

## Navigating a Changing World



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Volatility returned to start the year, not only to financial markets but also to shifting U.S. policy stances driving new geopolitical uncertainty amid widening global conflict. Even before recent events, precious metals saw notable swings, with gold and silver posting sharp gains and reversals, while the U.S. dollar weakened. These moves reflect a broader trend as nations increasingly focus on sovereign resource security. Technology stocks were penalized for elevated capital expenditures despite solid earnings, even though returns can take years to materialize. Concerns over the impact of artificial intelligence (AI) also spread beyond the tech sector: Is AI set to disrupt the world around us?

For now, equity market indices have largely held their ground. Perhaps investors have learned from the policy-driven disruptions of 2025 to better focus on the longer-term picture despite near-term uncertainty. In this environment, maintaining a longer-term perspective can be a prudent strategy.

Trade policy has been no less volatile. Though a U.S. Supreme Court ruling against U.S. tariffs is unlikely to change the current administration's approach, it has intensified debate over the broader effects on U.S. households and businesses. Attention is now turning to the U.S.-Mexico-Canada Agreement (USMCA) as renegotiations approach. With Canadian exports to the U.S. accounting for roughly 20 percent of Canada's GDP, investors are watching closely to see whether political threats translate into policy change.

While many economists expect the agreement to survive in some form, a complete collapse would not be catastrophic. Oxford Economics estimates that such an outcome would lower Canada's GDP by about 1.8 percent below baseline and reduce private investment by 6 to 7 percent.<sup>1</sup> The impact would be significant, but Canada has endured far more severe shocks and recovered. In the early 1980s recession, output fell by around 5 percent, and unemployment climbed to 12 percent. Elevated Canada-U.S. trade barriers are also not unprecedented, having persisted for long stretches during the 19<sup>th</sup> and 20<sup>th</sup> centuries.

More broadly, the renegotiation of USMCA serves as a reminder that we must navigate a changed world. Prime Minister Carney captured this shift at the World Economic Forum in January: *"The old order is not coming back. We shouldn't mourn it. Nostalgia is not a strategy."* In response, the government has been focused on reorienting the economy, doubling defence spending, signing new trade and security agreements and deepening ties with global partners.<sup>2</sup> There's significant work to be done, but even as a middle power, Canada's foundational advantages shouldn't be overlooked: vast energy and resources, abundant fresh water, three coastlines, the world's most educated population and political stability.

The broader lessons translate into investing. Conditions that appear stable can shift quickly; markets are inherently volatile. No economic cycle, policy regime or market trend is permanent. In that context, diversification is a necessity for managing risk. At a time of amplified uncertainty from increasingly reactive global policymaking, discipline matters more than ever, particularly when the range of possible outcomes is wide. Conviction, paired with flexibility, allows investors to remain positioned through short-term volatility while adjusting to fundamental shifts. In a world where change continues to feel persistent rather than episodic, this balance will ultimately support long-term investment success.

1. [www.oxfordeconomics.com/resource/usmca-scenarios-north-american-trade-at-a-crossroads/](https://www.oxfordeconomics.com/resource/usmca-scenarios-north-american-trade-at-a-crossroads/); 2. <https://www.cbc.ca/news/politics/carney-davos-speech-9.7052725>

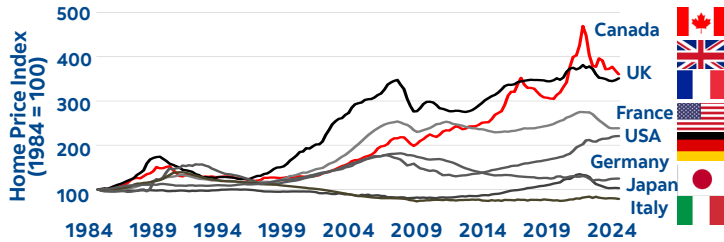
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- Planning for Instalment Payments
- Happy 130<sup>th</sup>: Does the Dow Still Matter?
- How Has Purchasing Power Changed?

# Spring Perspectives: A Brief Look at the Housing Market

Spring marks the start of the home-buying season. While price growth has slowed, and even reversed in some markets, Canadian home prices have risen faster than those in any other G7 country (Group of Seven advanced economies), nearly quadrupling over 40 years. As a result, many view Canadian real estate as one of the best-performing long-term asset classes.

## Home Prices, G7 Countries, 1984 to Start of 2025 (Inflation Adjusted)



<https://www.dallasfed.org/research/international/houseprice>

While housing has delivered attractive returns, an interesting comparison emerges since the start of the millennium: Despite a more volatile return path, the S&P/TSX Composite has generated higher annualized total returns than many real estate markets. The chart (top) shows performance through the start of 2025, as real estate prices moderated in major markets, in part due to higher interest rates.

Without a doubt, various factors make a direct comparison between real estate and stocks difficult. Investing in real estate comes with various challenges, including limited liquidity, significant capital outlay (partially offset through leverage, such as a mortgage), transaction costs (commissions, legal fees and land transfer tax) and ongoing maintenance (property taxes and repairs). Stock market participation is generally more accessible in terms of initial capital, transaction costs and liquidity, while offering greater diversification. Yet, the stock

market can be more volatile, making downturns difficult for many investors. Different tax treatments and risk profiles further complicate direct comparisons.

The recent moderation in housing markets serves as a reminder that even long-standing trends can shift. Yet, Canadians have been fortunate that both real estate and equities have offered substantial wealth-building opportunities over recent decades.

## S&P/TSX Composite vs. Select Housing Markets 1999 to 2025, Hypothetical \$300,000 Investment

Market	End Value	Annualized Return
<b>1. S&amp;P/TSX Composite</b>	\$2,385,049	8.3%
<b>2. Vancouver</b>	\$1,673,943	6.8%
<b>3. Toronto</b>	\$1,547,687	6.5%
<b>4. Montreal</b>	\$1,504,716	6.4%
<b>5. Halifax</b>	\$1,420,609	6.2%
<b>6. Ottawa/Gatineau</b>	\$1,304,786	5.8%
<b>7. Calgary</b>	\$1,092,897	5.1%

Sources: 1. S&P/TSX Composite Total Return Index (dividends reinvested); 2. to 7. Teranet-National Bank House Price Index, <https://housepriceindex.ca/>; 02/99 to 02/25, based on Bloomberg/RBC Wealth Management analysis.

### Be Aware: FHSA Contribution Room May Be Incorrect

If you've helped a young family member open a First Home Savings Account (FHSA), be aware that the Canada Revenue Agency (CRA) may have inaccurate contribution data. The consequence? The one percent per month penalty on excess contributions, which quickly adds up. A recent Globe & Mail article highlighted the issue: "Schedule 15—FHSA Contributions, Transfers and Activities" must be attached to a tax return whenever a contribution or withdrawal is made.<sup>1</sup> This form was introduced in 2023 and some tax software did not automatically include it, leading certain 2023 contributions to be misclassified as 2024 overcontributions. To fix this, it is advised to contact the CRA and amend the 2023 return using Schedule 15.

1. "How we fixed a \$1,000 FHSA tax penalty," B. Leung, Globe & Mail, 01/30/26, B11.

# Happy 130<sup>th</sup> Birthday, Dow: Does the Dow Still Matter?

The Dow Jones Industrial Average (DJIA, or "Dow") crossed the 50,000 threshold at the start of the year. Since November, it outperformed the S&P 500 and NASDAQ, prompting one headline to read: "The Dow, the Uncool Index, Has Its Moment in the Sun."

Celebrating its 130<sup>th</sup> birthday this spring, the Dow was launched in 1896 by Charles Dow, then-editor of The Wall Street Journal. It originally tracked 12 heavy-industry companies, hence the name "Industrial Average." Today, it comprises 30 companies, updated periodically to reflect leaders of the modern economy.

What distinguishes the Dow is its "price-weighted" methodology. The index 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 are weighted based on share of total market capitalization (share price multiplied by outstanding shares).

Is the Dow a good gauge of the U.S. economy? Throughout its history, it has faced criticism. Some argue that 30 companies provide too narrow a representation of the market. Others

suggest its price-weighted methodology is flawed because higher-priced stocks tend to have greater influence over lower-priced counterparts.



What is particularly notable today is that the Dow's rise may signal stronger

## Composition & Size of Select Major Indices

Index	# of Constituents	Market Cap <sup>1</sup>	% Tech Sector
<b>DJIA (Dow)</b>	30	\$22.1T	18.6%
<b>S&amp;P/TSX Composite</b>	218	\$3.7T	7.9%
<b>S&amp;P 500</b>	503	\$61.9T	33.4%
<b>NASDAQ</b>	3,324	\$39.3T	62.3%

1. Market capitalization of components, USD, as of 01/31/26, except for NASDAQ, at 12/31/25.

market breadth beyond technology, which makes up 62 percent of the NASDAQ, 33 percent of the S&P 500, but only 19 percent of the Dow. Taking a broader perspective, while all indices have limitations, they remain useful barometers. The Dow's long history and continued growth highlight the enduring trajectory of economic progress.

## Tax Season Reminders: Planning for Instalment Payments

Most individuals pay a significant amount of their income tax through source deductions, which are amounts withheld from their income. Employers deduct and remit income tax on a taxpayer's behalf throughout the year with each paycheque. However, many newly retired or self-employed individuals are surprised to learn that they must make quarterly instalment payments, since retirement or self-employed income is often received without tax withheld at source.

If your net tax owing is more than \$3,000 (\$1,800 for Quebec) in the current year and in either of the two preceding years, you generally must make instalment payments by March 15, June 15, September 15 and December 15 (with exceptions for farmers and fishers).

### Planning Ahead Is Important

Planning ensures you have sufficient cash flow to meet each quarterly payment and avoid interest or penalties. Interest on late or insufficient instalments compounds daily (for Q2 2026, the prescribed rate is 7 percent federally), and penalties may apply if total instalment interest exceeds \$1,000.

If your income varies from year to year, planning allows you to adjust instalments to avoid overpaying, which is effectively giving the government an interest-free loan. For example, a large one-time capital gain, such as from selling a vacation home, might cause government-suggested instalments (based on your most recent assessed tax return) to exceed what your expected income would warrant in the following year.

### Three Practical Tips

Here are three practical tips to consider if you are managing instalment payments:



**1. Overpay when needed.** If you've forgotten an instalment payment, you can reduce or eliminate accrued interest by overpaying subsequent instalments or making payments early. Early instalment payments earn instalment credit interest, which is not refundable but can offset interest charged on late instalments in the same year.

**2. Choose your calculation method.** Instalments may be based on government-calculated amounts, your prior-year tax return or your current-year income estimates. Selecting the appropriate method is particularly important if your income fluctuates, ensuring you pay enough without overpaying (providing a tax-free loan).

**3. Adjust withholdings, if possible.** Instalments can sometimes be reduced or eliminated by having tax withheld at source, or by increasing the amount withheld from OAS, CPP/QPP benefits, EI or employer-sponsored pension income. Requests must be made through Service Canada or Retraite Québec (QC). Note: tax cannot be withheld from certain types of income, including self-employment, investment and rental income or capital gains.

## How Has Purchasing Power Changed? Reflecting on 30 Years of Inflation

Canada has recently earned the title of "food inflation capital" of the G7, after food prices rose 6.2 percent in 2025 alone. In response, Prime Minister Carney recently introduced the Canada Groceries and Essentials Benefit (CGEB) rebate (an expansion of the existing GST/HST rebate) targeted at low-income earners.

Many of us have noticed how quickly grocery bills have risen in recent years. It's hard to believe a kilogram of chicken once cost \$3.75 and a carton of eggs just \$1.60...but that was 1995. While the Consumer Price Index (CPI), the federal government's official measure of inflation, shows average prices have risen roughly 88 percent over three decades, your grocery bills probably tell a very different story (chart).

Inflation becomes especially troubling when incomes fail to keep up. For a growing portion of the population, this is the reality. When expenses, especially those like education and housing, become harder to afford, the impact is not just financial; it can influence confidence in economic opportunity and heighten social divides.

While household affordability has come under increasing pressure, long-term investment performance tells a different story. Throughout the same period, investors have seen the S&P/TSX Composite Index rise more than 573 percent, even before accounting for reinvested dividends. That growth has outpaced the price increases across every category on the chart, including average home prices during a prolonged housing boom.

### Changes in (Nominal) Prices of Select Items: 1995 & 2025

	1995	2025	Change
<b>Ground Beef (1 kg)<sup>1</sup></b>	\$3.80	\$15.54	+309%
<b>Chicken (1 kg, breast)<sup>1</sup></b>	\$3.75	\$15.19	+305%
<b>Eggs (1 dozen)<sup>1</sup></b>	\$1.64	\$4.74	+189%
<b>Coffee, Roasted (300g)<sup>1</sup></b>	\$3.86	\$8.25	+114%
<b>Oranges (1 kg)<sup>1</sup></b>	\$2.30	\$4.46	+94%
<b>Unleaded Gas (Reg, c/L)<sup>2</sup></b>	52.4	137.0	+161%
<b>Consumer Price Index<sup>3</sup></b>	88.01	165.4	+88%
<b>University Tuition (Undergrad)<sup>4</sup></b>	\$2,384	\$7,734	+224%
<b>Cdn. Family Income (Median)<sup>5</sup></b>	\$41,343	\$130,120	+215%
<b>CMHC Median Home Price<sup>6</sup></b>	\$170,000	\$740,000	+335%
<b>S&amp;P/TSX Composite Index<sup>7</sup></b>	4,661.18	31,382.80	+573%

1. Statistics Canada, Table: 18-10-0002-01 (November 1995 data); Table: 18-10-0245-02 (November 2025 data); 2. Table: 18-10-0001-01, November 1995 & 2025; 3. <https://www.bankofcanada.ca/rates/price-indexes/cpi/>; 4. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710004501>; 5. <https://open.canada.ca/data/en/dataset/cf5a0c30-8893-11e0-b0f5-6c049291510>; Stat Can T-1110019101 for 2025, \$121,000 (2023) with 3.6% (2024) & 3.8% (2025) wage growth assumptions; 6. CMHC New Build Median Price; <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research>; 7. At close 11/30/95 and 11/28/25.

Of course, this growth did not come without volatility, including four bear markets spanning a combined 40 months, two of which saw declines of more than 45 percent. Still, for those who stayed the course, equities have proven to be one of the most effective tools for building wealth and offsetting inflation over the long run. If history is any guide, that's encouraging news for long-term investors looking ahead to the next 30 years.

## 70 Is the New 50! The Longevity Shift & Planning to Live to 100

Canadians are living longer than ever. Today, our average life expectancy is 82, and those who have reached 65 can now expect to live to over 86.<sup>1</sup> Our “centenarian population,” or those who reach the esteemed age of 100, has more than tripled since 2000. This is the fastest-growing age group, projected to increase nearly tenfold in the next 50 years.<sup>2</sup>

We’re not just living longer, we’re living healthier, more active lives. A recent report by Goldman Sachs found that a 70-year-old in 2022 had the same cognitive ability as a 53-year-old in 2000, highlighting remarkable improvements in health and vitality.<sup>3</sup> Accordingly, longevity has become a thriving field of innovation and investment. From Dr. Nir Barzilai’s work on healthspan to Bryan Johnson’s highly publicized biohacking experiments, billions are being invested in research, technologies, therapies and products aimed at adding quality years, not just more years, to life.

As lifespans increase, the financial question shifts from “Do I have enough?” to “How do I optimize what I have for 30 or 40 years of income, tax efficiency and financial security for loved ones?”

### A Good Start? An Investment Plan

Having an investment plan puts you ahead of most Canadians. Nearly 60 percent of working Canadians believe they’ll never be able to retire, according to a recent Globe & Mail article.<sup>4</sup> Anxiety and financial instability are real concerns, but a long-term plan helps mitigate both. Here are some additional considerations for longevity planning:

- **Personal longevity literacy** — Understanding your longevity risk is a good place to start. Family history, lifestyle and medical advances influence longevity, and how long your plan should last.
- **Extending the financial horizon** — Your plan should account for additional years of spending, balancing today’s needs (such as helping children, supporting education or making charitable gifts) with tomorrow’s, while factoring in inflation and rising costs. It may also mean working longer, by necessity or by choice. The average working life has risen from 34 to 38 years since 2000.<sup>5</sup>
- **Health care inflation** — Health and long-term care costs continue to outpace inflation, putting pressure on savings if care is needed

for extended periods. Some high-net-worth retirees choose to insure against this risk.

- **Strategic decumulation** — This is where strategy meets sustainability: structuring withdrawals that optimize for taxes, longevity and flexibility over time.



The tactics may also change as plans adapt to longer lifespans, such as:

- **Delaying government benefits** — For instance, deferring CPP/OAS to age 70 provides a higher guaranteed lifetime income, which can serve as valuable “insurance” if you expect to live past 90.
- **Using the Tax-Free Savings Account (TFSA) as a longevity backstop** — Tax-free growth and withdrawals make the TFSA a powerful vehicle for later-stage income and estate flexibility.
- **Maintaining a growth tilt in retirement** — A longer retirement horizon may justify keeping a higher equity exposure to support growth and hedge inflation, while diversifying across asset types to better manage longevity risk. The appropriate mix depends on individual risk tolerance, liquidity needs and financial goals.

Of course, every plan depends on individual circumstances. However, thoughtful guidance and careful planning can make a difference. As lifespans continue to increase, retirement planning is no longer just about reaching a target age; it’s about building flexibility for a life that may continue to extend. Strategies should adapt over time to maintain financial security, improve tax efficiency and address the challenges of greater longevity.

The encouraging news? We’ve got plenty of chapters left to write.

1. Statistics Canada, Table: 13-10-0114-01; 2. <https://www.cbc.ca/news/canada/british-columbia/canada-centenarians-fastest-growing-1.7246790>; 3. <https://www.goldmansachs.com/insights/articles/aging-population-not-a-risk-to-the-global-economy-after-all>; 4. “Our Retirement Dreams Are Slipping Away,” Globe & Mail, Meera Raman, June 17, 2025; 5. <https://www.goldmansachs.com/insights/articles/aging-population-not-a-risk-to-the-global-economy-after-all>



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