



5 Ways a Liberal Majority Government Could Affect Your Portfolio

Description

On Monday night, Justin Trudeau and his Liberal Party surprised even optimistic projections, taking 184 out of a possible 338 seats in Canada's Parliament, enough to form a majority government and ending nearly a decade of Stephen Harper's rule.

The most impressive part might be the Liberals' comeback. In 2011, the party only managed to get 34 seats on just 18.9% of the popular vote. Even coming into 2015's election, the party was polling behind both the Conservative and New Democratic parties. Trudeau ran a great campaign, and Canadian voters rewarded him for it.

As investors, this is really all just a sideshow for what really matters—our portfolios. Here are five ways a Justin Trudeau government could affect your portfolio.

Legalization of marijuana

For many millennial voters, Trudeau's campaign promise to legalize marijuana was a big deal. Not only do many voters enjoy the product, but many feel outdated and unnecessarily harsh marijuana laws have kept law enforcement officers from putting their efforts towards greater issues.

It also could potentially be very good news for Canada's fledgling marijuana industry. While I don't see any individual marijuana stocks that interest me—most are high on hope and low on value—a Liberal victory and subsequent support should help the industry. This will make the industry less taboo and will help it attract serious investment dollars.

Kiss the \$10,000 TFSA goodbye

Another campaign pledge for the Liberal Party was ending the recently implemented TFSA increase, which upped the amount Canadians could contribute from \$5,500 to \$10,000 annually. The rationale is that a high TFSA unfairly helps rich folks protect investments from taxes. Essentially, it's a tax break for the rich, which Trudeau has been very vocal about ending.

Rich Canadians: be ready to pay more tax

Trudeau spoke extensively about ending some of the tax cuts put into place by the Conservative government, including income splitting, and he vowed to increase the tax rate paid by the richest 1% of Canadians. Naturally, the richest 1% tend to have much of their wealth tied up in investments, like stocks.

This will be accomplished by a new tax bracket for people who make over \$200,000 per year. Any income over the threshold will be taxed at 33%, which ups the total top tax bill for top earners to over 50% in many provinces, including Ontario.

More spending on infrastructure

Trudeau seems quite okay with his government borrowing to invest in infrastructure. Government deficits are projected until 2019-20 because of extensive projects planned to help stimulate Canada's economy.

Many of these investments will go into infrastructure projects. This is good news for embattled engineering and construction firm **SNC-Lavalin Group Inc.** (TSX:SNC), Canada's largest construction company. It has been the government's preferred partner in these types of projects for decades now, a trend that should continue with a Liberal government in charge. All SNC needs to do is to make sure it isn't formally charged with corruption because of recent scandals, and it will be nicely positioned to profit from this spending.

Focus on greener energy

For **TransAlta Corporation** ([TSX:TA](#))([NYSE:TAC](#)), the combination of a Liberal federal government and an NDP provincial one probably isn't good news for its Alberta-based fleet of coal-fired power plants.

But perhaps this isn't so bad. It's obvious that coal-fired power will eventually go away, and these governments seem like they're committed to making it happen. Perhaps TransAlta could approach them for money it could then use to convert some of its existing facilities to natural gas.

Besides, any change will likely take years to implement. It's not fair for a government to change the rules to an industry that has been assured of certain conditions by previous administrations. And remember, it's going to be very hard to replace 40% of Alberta's total electricity needs very quickly. No government wants to be responsible for brownouts.

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Author

nelsonpsmith

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