

# THE GREEN REPORT

FALL 2021/WINTER 2022

GREEN PRIVATE WEALTH

HARBOURFRONT WEALTH MANAGEMENT

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

*Welcome Fall!*  
A Season of Change



Youth Unlimited™  
YFC WOODSTOCK  
34th Annual

**GOLF TOURNAMENT**

Wednesday, October 6th

Title Sponsor of the Youth Unlimited 34th Annual Golf Tournament

## Share the Green Big Brothers Big Sisters Big Night In



Green Private Wealth is happy to sponsor and support **BBBS of Oxford County's** primary fundraiser for the year, **Oxford's Got Talent** on Saturday, October 23rd, 2021. See more on page 7.

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# The Market

## Paul's Perspective

### Do the stock markets know we are in a pandemic?

A year and half later, stocks continue to increase in value. Most are scratching their heads at how this could be going on... and most importantly, can this continue? At Green Private Wealth, we are extremely pleased with the outcome of performance since the lows of March 2020. To be clear, we aren't entirely comfortable with this massive run up in stocks though. I will try to give you some insight as to what we are thinking now and how the next six to 12 months might look.

### Stocks on a great run...

Nobody is questioning the impressive gains the stock markets have given investors since the scary days of February and March 2020. We are all very happy (and somewhat surprised) our investments in stocks have worked out as well as they have during the pandemic. Clearly, the Central Banks around the world have created enough money to prop up stocks, but what happens when the stimulus is reduced or removed? These are the tough questions the markets are starting to process lately. On the one hand, Central Banks are still in stimulus mode, so that is very good for stocks now. But on the other hand, too much stimulus can create problems down the road. Should they start to reduce the stimulus now? And if they reduce now, that could be bad for stocks... but if they don't and inflation continues, that could be even worse.

### ...but are they really?

With all the stimulus trickling into stocks, it's hard to argue not to invest currently. Clearly there are more buyers than sellers in the stock market. So what's the problem? Let's start with the obvious. History tells us that paying too much for stocks can be very risky. This concept of paying too much is argued all the time, but historically speaking, many stocks have extremely high prices relative to their profits today. What is the saying?



Be greedy when others are fearful, and be fearful when others are greedy? Or buy low sell high? There is a strong argument we are seeing high prices relative to profits, so maybe greed is getting the best of us. Now for the less obvious. As I have written many times, the 'market' is quoted by the media as the S&P 500 or the TSX. These indices are cap weighted, meaning the largest companies have the most influence on the values (remember in 2000 when Nortel represented 30%+ of the TSX?). The reality is many companies have fallen in price in the last six to 12 months. As reported on CNBC, 15% of companies in the S&P 500 are 20% or more below their 52 week high point. It gets far worse when you look at companies that aren't the 500 largest in the U.S. So, what does this tell us? It tells us that the largest companies are getting the attention (stimulus money is being invested in the very large technology companies) but the stock market as a whole is not as healthy as you might be led to believe. My concern is: what are the large pools of capital going to do when stimulus is reduced or taken away? We believe the hard questions might get answers in the next six months or so.

### So what do we do now?

The good news is, we don't need to do things much differently than we are doing now. As you know, Green Private Wealth is far more interested in protecting your portfolios, rather than taking a lot of risk to try and make a fortune in the stock market. We have steadily increased the real assets, like private real estate, private equities and debt over the past few years, as well as reduced some publicly traded stocks and a lot of bond exposure. This in and of itself, should bode well in a difficult market. In addition, we continue to focus on stocks for signals to reduce risk. We have added to cash and commodities for this very reason and will most likely become more defensive if we see continued signals of trouble ahead. Currently, we like stocks (thank you Central Banks) and will continue to be mostly exposed to the markets but are ready to make a change at any moment if we see concerns. In being well-balanced and able to act quickly to changing market conditions, we don't need to miss out on continued easy money-making stock investing, thanks to the Central Banks!

# Green Team News

## Welcome to Annette Taylor!

Green Private Wealth is proud to welcome Annette Taylor to our team! Annette comes to our Woodstock office with eight years of experience in finance and administrative roles. Acting as Paul and Brad's assistant, Annette has an Honours BA in Economics from Wilfrid Laurier University and has worked in both the investment and insurance business.

"I'm very happy to be working with this excellent team at Green Private Wealth. I love to build relationships with clients and I hope to get to know many of them well."

Enjoying the outdoors and teaching yoga are just a few things that keep Annette busy outside of work. Annette teaches yoga classes several times a week. Her other interests include sewing and quilting, listening to podcasts on a diverse range of topics and hanging out with her husband, son and two dogs.



# Green Team News

## Welcome to Nancy Andreola!



Green Private Wealth is proud to welcome Nancy Andreola to our team! We all miss our Susan at the front desk, but Nancy has done a great job filling in. Always smiling and happy to help out in any way, she is ready to meet you at our Woodstock office. Nancy graduated from Wilfrid Laurier University with an Honours Bachelor of Business Degree and is dedicated to providing the highest level of customer attention and hospitality.

Originally from the Niagara area, Nancy moved to Woodstock in 2000, after living abroad. She has a passion for interior decorating and cooking as well as enjoying time with her husband and two children. She spends her free time bike riding, hiking and gardening. We are so happy to have Nancy as part of our team!



### Paul Green Club Champion

Congratulations to the oldest club champion in Craigowan history! We don't see him as old, but at 52, he did capture the title from the young guns this year!

### Katie Green

Entering her final year of medical school, Katie is excited to move on to her chosen specialty. Pictured here, she spent the month of August in Rochester, Minnesota at the world-renowned Mayo Clinic, doing an elective in Ear, Nose and Throat surgery. We wish her well as she finishes her schooling across the pond in Dublin!





# The Cottage Tax Time Bomb

**David Harris**

CFP®, CIM® | Portfolio Manager, Director Private Client Group

For years, the Canadian housing market has experienced strong growth mainly due to increasing population from immigration and a strong economy. In fact the last housing slump was back in the early 1990s. Before the COVID-19 pandemic, many economists and analysts (particularly those outside of Canada) were calling for a correction in the Canadian housing market – but it has not come. Instead after a brief period, at the start of the pandemic in 2020, markets have surged forward significantly. Low interest rates, high immigration and easier lending policies are likely to continue to support the market for the near term.

Cottage properties have also experienced tremendous growth due to pandemic-driven demand and other factors. This has given rise to a significant tax problem: A Tax Time Bomb. In Canada, under current tax law, a person is allowed to claim a Principal Residence Exemption (PRE) on the sale of their home, thereby avoiding capital gains tax. However, a household can only claim one PRE at a time. So if you own a second property, only one of the two can be sold without tax consequences. I will explain some key considerations and ideas regarding tax and estate planning for your cottage.

Consider the use of your cottage after you pass. For many families, the cottage is a harbour of wonderful memories with family and friends. As you grow older, you welcome your children's families and your grandchildren to the cottage. The anticipation is that when you pass away, your children will

continue to use the cottage as you did. The reality is often quite different. Not all children may be able to use or want to be at the cottage for any number of reasons. There can be disharmony between siblings or spouses of siblings and there can be questions about who gets to use it and how often. For this reason, we believe the first step in cottage transition planning is to make sure you take the time to consider what your children want or what level of interest and financial ability they have to take care of the cottage.

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For example, Bob and Joan Smith purchased a cottage in Muskoka for \$500,000 in 2010 when they were in their early 50s. They have spent \$100,000 in capital improvements, so their cost base is \$600,000. Today, that cottage is worth \$1,700,000. This means that today they have a \$1,100,000 Capital Gain. In the event of sale, they will add \$550,000 to their income for tax purposes. This would be taxed at 53.53%, leaving them or their estate with a \$294,000 tax bill. In 20 years at 5% growth, this tax bill will be close to \$1,000,000. This example illustrates that now is the time to make plans to address a growing tax bill, as well as consider the future of your cottage.

## Top Three Ways to Reduce or Transfer Your Tax Bill:

### 1. Increase your Cost Base

Keep track of the cost of improvements to the cottage or property. Capital improvements such as kitchen renovations, new decks, docks or boathouse improvements increase the cost base of your property. Keeping good records of these costs can help reduce the capital gain on sale

### 2. Use Principal Residence Exemption Strategically

A cottage can qualify as your principal residence if you regularly occupy it and it is not rented out as a business. If the gain has been more on your cottage than your home, then this may be a good idea. You will need to pay capital



gains tax on the other property so this is just transferring the tax, not eliminating it.

### 3. Utilize Capital Gains Reserve

Sell the property to your children at fair market value in exchange for a promissory note and have them “pay” you over five years to take advantage of this tax allowance. Loan payments can be forgiven in your will, so you can gift the property and spread the tax bill, potentially resulting in a lower tax rate

Using these strategies will allow you to reduce or defer the bill but at some point, the tax will be due.



## Three Ways to Fund Your Tax Bill:

### 1. Sell the Cottage

If none of your children or grandchildren are interested in the cottage or live close enough to use it, then the easiest solution would be to sell it before death or as part of your estate. If sold after death, the cottage will be included in your estate for probate fees (1.5% on assets over \$50,000 in Ontario). Capital Gains tax will be due on the sale of the cottage, reducing your estate value.

### 2. Use Other Savings

Your estate executor can sell investment assets or use proceeds from the sale of your home to pay the taxes due, so that your family can retain the cottage. Again, this will reduce the value of your estate available for your heirs and possibly leave them without enough resources to cover the maintenance and upkeep of the cottage.

### 3. Use Tax-Exempt Life Insurance

This is a strategy that utilizes the unique features of permanent life insurance to provide tax-free death benefit exactly when needed to pay your estate taxes. Consider life insurance as purchasing future, tax-free dollars at a discount.

According to the Remax 2021 Recreational Property Report, 11% of Canadians were searching for a recreational property before the pandemic and continue to search, while 15% of Canadians who were not searching before the pandemic are now looking.

If you are one of those considering a cottage property, or already own one, please reach out to your advisor for advice on the best approach for your situation. We can help identify opportunities to reduce or defer your tax bill and investigate whether an insurance solution may be suitable as well.

## Green Team Outing A Fantastic Day!

The Green Team had a great time when they ventured to Niagara for their summer outing. Most everyone biked, all ate lots and savoured the local wine (and beer)!

Not everyone is pictured here, but we have a great team of professionals looking after a wonderful group of clients!





# Election 2021 and the Tax Consequences

Kerry Rizzo

CFP® CIM® | Senior Investment Advisor

Canadians headed to the polls on September 20th, after one of the shortest election campaigns ever. What does this mean for your tax situation? With the Liberal government re-elected, it's time to consider how your taxes could be impacted by election promises. Below are the 2021 proposed tax changes:

## Liberals - Higher Taxes on the Top 1%

- Introduction of a minimum tax rule, so that everyone in the top tax bracket pays at least 15% per year, removing the ability to pay no tax through deductions and credits.
- First Home Savings Account in addition to the tax-free savings accounts.
- Tax credits for home buyers and multi-generational renovations to allow a 15% credit on expenses paid up to a maximum.
- Home office expense deduction increased to \$500 from \$400.
- Increase taxes on financial institutions from 15% to 18% when they earn more than \$1 billion annually.
- A luxury tax on new cars and private aircrafts.

## Conservatives - Double the Canada Workers Benefit to Help Lower Income Workers (max \$2,800) and Families (max \$5,000)

- Reduced tax penalties on RRSP or TFSA over contributions
- GST holiday for the month of December.
- Increase the Disbursement quota for charities from 3.5% to 7.5% to increase charitable donations and unlock billions of dollars built up tax free in foundations and pit this money to work to help Canadians.
- Introduction of a partially refundable credit for small businesses to invest in capital in 2022 and 2023.

## NDP - Increase the Capital Gains Inclusion Rate to 75% (from 50% currently)

- 1% tax on households with more than \$10 million.
- Increase the federal income tax on the highest tax bracket by 2% to 35% for those earning over \$216,511. The top combined marginal tax rate in Ontario would then be



approximately 55.5%.

- Luxury goods tax on yachts and private jets.
- Introduce a temporary COVID-19 tax for companies that experienced "windfalls" during the pandemic.
- Roll back previous conservative corporate tax reductions by 3%.

The Liberals plan to spend an additional \$78 million over five years, the Conservatives plan to balance the budget over the next 10 years and the NDP will balance the budget when 'it is prudent to do so'.

As you can see, there are several scenarios being offered by the different political parties. In addition to the above possibilities, for the past number of years, there have been various entities suggesting an increase in capital gains taxes and even starting to float the idea of taxing principal residences. None of us can predict the outcome of the election, nor the extent of the future tax landscape. What we do know is that future promises and past promises (pre-pandemic, current pandemic and post-pandemic) will need to be paid.



# Share the Green

## Big Brothers Big Sisters Big Night In

Green Private Wealth is happy to sponsor and support **BBBS of Oxford County's** primary fundraiser for the year. Woodstock's own and America's Got Talent Semi-Finalist Greg Morton is back to host the 2nd virtual talent show **Oxford's Got Talent**



on Saturday October 23rd, 2021. The event will be streamed on Youtube and Facebook. The contest is open to anyone in Oxford County interested in showcasing their talent, whether it's singing, dancing or magic tricks.

Anna Belleth of Woodstock won Oxford's Got Talent last year with her original song "Goodbye." She later became the youngest person ever to make the Top 10 of the CBC Toyota Searchlight Contest with that same song, beating out nearly 2,500 other artists from across the country.

BBBS of Oxford County has been helping children match up with a mentor (Big Brother or Big Sister) in our community for many years. They also run group programs, in-school mentoring and homework clubs. Green Private Wealth is focused on helping kids in our community and we are proud to be a long time sponsor and supporter of BBBS of Oxford County.

**Share the Green**

**Youth Unlimited™**  
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**34th Annual**  
**GOLF TOURNAMENT**  
Wednesday, October 6th  
Sponsored by:

**GREEN PRIVATE WEALTH** **HARBOURFRONT WEALTH MANAGEMENT**

Green Private Wealth is proud to be the title sponsor of this year's **Youth Unlimited 34th Annual Golf Tournament** on Wednesday, October 6th, 2021 at the beautiful Craigowen Golf Club, just north of Woodstock in Huntingford. The entry fee entitles golfers to 18 holes on a stunning course, with a dinner at 6:00 p.m. Last year, Paul Green (and many other warriors) raised \$32,000 during the Tournament.

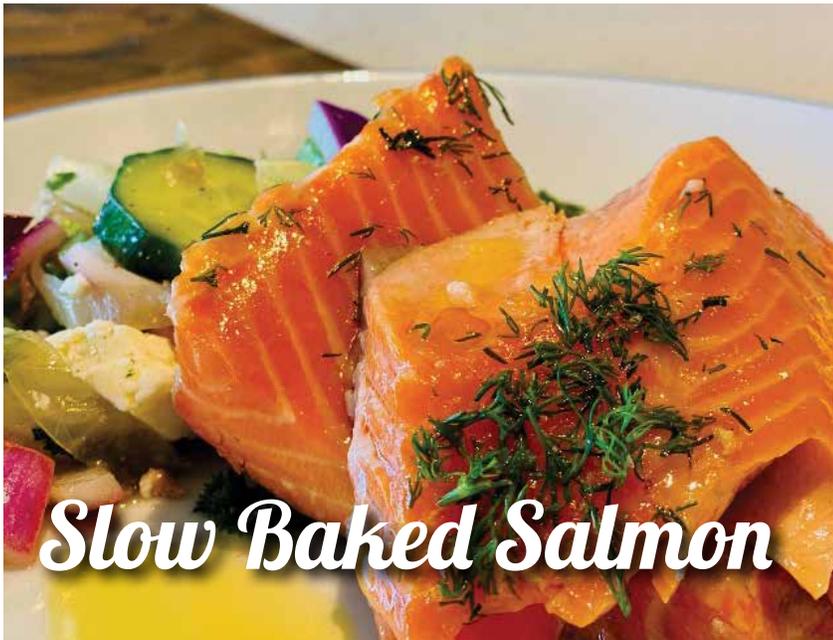
### RESP Contribution Deadline

Just a reminder that December 31st is the deadline for RESP contributions for 2021. The best way to contribute is to set up a monthly PAC. Lump sum contributions can be done online – call us if you need more information.



# Chef's Corner

with Chef Rob Bartley  
serves 4 - 6 people



## Slow Baked Salmon

A delicious salmon recipe that is a no-fuss, no-fail way to enjoy this fish. Baking salmon in a low-temperature oven slowly melts the fat between the flesh and leaves the fillets incredibly moist and tender, celebrating the natural flavour of high quality salmon.

### INGREDIENTS:

#### For the salmon:

- 2 lbs of salmon (boneless, skin on preferred)
- ¼ cup of Diamond Kosher Crystal salt
- 2 TB olive oil



### METHOD:

1. Pre-heat oven to 200 F.
2. Use only the freshest salmon you can get your hands on.
3. Spread out a cloth towel on a work surface and arrange the salmon skin side down. Generously sprinkle the flesh side of the salmon with half of the salt. Pat the salt into the fish. Flip over and sprinkle the remainder of the salt on to the skin side. Now fold the towel over the fish to make a nice "package". Place fish on a plate and put in fridge for 45 minutes. Remove salmon package from fridge, undo the towel and rinse off all the salt. Pat dry with a paper towel.
4. Lightly grease a baking sheet or large glass casserole dish with a little olive oil.
5. Arrange Salmon onto a greased pan, skin side down.
6. Bake in 200 F oven for 35-45 minutes or until an internal probe thermometer reads 130 F.
7. Remove from oven and immediately rub the flesh with high quality extra virgin olive oil.
8. Allow fish to sit for 10 minutes before moving it.
9. Carefully flip fish over and peel off the skin.
10. Place serving plate on top of the fish and flip upside down, so that the flesh side of the fish is presented on the plate.
11. Garnish with some lemon wedges and serve with your favorite sides.

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