FALL 2014

THE green REPORT

Paul's Perspective

by Paul Green, CFP®, CIM®

Canadian stocks take a pause…

After a fantastic 2nd quarter, Canadian stocks ended down marginally over the 3rd quarter. U.S. stocks did quite well up almost 2%. It appears volatility is definitely here to stay as we have seen an over 5% decline in the TSX since the beginning of September. This is one of many small corrections we have gone through over the past 3 years and it seems we are in for many more. Fortunately, our portfolios faired quite well over the quarter gaining roughly 2%

What are the trends telling us?

Looking at trends or technical analysis gives us higher probabilities of successful investing. I thought I would give you some insight from what the charts and figures are currently telling us. To start, we see the equity markets continuing to be the best option for investors. We are seeing that Canadian equities may not do as well versus the US and International as there appears to be a rotation out of commodities and therefore a drag to the TSX. The real estate market could be in for a decline, especially in markets like Toronto and Calgary. As a note, a colleague's friend bought a house in Calgary in 2002 for $600,000 and it is now worth $3,200,000! Many experts around the world are saying prices are over valued as high as 30% in major markets in Canada. My last area of focus is the continued improvement in the US dollar. We are looking at resistance very close to the $1.13 mark and once broken out to the upside we see a move to $1.23. For those of you who need US dollars over the next year or two consider buying now.

How are we positioned?

For the growth component of your portfolio, we continue to use Exchange Traded Funds (ETF) inside the Diversiflex mandates. Roughly 50% invested in the US, 25% International and 25% Canadian. We are positioned where the strength continues in the markets and expect to be well rewarded as equities are favoured over every other asset class. Pharmaceuticals, transportation and consumer staples are the specific sectors we are invested in. As for the safety portion of your portfolio, we have continued to hold US treasury bills in the form of an ETF called DLR. This gives us a very safe investment but also reflects the increase in value of the US dollar. Since we moved to DLR in June 2013, we have seen a 7% increase in the price.

Our positioning is consistent with what we are seeing technically. Please remember though, we do expect quite a bit of volatility in these markets.

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Charting Your Course to Financial Independence

Service Matters

Joint Accounts Available for E-Delivery

Joint Accounts have recently been made available for E-Delivery. Previously, you were only able to sign up your individual accounts for E-Delivery. Simply log into your WealthTracker account and navigate to client preferences. Once there, select "online" for your joint account and save the update. If you are not signed up for E-Delivery yet and are interested, please contact our office and we will help set you up.

RESP Deadline

The end of the year is quickly approaching! The deadline for 2014 RESP contributions is December 31, 2014. Please talk to Paul or Dave about making an RESP contribution before the deadline.

Increase in Online Fraud

There has been an increase of email accounts being compromised across Canada in recent years. We would like to remind you to update your antivirus software and change your password on a regular basis. We only take trading instructions over the phone to safeguard our clients' personal information.

GREEN TEAM NEWS

Youth for Christ Golf-A-Thon

Paul battled through 36 holes of golf in the annual Youth for Christ Golf-A-Thon held at the Ingersoll Golf Club on September 25th. The Golf-a-thon raised $7,800 for our local Youth for Christ chapter.

Beginnings Fall Banquet

Green Financial Group was proud to be the event sponsor at the Beginnings Annual Fall Banquet held on September 27th. The banquet helps raise money for Beginnings, a non-profit, faith-based agency that has been providing pregnancy counselling and adoption services to clients since 1985. More information about Beginnings can be found on their website at: www.beginnings.ca

President's Club

Green Financial Group was selected to be a part of HollisWealth's President's Club this year. This award is handed out to the top advisors within HollisWealth. President Club award winners travelled to Budapest this summer for a conference. Paul and Laura were happy to attend on behalf of Green Financial Group and accept the award.

West Coast Salmon Chowder

CHEF'S CORNER with Chef Rob Bartley

Our chef Rob Bartley has recently moved out to the west coast on a new opportunity. For his first west coast recipe, he brings us a delicious salmon chowder meal.

8 oz fresh wild king salmon fillet, (boneless, skinless)
6 oz strip bacon
1 leek, white part only, washed & diced ½ inch
1 white onion, peeled & diced ½ inch
4 shallots, minced
1 Tbsp minced garlic
1 Tsp fresh thyme, finely chopped
1 fresh bay leaf
2 cups clam nectar
1 L 35% cream
Roux to thicken (1/4 cup flour mixed with1/4 clarified butter)
Salt & white pepper to taste
1 sprig fresh rosemary

Serves Four

1. Arrange the bacon and salmon on a pan and smoke in an outdoor smoker for 1 hour or until the salmon has a very strong smoked smell to it

2. Cut the smoked bacon in 1 inch lengths and transfer to a medium sized stock pot. Sauté the bacon until the fat renders and bacon slightly crisps

3. Add the onions, leeks, shallots and garlic and soften over medium low heat trying not to brown the vegetables

4. Add the thyme, bay leaf and clam nectar and reduce by half

5. Add the 35 % cream and bring to a simmer

6. Stream in the roux (while whisking) in to the hot liquid until the chowder starts to thicken

7. Remove the chowder from the heat and flake in the rosemary sprig and the salmon from above into large bite size pieces

8. Adjust the seasoning and remove rosemary sprig before serving

To Serve...

3 Tbsp minced chives
Knob of butter for each soup bowl
1 Cheddar cheese biscuit

Garnish each bowl with a heaping Tbsp of minced chives and a knob of butter, serve with a warm biscuit

GREEN FINANCIAL GROUP

Travel Insurance Reminder

No one expects to have a medical emergency while travelling. But it can happen. As the winter travel season is about to get underway, we would like to remind you to be adequately insured. A simple accident or illness while out of country can be very costly if you do not have proper travel insurance coverage. A more serious injury or illness while travelling can cost more than $100,000 in some cases. You should be aware of your stability period before travelling. Stability period is the length of time where there has been no change to a prescribed medicine or its dosage. Many travel insurance policies require a stability period of 6 months. If you are travelling soon and your stability has changed, please contact your travel insurance provider to ensure you are covered. Green Financial Group now offers Travel Insurance through Manulife. Please visit www.greenfinancialgroup.com and click on the Travel Insurance link to request a quick and easy quote. Manulife offers many proven options with stability periods as low as 3 months, and an individually underwritten plan for those with unstable medical conditions. Plans are available for a single trip or for multiple trips taken within a year. Please call the office for more information on the plan that best fits your needs.

Non-Resident / Alien Form

The U.S. and Canadian governments have recently made changes to the border crossing regulations and can now count the number of days you are in the U.S. This is important as it is your responsibility to count the number of days you are in the U.S. If you go over the number of days allowed, you will be subject to U.S. tax.

The U.S. will use a substantial presence test to determine if you may be considered a U.S. resident and thus be liable for U.S. income and gift taxes. This is calculated by adding the number of days spent in the U.S. in the current year to one-third of the number of days spent in the previous year and to one-sixth of the number of days spent in the year before that. If the total is greater than 183 days and you have spent at least 31 days in the U.S. in the current year, you will be considered a U.S. resident for tax purposes.

If this is the case, you can file IRS form 8840 for a closer connection exemption. This states that you have a closer connection to Canada for tax purposes and you will avoid U.S. taxes. This form must be filed by June 15th of the following year.

You will also need to keep track of the days to avoid being barred entry from the U.S. If you spend over 180 days in the U.S. for a rolling 12 month period, you will be considered unlawfully present and could be barred entry from the U.S. for 3 years.

For more information, read this recent blog entry by Dino Micacchi of Micacchi Warnick & Company. Dino is a respected accountant in the community. www.mwcopc.com/mw-and-co-news/blog

Share the Green

Sharing is caring, around the corner and across the globe.

Coats for Kids

Green Financial Group will once again support the Coats for Kids initiative run by Operation Sharing. The campaign runs every fall and collects new or gently used winter wear (coats, hats, mittens, scarves and boots) to less fortunate families.

We would like to challenge our clients to search through their wardrobes to find any winter wear that they may no longer need. Please drop off the items to our office by November 14th.

We will contribute $15.00 to the cause for each item our clients drop off.

Understanding Risk Tolerance and Investor Bias

DAVE'S INSIGHTS by David Harris, CFP®

As Investment Advisors we discuss risk with clients every day. It is part of our responsibility to assess the risk tolerance of our clients and ensure that their investment portfolios are suitable. Clients have varying degrees of interest and experience with investing so they frame their view of risk from their unique perspective. Advisors need to be skilled in identifying the types of biases that impact each client in order to determine their tolerance for risk. There are 20 identified biases that are covered in the study of behavioral finance. Understanding these biases is key to making better investment decisions. I would like to cover two that we see most frequently in our meetings.

Recency – Recency Bias causes people to recall and emphasize recent events more prominently than those that occurred in the past. Investors tend to think that recent growth will continue indefinitely even though history has shown that the market moves in cycles. We see this in the analysis of stock market money flows. More money is invested in stocks at the peak of a market cycle than at the bottom of the market cycle. Those with recency bias are afraid to invest when recent market performance has been poor for an extended period even though logically it makes sense to buy more when prices are cheaper. Monthly fund flow reporting shows that many investors who pulled out of the stock market in late 2008 or early 2009 after the market had fallen more than 50% from its' peak have only recently moved back into the market. It has taken 4-5 years of improving markets to get them to consider investing again. In the meantime they have missed the opportunity for significant growth as the market moved back up. This has resulted in permanent loss of capital for some investors.

Loss Aversion – this is the concept where people have a stronger impulse to avoid loss than to acquire a gain. A loss-averse investor may require a two dollar gain for every one dollar invested. This can prevent investors from selling unprofitable investments. They may hold them too long in hopes of regaining their loss, rather than selling and finding a better investment. When reviewing accounts of prospective clients we can identify underperforming investments but often the client will say they are ' just waiting for it to get back to even to sell'. This is otherwise known as "get-evenitis".

Our investment approach addresses these two biases. Our investment decisions are made based on a set of rules that are not subject to emotional interference. By analyzing the market in a consistent manner and applying our investment rules to the outcome, we can avoid the impact of emotional biases on our decisions. Our aim is to hold onto winning investments longer and move away from weak investments quickly.

It is important to understand that our process ranks stocks, bonds, currency, commodities and cash to identify the strongest sectors. We don't have a bias towards investing in one sector over another. We just want to position your money where we see the most strength and away from where we see the most weakness.

By taking the time to discuss your concerns and goals we can address your risk tolerance more accurately and identify the appropriate balance between growth and protection in your investment portfolio.

Charting Your Course to Financial Independence

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