

Newsletter

Autumn 2025



In this edition

The immutable market pendulum	1
HNW investors: Are you overlooking the tax-free opportunity?	2
Thinking ahead: Planning a tax-efficient withdrawal strategy	3
The many benefits of portfolio rebalancing	3
HNW investors: Be aware of the realities of elder abuse	4
Estate planning & joint ownership: The good, bad... & ugly	5

Dean Roosdahl
Wealth Advisor
604-541-6513
dean.roosdahl@nbc.ca

Kathy Mills
Senior Wealth Associate
604-541-4934
kathleen.mills@nbc.ca

Gurjot Baring
Associate
604-541-4973
gurjot.baring@nbc.ca

The immutable market pendulum

The summer saw the return of the immutable market pendulum, where sentiment can swing from 'hopeless' to 'flawless.' After April's lows, the S&P surged more than 30 percent in just two months, one of the fastest rallies in recent history, while the TSX hit multiple all-time highs.

While the underlying economic challenges haven't changed much, the surge in optimism wasn't entirely misplaced: economic growth has proved more resilient than expected, trade tensions have eased as new agreements are negotiated, and many expect central banks to cut rates if conditions weaken.

Investor enthusiasm has also been fueled by solid earnings of big technology companies tied to artificial intelligence (AI). Their scale of investment is striking. The top four tech firms alone are expected to spend over \$320 billion on AI capex this year, or around one percent of total U.S. GDP.¹ Some analysts have even asked whether the U.S. economy would have contracted without this spending.

Despite AI's current surge, it's worth noting that its roots go back to the 1950s and Alan Turing's "Turing Test" for machine intelligence. What has changed is the pace of progress, driven by exponential increases in computational power, vast datasets and advanced machine learning. Consider that global data creation is expected to exceed 180 zettabytes (ZB) in 2025, compared to the terabytes (TB) of the late 1980s (1 TB = 0.000000001 ZB). Back then, 1 TB of storage cost over \$30 million; today, it is less than \$100—a mind-blowing drop over 40 years!² We are now on the steep part of this exponential curve: decades of gradual progress have given way to rapid, real-world breakthroughs. Few doubt that AI will be an economic driver in the years ahead. But the adoption of any new technology doesn't guarantee success for all early players and, as history reminds us, expectations can often overshoot reality.

Indeed, the excitement has extended valuations. Over the summer, the S&P 500 traded at 22.0x forward earnings with the top 10 stocks at 28.8x, well above the 30-year average of around 16.7x.³ The S&P/TSX sat lower at 17.0x, reflecting Canada's greater weight in value-oriented sectors like energy and financials. For perspective, at the height of the dot-com boom, the S&P 500 traded at 24.2x. Yet, today's valuations can be viewed through differing lenses: lower interest rates increase the present value of future cash flows; high-growth sectors may warrant higher multiples when innovation and productivity gains are expected to persist; and supply/demand dynamics have shifted. The number of U.S. publicly-listed companies has fallen by half since 1996, to around 4,000 today, while retail participation has surged: 62 percent of households own stocks, up from under 40 percent in the early 1990s.⁴

Still, momentum can carry much further than many expect before fundamentals reassert themselves. As the saying goes, in the short run, the market is a voting machine, but in the long run, it is a weighing machine.⁵ The pendulum between fear and optimism will continue to swing, amplified by headlines and rapid technological change. For investors, the challenge is not to be swept along with each swing. A commitment to a wealth plan grounded in quality, diversification, and a focus on long-term value creation can serve us well no matter where the day-to-day markets take us.

¹ <https://www.ft.com/content/634b7ec5-10c3-44d3-ae49-2a5b9ad566fa>

² <https://ourworldindata.org/grapher/historical-cost-of-computer-memory-and-storage>

³ 1/1/96 to 6/30/25. <https://awealthofcommonsense.com/2025/08/meme-stocks-mr-market/>

⁴ U.S. households; Canadian data shows a similar trend. Federal Reserve (2025), <https://www.axios.com/2023/10/18/percentage-americans-own-stock-market-investing>

⁵ Benjamin Graham, *The Intelligent Investor*.



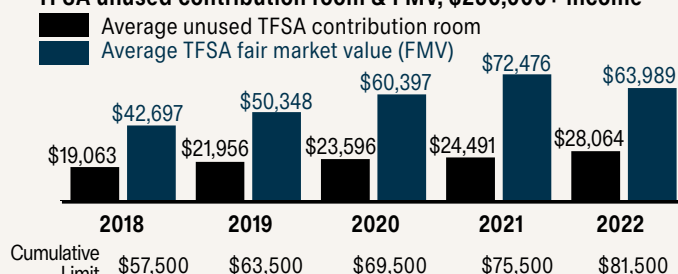
HNW investors: Are you overlooking the tax-free opportunity?

There are few “gifts” that the government gives us, and the Tax-Free Savings Account (TFSA) is one of them. The ability to invest and grow funds tax-free over a lifetime should not be overlooked.

Yet, many high-net-worth (HNW) individuals are not taking full advantage. According to the latest 2024 statistics (for the 2022 tax year), HNW taxpayers earning over \$250,000 left around 35 percent of their contribution room unused. While many of us gripe about high taxes, we certainly aren’t doing a great job of maximizing tax-advantaged accounts. The average TFSA fair market value also falls below the cumulative contribution limit. An investor who contributed the full amount each year since the TFSA’s inception in 2009 could have over \$159,000, assuming a 5 percent annual rate of return.

Why the shortfall? Several factors might be at play. When the TFSA was introduced, it was often mistaken for a simple ‘savings account,’ leading some to misconstrue its long-term growth potential. Others treat it as a short-term fund, withdrawing funds instead of allowing them to grow. The opportunity cost is significant. An investor who contributes the 2025 cumulative contribution limit of \$102,000 plus \$7,000 annually would accumulate almost \$675,000 after 25 years at a 5 percent annual rate of return. This could be withdrawn and used completely tax-free! Yet, this assumes that contributions and investment gains are left untouched in the TFSA, allowing for growth.

TFSA unused contribution room & FMV, \$250,000+ income



<https://www.canada.ca/en/revenue-agency/programs/about-canada-revenue-agency-cra/income-statistics-gst-hst-statistics/tax-free-savings-account-statistics.html>

Another factor may be that some investors have taken a riskier approach with TFSA investments. This can be harmful for two reasons. If an investment realizes a substantial loss, that contribution room is lost forever. And, there is no tax relief. Unlike a non-registered account, TFSA losses cannot be claimed on an income tax return.

How about you? Are you fully maximizing your TFSA? Don’t overlook the potential for significant future tax-free growth. Call for assistance.

Thinking ahead: Planning a tax-efficient withdrawal strategy

“A dollar’s value depends on the tax trail it travels.”

With our tax liabilities rising significantly over the decades (chart), tax planning continues to be an important part of wealth management. How and when you draw income can affect taxes, eligibility for government benefits and long-term financial health. Whether you’re building wealth, nearing retirement or already retired, a tax-efficient withdrawal strategy can make a meaningful difference. Here is a brief look at common income sources, with ideas to help you optimize withdrawals or manage income streams more effectively:

Non-registered accounts — Tax treatment depends on the type of income: interest (fully taxable), dividends (eligible for a dividend tax credit) or capital gains (50 percent is taxable). Tax-loss harvesting can offset capital gains to reduce your overall tax bill.

RRSP — Withdrawals are fully taxable and subject to withholding tax. Importantly, once funds are withdrawn, contribution room is permanently lost.

TFSA — Offers significant benefits as growth is tax-free and withdrawals are not taxed. This means withdrawals do not affect income-tested government benefits. Any amount withdrawn can be recontributed in the following calendar year.

Employment income — If you continue to work while drawing income from other sources, consider how employment income will stack with taxable withdrawals. In high-income years, deferring benefits (if possible) or adjusting withdrawals may help reduce the tax burden.

Here are additional considerations for those nearing retirement:

Canada/Quebec pension plan (CPP/QPP) — CPP/QPP benefits are taxable income. Timing matters: starting early reduces benefits by 7.2 percent per year before age 65. Delaying increases payments

by 8.4 percent per year after age 65, to a maximum of 42 percent by age 70. The total benefit received can impact income level and tax situation.

Old Age Security — Old Age Security (OAS) is a taxable benefit starting at age 65. OAS is reduced by 15 percent of the excess if net income exceeds \$93,454 (2025) and is fully clawed back at \$151,668 (ages 65 to 74). Delaying OAS increases the benefit by up to 36 percent by age 70.

Registered retirement income fund (RRIF) — Mandatory withdrawals begin the year after opening the RRIF, increasing taxable income. Some start RRSP withdrawals earlier to manage future tax exposure or reduce the risk of triggering the OAS clawback.

Company Pension — Pension income is taxable. After age 65, the pension tax credit may help offset the tax liability. Consider timing your pension’s start with other sources of income to manage the tax liability.

Income Splitting — Couples can sometimes lower their combined tax burden by splitting certain types of income when one has significantly higher income. For retirees, shifting eligible pension income may reduce taxes or the OAS clawback. For those still working, coordinating taxable income (particularly after 65) may yield tax savings over time.

Our tax liability has grown since 1976
Average income expenditure allocation (%)

20.8%	Discretionary income	21.5%
6.8%	Clothing	2.1%
17.2%	Food	11.3%
19.0%	Shelter	22.0%
36.2%	Taxes	43.1%
1976		2025

The many benefits of portfolio rebalancing

Rebalancing a portfolio involves adjusting the allocation of assets to bring it back in line with your investment strategy, ensuring it remains consistent with your risk and return profile. Why is this important? Over time, some assets may grow faster than others, shifting the balance. Rebalancing prevents any single investment or asset class from becoming too dominant, helping to manage and control risk. No matter how promising a particular security, industry or asset class might appear, maintaining an appropriate balance according to your risk profile can help protect from excessive downside exposure.

Regular reviews and adjustments are essential for effective diversification and asset allocation. Rebalancing can also provide benefits beyond just managing risk. Here are four:

1. Helps keep emotions in check — Rebalancing can remove emotions from buy-and-sell decisions by relying on allocation targets rather than market sentiment. While the principle of “buy low and sell high” seems simple, it may be difficult in practice: stocks are priced low during downturns when fear dominates and investors are focused on selling, not buying. In strong markets, investors may hesitate to sell.

2. Enables strategic capital deployment — Rebalancing doesn’t always mean selling assets. At times, redirecting new cash flow to underweighted areas can restore portfolio balance. This approach offers the added discipline of focusing on potentially undervalued asset classes or sectors, supporting the “buy low” principle by positioning new investments in areas that need more weight.

3. Balances gains and losses — Selling an overweight position may trigger taxable gains outside registered plans. These can be offset by selling loss positions or carrying forward past losses. Within registered plans, there will be no tax implications if securities are traded and funds remain in the plan, making asset location an additional consideration when rebalancing.

4. Supports charitable giving — As you rebalance, consider the opportunity to “do good” by donating appreciated holdings to a charity, instead of selling them directly, to benefit from the tax opportunity. This not only entitles you to a tax receipt for the fair market value, but also eliminates the associated capital gains tax.

Beyond asset allocation, rebalancing can strengthen portfolio discipline and wealth management. To discuss this, or any other aspect of wealth management, please reach out.

HNW investors: Be aware of the realities of elder abuse

A recent *Wall Street Journal* article profiled 27-year-old *Jeopardy!* contestant Brendan Liaw, who proudly called himself “The Stay-at-Home Son”—a term aptly added to the Urban Dictionary in 2007. The article was meant to be lighthearted, fittingly titled “*If You’re a Stay-at-Home-Son, You Must Be Living the Dream.*”¹ However, it was a sign of the times: Increasingly, many high-net-worth (HNW) families are supporting adult children for longer. While often rooted in love, these arrangements can have unintended consequences. This raises a critical question: Do our children truly understand where the lines are drawn?

There’s a fine line between providing support and unintentionally fostering dependency. When able-bodied adult children receive prolonged financial help, roles can blur and boundaries fade. In some cases, well-intentioned support may create conditions that increase the risk of elder financial abuse down the road.

What is elder abuse?

Elder financial abuse includes the unlawful or unauthorized use of an older person’s financial assets. It can also involve undue influence: persuading or coercing someone into financial decisions they otherwise wouldn’t make. Common examples include borrowing or taking funds informally with no intent to repay, misusing Power of Attorney (POA) to withdraw or transfer assets, manipulating or guilt-tripping someone into providing money or support and changing documentation (like a will or POA).

In most cases, the abuser isn’t a stranger—it’s family. A 2016 study found that 74 percent of financial abuse cases involved relatives.² Such cases are underreported, often excused when masked by love, stress or a feeling of obligation. A more recent survey suggests the issue is growing, with 29 percent of respondents reporting they know someone who has experienced elder financial abuse.³

Why is elder financial abuse rising?

Several factors may be contributing to the growing risk:

- **Aging population.** Seniors control more wealth and may face declining physical or mental capacity. One in five Canadians perceives seniors as a “societal burden,” a mindset that can often fuel mistreatment.⁴

- **Economic pressures.** High living costs, housing affordability issues and job insecurity leave many adult children financially dependent.
- **Entitlement.** Some heirs feel justified in accessing inheritance early, or believe it’s already theirs.
- **Power imbalances.** Living with or relying financially on parents can create unhealthy dynamics.
- **Isolation or decline.** Seniors experiencing cognitive impairment or isolation are more vulnerable.

What can you do to prevent it?

Practical steps can help reduce the risk, and here are some ideas:

- **Legal & financial structures** — Appoint joint or professional attorneys under a POA; avoid joint accounts unless oversight exists; consider a trust, managed by a professional, to address family complexity.
- **Professional oversight** — Involve lawyers or financial advisors (like us) early, and not just during a crisis; add a Trusted Contact Person (TCP) to financial accounts for added visibility.
- **Transparency** — Hold open family discussions about financial roles, responsibilities and expectations; establish clear boundaries: Who is the caregiver? Who has financial decision-making authority?

Do kids understand where the lines are drawn?

Often, the answer is no, and not from malice, but rather due to blurred lines, sibling tension or financial stress. As more HNW families assist adult children, the distinction between “help” and “entitlement” becomes unclear. Many simply avoid financial conversations until it’s too late. Yet early, candid dialogue—along with clear legal and financial structures—can help prevent future conflict and protect relationships and legacy. If you need support, let’s start the conversation.

¹ Wall Street Journal, June 2, 2025, p. A11

² <https://cnpea.ca/images/canada-report-june-7-2016-pre-study-lynnmcdonald.pdf>

³ <https://www.securities-administrators.ca/news/securities-regulators-study-reveals-many-canadians-unaware-of-the-signs-of-financial-elder-abuse/>

⁴ <https://cnpea.ca/en/about-cnpea/blog/1271-incidents-of-elder-abuse-skyrocket-as-census-shows-canadians-now-older-than-ever>



Estate planning & joint ownership: The good, bad... & ugly

Owning assets jointly has grown in popularity, with spouses and, more frequently, between parents and children. While there are benefits, be aware of the potential pitfalls.

Joint ownership occurs when an asset is owned by more than one person. There are two forms: “Joint tenancy” (with the right to survivorship) refers to an arrangement in which the ownership of the asset passes directly to the surviving owner(s) upon the death of one of the owners.¹ As such, the asset passes outside of the deceased owner’s estate. Under the alternative “tenants in common” arrangement, owners each hold separate ownership interests in the asset that can generally be sold, transferred, or bequeathed without the consent of the other owners.

In this article, the focus is on joint tenancy, increasingly used in estate planning. While there are benefits, be aware of the bad—and potentially “ugly”—implications prior to entering into this arrangement:

The good...

Ease of asset transfer — Upon the death of one owner, the surviving owner(s) automatically becomes the owner of the asset, with few legal or administrative hassles upon transfer.

Bypass probate — Since assets pass to joint owners outside of the will, no probate or estate administration fees are assessed, in provinces where applicable.

The bad...

Tax implications — There may be potential tax consequences to joint owners. For example, if real estate is owned jointly between a parent and a child who already owns a residence, there may be a proportionate loss of the principal residence exemption. Adding a joint owner to a property could also result in the incidence of land transfer tax. For jointly-owned investment accounts, even if tax slips may be received in the names of the joint owners, the Income Tax Act could require attribution of the income earned and owned by one taxpayer to another taxpayer for tax purposes, based on who provided the capital, and what proportion was used to acquire the assets in question. Depending on the circumstances, adding another party as a joint owner could also result in the recognition of some gains or losses for tax purposes.

Loss of control — Joint ownership may mean that the original owner no longer has total control over the assets. With property, decisions regarding its maintenance or sale need to be made



jointly. With financial accounts, such as a bank account, a joint owner generally has the ability to withdraw or use funds.

The ugly...

Estate equalization issues — If the majority of assets are held in joint ownership (outside of the estate), the estate may not have sufficient assets to fund legacies or gifts outlined in the will, or to cover potential tax liabilities. If an estate is to be divided equally but a jointly-owned asset hasn’t been considered, expensive and divisive legal action could result. It also may not be clear if a joint-tenancy arrangement was done for ease of administration or if a change in beneficial ownership was intended.

Exposure to creditors or matrimonial claims — Jointly held assets may be exposed to claims by a joint owner’s personal or business creditors, or ex-spouse. This could force the sale of an asset to cover the payment of debts or claims of the joint owner.

As always, please seek the advice of legal and tax advisors as it relates to your particular situation.

¹ Not applicable in Quebec, where the laws differ and an automatic right of survivorship does not exist.

Dean Roosdahl
Wealth Advisor
604-541-6513
dean.roosdahl@nbc.ca

Kathy Mills
Senior Wealth Associate
604-541-4934
kathleen.mills@nbc.ca

Gurjot Baring
Associate
604-541-4973
gurjot.baring@nbc.ca

 **NATIONAL BANK
FINANCIAL**
WEALTH MANAGEMENT

 **ROOSDAHL**
WEALTH MANAGEMENT

www.roosdahlwealthmanagement.com

The securities or sectors mentioned in this letter are not suitable for all types of investors and should not be considered as recommendations. Please consult your investment advisor to verify whether this security or sector is suitable for you and to obtain complete information, including the main risk factors. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. The opinions expressed are based upon our analysis and interpretation of these particulars and are not to be construed as a solicitation or offer to buy or sell the securities mentioned herein. National Bank Financial - Wealth Management (NBFWM) is a division of National Bank Financial Inc. (NBF), as well as a trademark owned by National Bank of Canada (NBC) that is used under license by NBF. NBF is a member of the Canadian Investment Regulatory Organization (CIRO) and the Canadian Investor Protection Fund (CIPF), and is a wholly-owned subsidiary of NBC, a public company listed on the Toronto Stock Exchange (TSX: NA). This newsletter has been prepared under contract for the Investment Advisor noted by J. Hirasawa & Associates, and is published for general information only. Content copyright by the publishers and may not be reproduced without written permission. Statistics, factual data and other information are from sources that we believe to be reliable but we cannot guarantee their accuracy. It is furnished on the basis and understanding that the author and its affiliates are to be under no liability whatsoever in respect thereof.