

Newsletter

Winter 2026



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Looking back; looking forward

For Canadian baseball fans, the autumn offered both unity and nostalgia. Three decades after Joe Carter's iconic home run, many hoped for a repeat of that 1993 magic, but we'll have to wait a little longer. Still, it's worth reflecting on how much the world has changed since then. In some ways, it's a "Back to the Future" moment: what if we could travel back 30 years and shape what was to come?

For many, it's hard to imagine life without a smartphone or internet access. Yet in 1993, the digital age was just beginning. The "World Wide Web" was unknown to most, with only 3 percent of the population ever online. Devices like the PalmPilot and software such as Windows 95 (without an internet browser!) were years away from release.¹ Just months later, in 1994, a young entrepreneur, Jeff Bezos, left his stable job to start Cadabra, an online bookstore run from his garage—a venture that would eventually become Amazon. Could anyone have imagined its trajectory then? In hindsight, it may seem obvious. At the time? Not at all.

The economic backdrop of that era carries echoes of today. In 1993, U.S. economic growth was steady and inflation relatively contained. Canada, however, faced steeper challenges: unemployment rose above 10 percent, and the Bank of Canada cut rates to stimulate activity. *The Wall Street Journal* derisively called our dollar the "northern peso," and branded Canada an "honorary member of the Third World."²

Fast-forward to today, and despite another strong year for equity markets in 2025, familiar challenges persist: lagging productivity, ongoing trade tensions and sluggish growth. While markets have advanced—in part, driven by a bifurcated "K-shaped" economy in which higher-income households supported overall activity—questions remain about what lies ahead. Yet history reminds us that progress is rarely linear. Markets and economies move in cycles, shaped by volatility and surprises; meaningful progress is often measured over decades, not years.

History also shows how unexpected shifts can be transformational. Canada's remarkable fiscal turnaround that began in 1995 bears repeating: Under Prime Minister Jean Chrétien, debt shrank from 68 percent of GDP in 1995/96 to 29 percent by 2008/09, with 11 straight years of budget surpluses. Our fiscal standing in the G7 climbed from second worst to first, ushering in what was known as a "payoff decade" of investment, job creation and growth.²

Notably, after Carter's home run in 1993, the S&P/TSX Composite Index opened at 4,155.7—a time marked by considerable economic uncertainty. In 2025, it surpassed 30,000. While few would have had the foresight to join Bezos in his garage, an investor who placed \$200,000 in the market back then would see it grow to over \$1.4 million today, without reinvested dividends. It's a reminder that broad opportunities often exist alongside bold ideas.

Indeed, we don't need a time machine to make sound choices. As in the past, future success is likely to favour those who recognize the opportunities, stay disciplined and continue to participate. While no one can predict what the next 30 years will bring, the only way to miss out on the progress is to stay on the sidelines. Here's to a new year ahead filled with resilience, participation, prosperity—and the next 33 years to come!

¹ <https://fastcompany.com/3053055/1995-the-year-everything-changed>

² <https://financialpost.com/uncategorized/lessons-from-canadas-basket-case-moment>

Financial resolutions: Safeguard your estate planning documents

As a new year begins, many focus on financial resolutions like saving more or reducing debt. This year, why not consider making estate planning a priority, starting by safeguarding your estate planning documents?

A recent *Globe & Mail* article highlighted an often-overlooked estate planning risk: the lost will. In *Finsant Estate (2024)*,¹ a will prepared in 2001 named the deceased's grand-niece as the sole beneficiary. When it could not be located, the beneficiary sought court enforcement, while the estate's administrator claimed the deceased had died without a will.

In most provinces, the original will is required to administer an estate; copies, even if notarized, are usually insufficient. If a will is known to exist but is lost, "clear and convincing evidence" is required to validate it. Otherwise, it may be presumed deliberately destroyed. In this case, the court declared the estate "intestate," meaning it was treated as if no will existed, and assets were distributed according to provincial law. This underscores the importance of safely storing estate planning documents—and ensuring trusted individuals know where to find them. A will only serves its purpose if it can be located after death.

How documents get lost

Years can pass between drafting a will and needing it. Home moves, relocation to another province/country or changes in legal counsel can result in misplacement or accidental destruction.

Pitfalls with common storage locations

Here are common locations where estate planning documentation is held, each with its own considerations:

Lawyer's office — Professional file retention generally ensures safekeeping, but access may be complicated if the lawyer retires or changes practice.

Safety deposit box — While secure and protected against loss or damage, access often requires probate, which in turn typically requires the original will—creating a potential catch-22.

Home Safe — Convenient access for an executor, but vulnerable to fire, flood, theft or misplacement during moves.

Why the power of attorney deserves special attention

A power of attorney (POA)² takes effect while you are alive, often in an emergency. Timely access is often critical—delays can cause confusion, legal hurdles or unnecessary expenses. Because POAs can grant authority over finances, healthcare or other personal matters, consider whether your attorney(s) can quickly locate them during a sudden illness, hospitalization or while you are abroad. If access is limited to a home safe or a lawyer's office, establish contingencies.

For 2026: Resolve to regularly review & communicate

Regularly reviewing estate planning documents is important, but equally critical is communicating to loved ones where documents are stored. Taking proactive steps today to organize, store and review documents can prevent complications when they are needed most.

¹ <https://www.theglobeandmail.com/investing/personal-finance/taxes/article-will-testament-inheritance-family-estate-planning/>

² Generally, there are two types: for property and personal care (the names/terms vary by province/territory, such as mandate, personal directive or living will for POA for personal care).

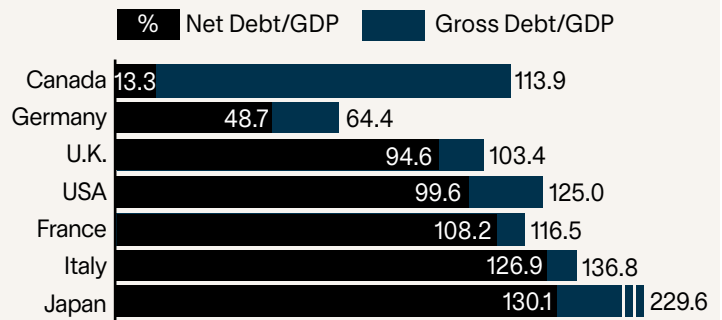
In brief: Highlights from the 2025 federal budget

Delivered in November instead of the spring, this year's federal budget, described as "generational," projects a \$78.3 billion deficit in 2025-26, falling to \$57.9 billion by 2028-29, and adding \$322 billion of debt over the period. The increase comes from \$450 billion in new spending, directed toward infrastructure, competitiveness and defense. Public debt charges are expected to rise by \$22.7 billion. By 2030, Canada will spend an estimated \$1.46 billion per week on interest payments.¹

No changes were made to federal personal or corporate tax rates. The budget confirms the middle-class tax cut, reducing the lowest personal income tax rate from 15 percent to 14.5 percent in 2025, and 14 percent thereafter. Here are notable proposed personal income tax measures:

- **Top-up tax credit.** This effectively maintains the 15 percent rate for non-refundable tax credits claimed on amounts in excess of the first tax bracket threshold to prevent taxpayers from facing higher tax liability under the lower bracket rate for 2025 to 2030 tax years.
- **Personal support worker (PSW) tax credit.** Introduces a temporary five-year refundable tax credit for eligible PSWs working in approved facilities equal to 5 percent of eligible earnings, up to \$1,100 annually (not including workers in BC, NWT, NFLD, as separate bilateral agreements exist).
- **Trusts & 21-year rule.** Broadens anti-avoidance provisions for certain transactions involving trusts that aim to sidestep the 21-year deemed disposition rules.
- **Bare trust reporting deferral.** Defers bare trust reporting requirements to taxation years ending after December 30, 2026.

G7: General Government Net & Gross Debt-to-GDP Ratio, 2025



The budget highlighted Canada as having the lowest net-debt-to-GDP ratio in the G7. Gross debt tells a different story. Net debt subtracts government assets like cash reserves, foreign exchange funds and the Canada/Quebec Pension Plans, with assets over \$700 billion, though assets belong to contributors, not the government.

- **Canadian entrepreneurs' incentive: Cancelled.** Confirms that this incentive, announced as part of Budget 2024, will not proceed.
- **Luxury tax changes.** Eliminates the luxury tax on aircraft and boats after November 4, 2025, but retains the tax on automobiles.
- **Underused housing tax: Repealed.** Effective calendar year 2025.
- **Registered plans: Small business investments.** Starting in 2027, extends certain investments in specified small businesses to RDSPs; investments in shares of eligible corporations and interests in small business investment limited partnerships/investment trusts will no longer be qualified investments for registered plans.

For more information, please see: <https://budget.canada.ca/>

¹ <https://financialpost.com/news/good-bad-and-ugly-canada-budget-2025> - Please note: At the time of writing, these measures have not been enacted into law.

The K-shaped economy: Where are markets headed in 2026?

Welcome to the K-shaped economy, defined by a bifurcation in economic sentiment and outcomes. The letter “K” captures the divergence: the upward-sloping arm represents higher-income households, supported by rising income and wealth, while the downward-sloping arm reflects low- and middle-income households facing stagnant wages, rising living costs and heavy debt burdens. In this two-speed economy, consumer segments and the businesses (or business lines) serving them are growing at different rates.

In the U.S., where consumer spending makes up over two-thirds of GDP, this bifurcation has implications. Higher-income households now drive much of the activity: in Q2 2025, the top 10 percent accounted for nearly half of all consumer spending. Economic resilience has grown more concentrated among the wealthy, who have benefited most from asset price gains. As a result, softer labour-market data in 2025 drew less concern, as the weakness was felt mainly by lower-income households, who had a limited impact on aggregate consumption.

Canada’s picture is more nuanced. Household spending remained resilient in 2025 but was challenged by heightened trade uncertainty, slower population growth and a cooling labour market. While U.S. tariffs have weighed on exports and jobs in affected industries, substantial new spending announced in the Federal Budget is expected to offset some of these pressures.

What lies ahead for economies and the markets?

Looking to 2026, questions remain about the trajectory of economies and markets. In 2025, artificial intelligence (AI) was a key catalyst for market optimism. Debate persists around whether massive capital investments will deliver meaningful productivity gains, though some suggest expectations are already partly reflected in equity valuations. If consumer spending endures and investments begin to show real returns, markets are likely to continue discounting labour-market weakness, looking past the lower arm of the K.

At the same time, monetary stimulus from interest rate cuts in both Canada and the U.S., combined with tariff renegotiations and potential U.S. tax refunds, could help stabilize labour markets and support more exposed sectors. However, some argue that this same stimulus has further widened wealth inequality.

As equity markets reached new highs in 2025, many investors have asked: Are stock prices running ahead of fundamentals, or is there still room to grow?

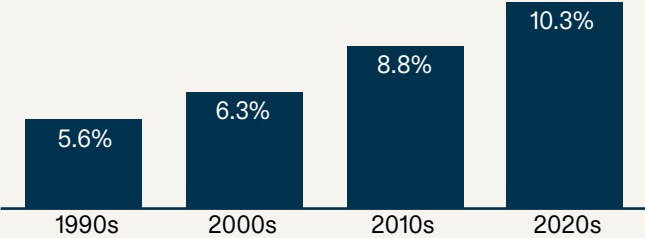
Market performance is influenced by many forces—government policies, geopolitical events, economic growth, inflation, interest

S&P 500: Key drivers of stock market performance

Decade	Dividends	Earnings growth	P/E change	Annual returns
1970s	3.5%	9.9%	-7.5%	5.9%
1980s	5.2%	4.4%	7.7%	17.3%
1990s	3.2%	7.4%	7.2%	17.8%
2000s	1.2%	0.8%	-3.2%	-1.2%
2010s	2.0%	10.6%	1.0%	13.6%
2020s	1.5%	9.0%	3.9%	14.4%

Legendary investor John Bogle once suggested the key drivers of equity returns are dividend yield, earnings growth and speculative return or changes in valuations (the price/earnings (P/E) change). Source: “Don’t Count on It,” J. Bogle; <https://awealthofcommonsense.com/2025/10/animal-spirits-why-retail-is-outperforming/>

S&P 500 average net income margin by decade



Source: <https://awealthofcommonsense.com/2025/09/why-is-the-stock-market-up-so-much-in-the-2020s/>

rates and even the headlines. But over the long run, corporate earnings remain a significant driver. Here, the story has been strong. U.S. corporate margins have risen, with the average S&P 500 net income margin now above 10 percent this decade, roughly double that of the 1990s. Canada has followed a similar trajectory, though aggregate corporate profits have been more sensitive to commodity prices.

Several tailwinds suggest that growth can continue: technological innovation, productivity improvements and resilient consumer demand all support sustained profitability. Still, history offers caution. In the 1970s, despite a decade of solid earnings growth (9.9%, chart), persistently high inflation and global energy shocks kept equity markets subdued. Even so, today’s strength in earnings remains a key foundation of market performance that shouldn’t be overlooked.

As advisors, we continue to navigate the evolving landscape. The K-shaped economy reinforces the value of time-tested principles—diversification, a focus on quality and disciplined risk management—as key to successful long-term wealth management in an increasingly uneven economic environment.



New year's investing resolutions: Focus on the long view

"There is no elevator to success—you have to take the stairs."
—Zig Ziglar

Success—whether in life or investing—rarely happens overnight. Some of the universe's most impressive creations, from towering sequoias to majestic mountains, have resulted from gradual, patient growth. Investing follows a similar principle: discipline and consistency over an extended period can often produce meaningful results.

As we enter a new year, it's worth reflecting on the quiet power of compounding. By maintaining a longer-term perspective and avoiding the distractions of short-term market noise or fluctuations, investors may be better positioned to navigate uncertainty.

Even modest returns, compounded over longer periods, can create impressive outcomes. Consider a one-time investment of \$100,000 left untouched:

Impact of time & rate of return on a \$100,000 investment

	4.5%	5.0%	6.0%
30 Years	\$374,532	\$432,194	\$574,349
40 Years	\$581,636	\$703,999	\$1,028,572
50 Years	\$903,264	\$1,146,740	\$1,842,015

Time can have a powerful impact. Extending an investment horizon from 30 to 50 years can more than double and even triple the outcome at the same rate of return. Even a small increase in annual returns—just one percent—can make a substantial difference over decades.

Building substantial wealth takes time

Accumulating significant wealth often takes a lifetime. This was the observation from *Forbes' 2025 Annual Billionaires List*: *"The numbers speak for themselves: Nearly three-quarters of the world's billionaires are between the ages of 50 and 79. Just 12 percent are under 50."*¹

The same long-term growth story applies to companies. Some of the world's largest publicly-traded firms have achieved extraordinary valuations through growth over decades. Only 10 U.S. companies have surpassed a trillion-dollar market capitalization (defined as *share price X shares outstanding*), and none did so overnight.

Trillion dollar valuation: How many years did it take after IPO?

U.S. public company	Year of origin ¹	IPO ² year	Year \$1T reached	# Years after IPO
Meta (Facebook)	2004	2012	2021	9
Tesla	2003	2010	2021	11
Alphabet (Google)	1998	2004	2020	15
Amazon	1994	1997	2018	21
Nvidia	1993	1999	2023	24
Microsoft	1975	1986	2019	33
Apple	1976	1980	2018	38
Berkshire Hathaway	1955	1980	2024	44

1. Wikipedia

2. Initial Public Offering date; www.visualcapitalist.com/berkshire-hathaway-1-trillion-club-how-long/

Berkshire Hathaway exemplifies the power of patience. Warren Buffett first took control in 1965 when Berkshire was a struggling textile mill valued at around \$22 million. The company went public 15 years later, in 1980, but it took another 44 years to reach trillion-dollar status. Buffett attributes much of this long-term success to the power of compounding—profits were reinvested steadily, allowing Berkshire's value to grow over decades.

Looking ahead to 2026: A focus on the long view

After solid gains in equity markets over recent years, many investors have been asking where the equity markets are headed in 2026. Rather than worrying about short-term market moves, longer-term investors should not become overly preoccupied with what might happen tomorrow or even in the months ahead. A more prudent perspective is measured in years, or even decades.

As we turn the page into 2026, why not resolve to think with a longer-term view? Even retirees can plan with an approach spanning a decade or more, given our increasing longevity. Significant growth can occur during that time, and one of the best ways for investors to continue benefiting is to stay invested. Look ahead with confidence, and here's to the growth yet to come. Happy New Year!

Note: This article is not intended to provide investment recommendations. It highlights the power of compounding and the patience needed to achieve meaningful growth.

¹ <https://www.forbes.com/sites/monicahunter-hart/2025/04/01/the-worlds-youngest-billionaires-2025/>

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