Investment Insights

An Economic & Market Bird's-Eye View

Canada's brief "technical recession" made headlines over the summer, raising an interesting question: Whatever happened to the recession?

Over the past 17 years, Canada has experienced just one recession — a brief, two-month downturn brought on by the pandemic. This contrasts with much of the post-war period, when recessions occurred more frequently. What has changed?

Of course, policymakers have been quicker to respond when disruptions occur. That said, the economy itself has also evolved: it is larger, more diversified and increasingly dominated by services and technology, as businesses have become more efficient and adaptable.

A similar pattern can be seen in financial markets. Bear markets certainly haven't disappeared, but recent downturns have often been relatively short-lived, with recoveries occurring at remarkable speed. This prompts a broader question: Are prolonged downturns becoming a thing of the past?

While many would caution against such a conclusion, it may point to something more fundamental: economic and market cycles themselves are evolving. One place to look is how the investing landscape itself has changed. Information now travels globally in seconds. Faster information flows, trading automation and lower transaction costs have contributed to greater market activity. In the early 1980s, around 100 million shares traded daily on the New York Stock Exchange; by 2020, this had risen to over one billion.[1]

Participation has also become democratized. Building a diversified portfolio once required meaningful capital. Today, low-cost investment products and internet access have lowered barriers to entry. In 1983, only 13 percent of Canadians reported owning equities, but this has grown to over 50 percent.[2] These structural changes have also reshaped how investors participate. The average holding period for a stock, once spanning eight years, is now measured in months.[1]

Market structure has also shifted. The number of U.S.-listed companies has halved from about 8,000 in 1997 to 4,000 today.[3] Yet global market capitalization has expanded from about $50 trillion in 2011 to over $140 trillion today.[4] Meanwhile, the range of investment products has expanded significantly, providing investors with more ways to diversify and deploy capital. And there is plenty of capital available. U.S. capital on the sidelines has doubled from pandemic levels to around $8 trillion.[5]

Taken together, these shifts raise key questions: How should markets behave in an environment defined by faster information flows, lower barriers to entry, broader investor participation and more capital on the sidelines, yet fewer public companies in which to deploy it? Do these changes imply a structural shift in market behaviour? Are today's valuations a reflection of these forces in action? Could sharper but shorter bursts of volatility and rapid narrative reversals become more common? Perhaps the anatomy of future bull and bear markets will differ from those of the past.

Yet, amid all this change, some things have remained remarkably consistent. A $100,000 investment in the S&P/TSX Composite Index 30 years ago, with reinvested dividends, would have grown to over $1.5 million today.[*] Markets may evolve and narratives may shift, but their capacity to create wealth over time has endured. In many ways, perhaps there has never been a better time to be an investor.

[*]With reinvested dividends, S&P/TSX Composite Index TR 9,944.05 on 7/31/96; 151,469.31 on 7/31/26. 1. www.visualcapitalist.com/the-decline-of-long-term-investing/; 2. www.cbc.ca/news/business/survey-says-almost-half-of-canadian-adults-own-stocks-1.208778; 3. https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US; 4. https://en.wikipedia.org/wiki/Market_capitalization; 5. Money market funds: www.apolloacademy.com/understanding-demand-for-treasuries-and-why-the-yield-curve-is-steepening/

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To My Clients:

With trade tensions resurfacing toward the end of the summer, we are reminded that no bull market comes without its challenges. Many economists estimate that the latest tariff changes will subtract less than one percentage point from GDP. While certain sectors will be hit harder, I continue to look beyond the oft-shifting headlines and adjust as risks and opportunities evolve. Underlying structural forces continue to support demand in energy, commodities and infrastructure, as well as for financially strong, globally diversified businesses.

During the Thanksgiving season and beyond, I am reminded of the many things to be thankful for: we live in a nation of peace, prosperity and resilience. Thank you for entrusting me to steward your wealth.

In This Issue

Back to School: Estate Planning & the RESP

While many use the RESP to support family education and create a lasting legacy, it's often overlooked in estate planning.

With kids back to school, it's a timely reminder of the Registered Education Savings Plan (RESP) benefits:

- **Income-splitting** — When RESP funds are withdrawn for qualified educational purposes, accumulated earnings (and grants) are typically taxed in the hands of the beneficiary, often in a lower tax bracket.
- **Tax-deferred growth** — Investments within the RESP grow tax-sheltered until withdrawal.
- **Government grants** — The Canada Education Savings Grant (CESG) provides up to $7,200 in matching grants per beneficiary.

Yet, these benefits can be lost if the RESP is not addressed in an estate plan. **Why?** The RESP belongs to the subscriber, the person who sets it up and contributes to it, and **not** the beneficiary. Many investors assume it works like a Registered Retirement Savings Plan (RRSP), which passes directly to a named beneficiary and bypasses probate at death. However, RESP assets do not transfer in the same way. Generally, the RESP forms part of the estate immediately upon the subscriber's death. If there is no joint subscriber or no successor subscriber named in the Will, it is typically collapsed. As assets fall into the deceased subscriber's estate, it can trigger:

- Tax on accumulated income payments, payable by the estate;
- Repayment of CESGs; and
- Probate fees, if applicable, with assets subject to creditor claims.

As a result, the RESP loses its benefits. It may also disrupt legacy plans if estate beneficiaries are different from the RESP beneficiary.

To protect the intent of the RESP:

1. Name a joint subscriber (for spouses/partners or former spouses who are the legal parent of the beneficiary only). The joint subscriber can continue managing the plan.

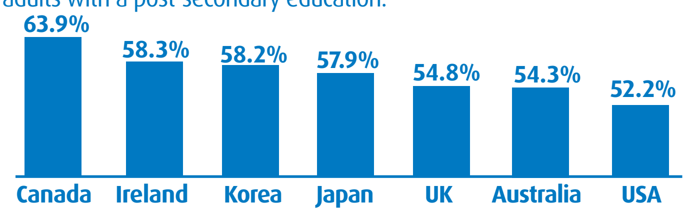
2. Appoint a successor subscriber in your Will. A trusted individual can take over the plan. Keep in mind that the new subscriber would control the plan and could potentially collapse it.

3. Consider a testamentary trust. Under certain conditions, a Will can name a trust as successor subscriber, allowing contributions to continue beyond death (subject to contribution limits).

By addressing the RESP in your estate planning, you can safeguard its benefits and ensure your legacy supports the intended student(s).

Did You Know? Canada Has the "Most Educated" Population Globally

According to the OECD, in 2025 Canada had the highest proportion of adults with a post-secondary education.



Source: www.oecd.org/en/data/indicators/population-with-tertiary-education.html

Education Costs by the Numbers

$30,800	Estimated total annual undergraduate university cost[1]
$30,600	Average student debt at graduation[2]
$7,734	Average Canadian undergraduate tuition 2025/2026[3]
$2,384	Average tuition in 1995/1996[4]
224%	% increase in tuition since 1995/1996
+47% to 58%	Additional annual earnings with a tertiary degree[5]

1. ArtsSci Residence: www.queensu.ca/registrar/tuition-fees/expenses-budgets; 2. bachelor's: www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710003601; 3. StatCan T: 37-10-0003-01; 4. StatCan T: 37-10-0150-01; 5. www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016024/98-200-x2016024-eng.cfm

Year-End Tax Planning: Benefit From Your Losses & Gains

Don't look now, but the final months of the year are quickly approaching. There may be actions to take to help improve your 2026 tax position or enhance the tax-efficiency of your financial plan.

If you are thinking of making portfolio adjustments, there may be a way to gain from your losses — or further benefit from your gains:

Gain From Your Losses Through Tax-Loss Harvesting — Generally, an investment held in a non-registered account that is sold for less than its original cost will result in a capital loss. For tax purposes, the capital loss can be used to offset taxable capital gains realized during the year to reduce your current tax liability. If you don't have sufficient taxable capital gains to offset the loss, the net capital loss can be carried back to any of the previous three taxation years to offset realized capital gains, or carried forward to use against future realized capital gains.

Benefit From Your Gains: Donating Securities In-Kind — Donating publicly-traded securities "in-kind" that have appreciated in value may eliminate the tax liability on the capital gain triggered and allow for a donation tax credit for the fair market value of the securities. Do not sell securities and donate the proceeds, as part of the tax benefit will be lost. If securities have declined in value, simply sell them to claim the capital loss and donate cash to receive a donation tax credit. If you're subject to the alternative minimum tax, be aware that there may be tax implications. Remember to make charitable donations well in advance of the December 31, 2026, deadline to count towards your 2026 taxes.

Here are a handful of other ideas to help improve your tax position:

- **Split income.** This may include electing to split eligible pension income with a spouse or paying reasonable salaries to family members for services provided to your self-employed business.
- **Contribute to your RRSP.** You still have 60 days after the calendar year end to make contributions for the 2026 tax year, but the earlier you contribute, the greater opportunity for tax-deferred growth.
- **Plan for the pension income tax credit.** If you're age 65 or older and don't have eligible pension income, consider opening a small Registered Retirement Income Fund (RRIF) or purchasing an annuity.
- **Withdraw from the TFSA before year-end.** If you plan to withdraw, consider doing so before year-end. Contribution room resets at the start of the calendar year, so withdrawals after December 31, 2026, won't restore contribution room until January 1, 2028.

For more information or ideas, please contact the office.

Six Ways to Minimize Taxes on Your Estate

Planning ahead can help preserve more of your hard-earned wealth for your heirs, rather than the tax authorities.

As we approach the final months of the year, many focus on actions to reduce the current year's tax bill. But it may also be an opportune time to consider how to manage future tax obligations. In Canada, unlike the U.S., there is no estate tax in the traditional sense. Instead, you're deemed to have disposed of assets at fair market value at death, and your estate is subject to tax on accrued gains. For many estates, the greatest tax exposure comes from registered accounts, capital gains in non-registered accounts and appreciated assets like vacation properties. Here are six ways to help minimize taxes on your estate:

1. Defer Taxes — In some cases, the tax liability on appreciated assets can be so significant that estates are forced to liquidate assets, such as a business or family cottage. Deferring taxes can help avoid this. A spousal rollover allows assets to transfer to a surviving spouse or spousal trust, with associated tax liabilities generally deferred until the spouse dies or assets are sold. Tax-deferred rollovers may also be available in some circumstances for eligible beneficiaries, such as a financially dependent child or grandchild.

2. Use Exemptions — Tax exemptions can provide meaningful savings. For example, with the Principal Residence Exemption (PRE), if you own more than one property over time, careful planning around which property is designated as your principal residence, and for which years, can help reduce overall capital gains tax. With the Lifetime Capital Gains Exemption (LCGE), business owners may be able to shelter gains on qualified business shares or certain farm or fishing property.

3. Don't Overlook Foreign Estate Taxes — If you own assets outside Canada, or if beneficiaries live in a country with an estate tax, there may be exposure to foreign taxes. Many Canadians own U.S. assets. U.S. "situs" property, which includes U.S. real estate and shares in U.S. corporations, may be subject to the U.S. estate tax. There are strategies to help minimize potential U.S. estate tax, but advanced planning is often necessary.

4. Freeze Taxes — Business owners may choose to freeze the value of their business for tax purposes today, while transferring future growth to the next generation. By using an estate freeze, you can continue to control the business and lock in your future tax obligations, while the other party benefits from any increases in the value of the business (but is also liable for future taxes on the growth).

5. Plan on Giving — Leaving a legacy through charitable donations can create a lasting impact while reducing taxes. Properly structured gifts can reduce tax in the year of death and the preceding year. In the year of death, the maximum donation amount increases to 100 percent of net income (up from the 75 percent limit in a normal year). Gifts made during your lifetime, such as to family members or charitable causes, can also reduce the size of your taxable estate while providing immediate benefits.

6. Use an RRSP/RRIF Drawdown Strategy — Registered retirement accounts can represent one of the largest tax liabilities at death. A proactive drawdown strategy may help reduce this exposure. Instead of withdrawing only the required minimum amounts, some choose to gradually withdraw additional funds during lower-income years, smoothing income over time and potentially paying tax at lower marginal rates. This can also allow assets to be reinvested in more tax-efficient vehicles, such as a TFSA, or support gifting strategies. Be aware that higher withdrawal amounts can have other consequences, such as potentially triggering the OAS clawback.

Equity Market Rotation: Is Boring Back?

Broader market leadership has been a notable theme in 2026.

After many years in which a handful of mega-cap tech companies drove significant market performance, there's been a broader investment focus throughout 2026. One way to view this shift has been in the performance of the Dow Jones Industrial Average (DJIA), widely known as the "Dow."

Earlier this year when the Dow surpassed the 50,000 mark, it prompted headlines such as: *"The Dow, the Uncool Index, Has Its Moment in the Sun."*[1] The milestone reflected renewed interest in many of the established, mature companies often viewed as less glamorous than their tech peers, as market leadership broadened beyond tech.

This year marks the Dow's 130th anniversary. Created in 1896 by Charles Dow, then-editor of *The Wall Street Journal*, it originally tracked 12 major industrial firms, adopting the name "Industrial Average." Today, the Dow tracks 30 leading companies and is updated periodically to reflect dominant sectors of the modern economy.

Unlike other indices, the Dow uses a "price-weighted" methodology. This is calculated by adding component share prices and dividing them by a divisor that accounts for stock splits or other structural changes. By contrast, indices such as the S&P/TSX Composite, S&P 500 and NASDAQ weight companies by market capitalization, or total value of outstanding shares.

Is the Dow still a useful index? A new generation of retail investors argues that "*the index is about as relevant as paper stock certificates or ticker tape*." Critics have long suggested that a 30-company sample is too narrow to represent the broader market. Others point to its price-weighted structure, where higher-priced stocks have greater influence than lower-priced counterparts.

Yet the Dow still offers a useful perspective due to its broader sector representation. While technology continues to dominate the NASDAQ and remains a significant component of the S&P 500, it represents a much smaller share of the Dow.

Composition & Size of Select Major Indices

Index	# of Constituents	Market Cap (USD)[1]	% Tech Sector
DJIA (Dow)	30	$25.9T	17.0%
S&P/TSX Composite	219	$4.1T*	7.2%
S&P 500	503	$67.1T	36.8%
NASDAQ	3,374	$44.4T	63.5%

1. Market capitalization in USD, as of 07/31/26, except for NASDAQ, at 6/31/26. Sources: Index Factsheets, Morningstar. *Equivalent to C$5.6T.

Taking a broader perspective, no index is perfect, but each offers insight into distinct parts of the markets. The Dow's long history and milestones serve as a reminder of the markets' long-term trajectory of resilience and economic progress.

1. Wall Street Journal, Markets & Finance, February 7, 2026.

Did You Know? Survivor Benefits Are Often Lacklustre

In your estate plan, have you considered the potential loss of household income?

One of the more noteworthy complications arises from a common misconception surrounding survivor benefits. While pensions from a deceased's workplace may continue, a survivor's pension benefit is often at a reduced rate. Many people also do not realize that government benefits, such as the Canada Pension Plan (CPP), may be lacklustre — or even non-existent — thereby leaving a shortfall in retirement income or cash flow for the surviving spouse. Of course, this can pose challenges because many essential expenditures like property taxes and other bills continue to persist at their usual levels.

As it relates to government benefits, consider the situation in which both spouses collect maximum CPP and OAS benefits. In 2026, this could potentially provide over $54,000 in annual retirement income for a couple, based on a monthly CPP of $1,507.65 (2026) and OAS of $743.05 (Q2 2026) for a retiree at age 65. If one spouse were to pass away, consider that the deceased spouse's annual benefits, or roughly $27,000, could be largely lost.

This is because CPP survivor benefits are integrated with an individual's own CPP retirement pension and are subject to maximum limits. In many cases, a surviving spouse already receiving the maximum CPP retirement pension may receive little or no additional survivor benefit. By contrast, OAS provides no survivor benefit. The CPP does, however, provide a one-time death benefit of up to $2,500[*] in most cases.

Estate Planning for Spouses: Tools to Consider

Addressing income loss is just one consideration when planning to protect a spouse. Other considerations include asset protection, minimizing taxes on the estate and asset distribution. In brief, here are tools that may be valuable:

- **Trusts** — May help to protect and manage assets for the benefit of spouses who need support or other heirs.
- **Joint Ownership** — May help to bypass probate, provide tax efficiency and simplify the transfer of assets.
- **Spousal Rollover** — Can allow for a tax-deferred transfer of assets between spouses upon the death of one, preserving more of the estate's value for the surviving spouse.
- **Insurance** — May support long-term care, financial security, estate preservation, estate equalization or liquidity to cover immediate expenses or estate expenses, such as taxes. Can also provide creditor protection or help to facilitate the transfer of a business.

For survivors not receiving maximum CPP benefits, perhaps due to time out of the workforce, lower CPP contributions or other reasons, they may be entitled to a survivor's benefit. Survivors age 65 or older may be eligible for 60 percent of the deceased spouse's CPP pension (under this age, survivor benefits are 37.5 percent of the deceased's pension, plus a flat rate, if the survivor is not receiving other CPP benefits). When combining multiple benefits, the total amount of combined CPP benefits paid is adjusted based on the survivor's age and other benefits received. The survivor will need to apply for survivor benefits, keeping in mind that back payments will only be made for up to 12 months, so delays may result in lost benefits.

Since CPP and OAS can make up a significant portion of a couple's retirement income or cash flow, planning ahead for how the loss of a spouse may affect these benefits — or any income stream, for that matter — may be worthwhile. When reviewing wealth plans, having an income buffer or pivoting to use other sources for retirement income may help address a potential shortfall.

For a deeper discussion, please get in touch. For more information on CPP survivor benefits, see: www.canada.ca/en/services/benefits/publicpensions/cpp/cpp-survivor-pension.html

[*]Effective January 1, 2025, the CPP death benefit may increase to $5,000 if the deceased had never received a CPP/QPP retirement, disability or post-retirement disability benefit and did not leave a surviving spouse/partner eligible for a CPP survivor's pension.

With the compliments of...

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