an amount is received or in any five previous taxation years.

Tax Information Cont'd

Taxation of Private Businesses 2017

Gary Armstrong
CPA®, CGA® | Strategic Tax Specialist

This test is to make sure those who made meaningful direct labour contributions in the year or any 5 years previously do not have to pay the high rate of tax on this income. In general, an individual who works an average of 20 hours per week during the year will be deemed to be actively engaged on a regular, continuous and substantial basis for the year.

Excluded Share – Income from an excluded share will not apply if the following conditions are met:

- the individual has attained the age of 25 years in or before the year;
- the individual owns at least 10% of the votes and value of the outstanding shares; and
- the corporation earns less than 90% of its income from services, is not a professional corporation and the income isn't from a related corporation (ie... professional corporation paying rent to a building company).

Reasonableness test – Income will not be subjected to the TOSI rules if the individual is 25 or over and the income exceeds a "reasonable return". The intention is that an amount will not qualify as a reasonable return from a related business only in cases where it can be proven that an amount received by an individual from the business was not relative to the contributions to, and amounts received from, the business by them and other family members. It is not meant to second-guess a bona fide exercise of business judgment by the participants in a business.

The new revised income sprinkling rules are meant to narrow the consequences to those instances where a family member is receiving income but has never been actively involved. Planning should be taking place to make sure that your corporations are in compliance by the end of 2018 with the above rules so you don't fall trap to them. ■

Service Matters

Out with the Old and in with the New

Over the last 2 years we have strategically developed a very comprehensive and informative newsletter to showcase Green Private Wealth's local community involvements as well as investment details, portfolio information and additional enlightenment pieces.

During the fourth quarter we introduced a new marketing initiative that showcased investment information in an audio/video format. This new format has been extremely well received as quite a few of our clients have provided us with positive feedback on this new type of communication.

We Heard You!

For the 2018 year we will be producing two newsletters, as oppose to 4, that will launch during the first and fourth quarter. This will be augmented by periodic email updates utilizing the new audio/video format.

Your feedback is always greatly appreciated as we continue to bring you the best way possible to showcase current investments strategies, portfolio information, etc.

Chef's Corner

with Chef Rob Bartley

serves 4

As we head into the spring months most of us start to think of eating healthy. This recipe, Tuna Poke, is inspired from Hawaii. Clean, tasty salad that is loaded with healthy ingredients and still quite satisfying

INGREDIENTS:

1tsp of each (ground) ginger, cumin, coriander

4 x 4 oz scoops	Cooked Jasmine or Brown Rice, Hot
1 lb (16 oz)	Raw Ahi Tuna, diced into 1/2"cubes
4	Handfuls assorted salad greens
4 x 1TB	Fresh Mango or pineapple, diced 1/4" cubes
4 x 2TB	Fresh Avocado, diced 1/4" cubes
4 x 1TB	Shredded carrots
4 x 1 Tb	Cucumber, diced 1/4" cubes
4 x 1TB	Edamame beans
2 cups	Shredded purple cabbage
4 oz	Sirachi mayo
1.5 cups	Poke dressing (see recipe beside)

DIRECTIONS:

1. Mix tuna with dressing and set aside for a couple of minutes.
2. Place rice into bottom of salad bowl.
3. Arrange salad greens around the rice.
4. Arrange toppings (mango, avocado, carrots, cucumber, edamame) around the edge of the bowl and slightly onto the rice. Leave room in the center.
5. Place dressed tuna (4 oz portion) on top of rice in center of bowl.
6. Drizzle the entire salad above with sirachi mayo
7. Arrange shredded purple cabbage on top
8. Serve right away

POKE DRESSING:

250 ml	Thai sweet Chili sauce
100 ml	soy sauce
100 ml	mirin (sweet Japanese cooking wine)
25 ml	sesame oil
1 TB	Pickled ginger, finely chopped

Mix all ingredients well and store in fridge until ready to use

This information has been prepared by Paul Green who is a Portfolio Manager, Director Private Client Group for HollisWealth® and does not necessarily reflect the opinion of HollisWealth. HollisWealth® is a division of Industrial Alliance Securities Inc., a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. The information contained in this newsletter comes from sources we believe reliable, but we cannot guarantee its accuracy or reliability. The opinions expressed are based on an analysis and interpretation dating from the date of publication and are subject to change without notice. Furthermore, they do not constitute an offer or solicitation to buy or sell any of the securities mentioned. The information contained herein may not apply to all types of investors. The Portfolio Manager]can open accounts only in the provinces in which they are registered. For more information about HollisWealth, please consult the official website at HYPERLINK "http://www.holliswealth.com" www.holliswealth.com.

Green Private Wealth Counsel is a personal trade name of Paul Green.

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