

# Taking Stock with Steele

Your Monthly Newsletter

*The purpose of this newsletter is to share insights and expertise. Our goal is to ensure that our clients are well-informed of changes affecting local business decisions and our investment recommendations.*

*We believe Knowledge Pays and we want our knowledge to help pay for you.*

## PRINCIPAL RESIDENCE EXEMPTION BIG CHANGES STARTING OCTOBER 3, 2016

As part of its reform of the housing market, the Department of Finance announced changes to the principal residence exemption (PRE) effective Oct. 3, 2016.

### What is the PRE?

The PRE allows a family unit to protect one property from capital gains taxation per year. Families that have two or more properties must choose which property to designate as the principal residence each year. Generally one's principal residence is the one in which the family "ordinarily" inhabits but "short periods" can qualify.

### The Biggest Change: Additional Reporting Requirements

For tax years ending after Oct. 2, 2016, the Canada Revenue Agency (CRA) will now require taxpayers to fill out additional reporting when they claim the PRE. This means that going forward the CRA will have a record of which properties are associated with the PRE and can prevent PRE "double-dipping", where property owners claim the PRE for two or more properties in a given year.

While the additional reporting requirements simply make it so the PRE is used as it was designed, it will result in more taxes paid on capital gains for families with multiple properties, most typically families with a house and a cottage. Historically, many Canadian families avoided paying taxes on the sale of their cottage simply by not reporting the sale to the CRA, not claiming any PRE years for the cottage and saving those PRE years for capital gains earned on the family's home.

### A Lesser but Still Meaningful Change: The Non-Resident Anti-Flipper Clause

The PRE formula includes the number of years a property is owned plus one year so that families who move from one principal residence to another in the same year can claim the PRE on both properties. As non-residents do not face this problem, the extra year provides an opportunity for non-resident housing market speculators to avoid taxes. The change removes the extra year for non-residents.

This change will result in more taxes paid by non-resident property investors.

### Minor Change with Narrow Consequence: Adult Children of Trusts

Previously, many trusts could claim the PRE if the trust's beneficiaries "ordinarily inhabited" the property. The new rules ensure that the PRE is available to family members defined within the family unit. This means that trusts with beneficiaries who are adult children, including disabled adults who do not receive the disability tax credit, will no longer be able to claim the PRE.

#### Current Rates & Data

##### Govt of Canada

90 day	0.47%
1 year	0.56%
2 year	0.62%
5 year	0.87%
10 year	1.42%
30 year	2.07%

##### U.S. Treasury

90 day	0.47%
1 year	0.72%
2 year	0.92%
5 year	1.56%
10 year	2.15%
30 year	2.94%

##### Canada Prime Rate

2.70%

##### U.S. Prime Rate

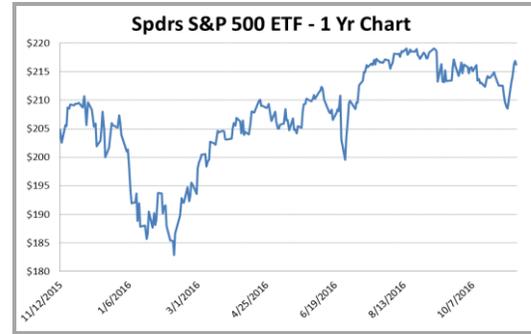
3.50%

##### Exchange Rates

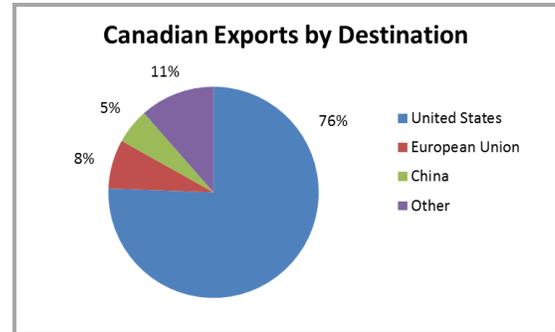
CAD/USD	0.740
USD/EUR	1.085
JPY/USD	106.6

## ECONOMIC TIDBITS TRUMP STOKES MARKETS, SURPRISINGLY & WHAT DOES TRUMP MEAN FOR CANADA?

- Donald Trump shocked the world after defeating Hillary Clinton in the 2016 presidential election. Markets initially reacted negatively sending Dow Jones stock futures down 5% but investors soon changed their mind on Trump, seeing a benefit of higher infrastructure spending, higher military spending, broad tax cuts and less regulation for the financial and health care sectors.



- It is unclear what a Trump presidency will mean for the Canadian economy. While Trump's pro-energy sector rhetoric could mean higher odds of pipeline approval, it could also mean higher U.S. energy production that could sustain or exacerbate the current bottleneck. Cross-border trade of other goods could come under attack as Trump wishes to renegotiate NAFTA and other trade agreements.



## LE JIT A "JUST-IN-TIME" RUNDOWN OF OUR CURRENT INVESTMENT THEME

### North American Infrastructure Engineering Companies Get Big Boost From Trump Win

- **Stantec (STN)** and **WSP Global (WSP)** are two ideas related to this theme.
- **Stantec** is an international engineering and consulting company with a focus on land development and water resources, headquartered in Alberta with a strong presence in the U.S. Stantec currently trades at ~10x forward EV/EBITDA (RJ estimate) which is a slight premium to global peers. If president-elect Trump fulfills his pledge on higher infrastructure spending, Stantec is set to benefit from this additional spending directly by winning more projects as well as indirectly through less competition and more pricing power for North American engineering companies. Trump's pro-energy agenda should also bode well for Stantec's energy sector facing business.
- **WSP Global** is an international engineering and consulting company with a focus on public works and the energy sector. WSP is set to benefit for the same reasons that Stantec is set to benefit except that it should be #1 or #2 in terms of U.S. infrastructure project wins through its solely owned subsidiary Parsons Brinckerhoff which is the largest building engineering firm in the U.S. and one of the largest public works engineering firms in the U.S.
- Feel free to ask a member of our team for more information on these securities.

## JEANNINE'S TIP O' THE MONTH Raymond James Among the Top 100 Employers in Canada for a Second Year

We are pleased to announce that Raymond James has again been recognized as one of the top 100 employers in Canada for 2017. Employers are evaluated by eight criteria and are compared to other organizations in their field to determine which offers the most progressive and forward-thinking programs. Raymond James is a unique firm. Our deep conviction to our core values of integrity, independence and conservatism all centred on our intense client first focus sets us apart. This recognition by the Top 100 Employers program underscores that we are Canada's premier wealth management firm.

**This newsletter has been brought to you by Steele Wealth Management**

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All rates mentioned within this newsletter are as of November 11<sup>th</sup>, 2016, unless otherwise stated. Rates have been sourced from Bloomberg. All stock information has been sourced from Market-Q.

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As the investment products listed in this newsletter may not be appropriate for everyone, a recommendation would only be made following a personal review of an individual's portfolio and risk tolerance.