

# McKay Wealth Newsletter



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**Jarrett McKay**  
Wealth Advisor  
902-496-7731  
jarrett.mckay@nbc.ca

**Ishmeet Kaur**  
Wealth associate  
902-496-7714  
ishmeet.kaur@nbc.ca

**National Bank – Wealth Management**  
1969, Upper Water St.,  
Purdy's Wharf Tower II, Suite 1601,  
Halifax, NS B3J 3R7

[nbfwm.ca/mckay](http://nbfwm.ca/mckay)

## The golden age of here and now

In a world flooded with headlines about conflict, it may be easy to lose sight of how far we've come. It's worth a reminder: we are living through an extraordinary chapter in history. Of all the progress over the past 10,000 years in raising living standards, half has occurred since 1990. As **The Economist** recently put it, "*Of all the golden ages, the greatest is here and now.*"<sup>1</sup>

Much of today's prosperity is rooted in the post-WWII global order, with decades of expanding trade and cooperation lifting economies around the world. Respected investor Howard Marks recently noted: "*Globalization has contributed to a rising economic tide that has lifted all boats.*"<sup>2</sup>

It is therefore not surprising that the U.S. administration's April "Liberation Day" caught much of the world off guard. The breadth and global scope of the introduced tariffs challenged long-standing norms in international trade relations. As the situation continues to quickly evolve—with legal challenges underway at the time of writing—observers remain divided on the potential consequences. Some foresee heightened recession risks, while others believe evolving policy responses could help avert a significant slowdown. Regardless of the outcome, these developments have introduced a notable degree of uncertainty.

What's more certain is that changes in U.S. trade policy have accelerated a broader shift away from globalization toward a more multipolar world, where nations increasingly prioritize self-sufficiency and national security. This may also be undermining the long-standing role of the U.S. as the dominant superpower. During April's volatility, a sharp selloff in U.S. Treasuries raised concerns, particularly as China—holding roughly one-sixth of foreign-owned U.S. Treasuries—has been increasing its gold reserves. At the same time, demand for the U.S. dollar, once the world's default safe haven, has remained muted, raising questions about waning confidence in U.S. leadership. As one analyst put it: "*You can't antagonize and influence at the same time.*"

Indeed, the pace and tone of recent policy shifts have felt rapid, volatile and often confrontational—prompting some to compare the new U.S. approach to the tech-world mantra: "*Move fast and break things.*" Complicating the situation, we are living in a time when technology increasingly influences our perceptions—delivering news in real-time and amplifying the sense that change is urgent. Yet, many of these policies are still evolving, and their true impact remains uncertain. Market reactions, meanwhile, have been swift and exaggerated. The sharp selloff in April, followed by a strong rebound in May, serves as a reminder of how quickly investor sentiment can shift. As investors, this doesn't mean we should become complacent about how rapidly change can occur—but it does underscore how volatility can distort our sense of urgency.

Looking ahead, we should expect continued shifts in policies, as well as new—and likely unexpected—developments from south of the border. In an era where headlines can move markets in minutes, disciplined decision-making can play an essential role in investing. Equally important, patience, perspective and participation remain cornerstones of longer-term success—without losing sight that we continue to live through one of the most prosperous periods in human history.

<sup>1</sup> <https://www.economist.com/culture/2025/05/01/how-golden-ages-really-start-and-end>

<sup>2</sup> <https://www.oaktreecapital.com/insights/memo/nobody-knows-yet-again>

# Home buying season is here: The bank of «insert your family name here»

With homeownership increasingly out of reach for younger generations, many families are stepping in to help. In 2024, the average financial gift nationally was \$115,000—ranging from \$128,000 in Ontario to \$204,000 in British Columbia—a whopping 73 percent increase since 2019!<sup>1</sup>

While this can be a meaningful gesture, it requires careful planning to avoid unintended tax, family law or financial consequences. Support can take many forms, including gifting cash, lending funds or purchasing a property in your name—each with differing implications. In brief, here are four high-level considerations:

- 1. How does this impact my own financial situation?** Many families draw from lifetime savings to provide support, so it's important to assess how this can affect retirement or long-term plans.
- 2. What if the recipient's relationship ends?** If the recipient is in a relationship, a breakup could lead to a division of property under family law. Certain legal structures—such as ownership arrangements or cohabitation agreements—may help mitigate risks.
- 3. Are there tax implications?** While Canada has no gift tax, keep in mind that certain arrangements could trigger taxable events. Large gifts from taxable investment accounts could result in unexpected capital gains tax. There may also be future tax implications. For instance, if you structure the arrangement to co-own a home with the recipient and it isn't your principal residence, capital gains may apply upon its sale/disposition, or there may be future cross-border tax implications if you retire abroad.
- 4. Will this affect my estate plan?** If you have multiple beneficiaries, including the recipient, you may need to adjust an estate plan to ensure fairness. A strategic approach might include integrating gifting into an estate equalization plan—

<sup>1</sup> <https://financialpost.com/news/homebuyers-rely-bigger-gifts-from-parents>

through lifetime gifts or testamentary planning using trusts or insurance.

## The many benefits

When approached thoughtfully, supporting a home purchase can offer wide-ranging benefits. Many find value in witnessing their wealth in action—helping loved ones when support is most needed, rather than waiting for an estate distribution. This support can help mitigate long-term financial stress for the recipient. Gifting during your lifetime may help simplify your estate by reducing its overall size, which can ease future administration and potentially reduce probate fees, depending on the province. It can also be a teaching opportunity: smaller, ongoing gifts may be appropriate ways to help recipients invest and plan for the future by leveraging tax-advantaged tools like the Tax-Free Savings Account (TFSA) or First Home Savings Account (FHSA).

As always, seek the advice of tax and family law professionals.

### Housing costs over decades: Why kids today may have it harder

	1984	2012	Today	% Change from 1984
Average home cost	\$76,214	\$369,677	\$712,200*	+834%
Median family income	\$48,500	\$71,700	\$107,663**	+122%
Price-to-income ratio	1.57	5.16	6.62	+321%
5-yr. fixed mortgage	14.96%	4.23%	4.70%***	-69%
75% mortgage value	\$57,161	\$277,258	\$534,150	+834%
Monthly payment (25 yr.)	\$711	\$1,493	\$3,016	+324%
Payment-to-income ratio	17.6%	25.0%	33.6%	+91%
Lifetime interest cost	\$156,034	\$170,704	\$370,665	+138%

\*National benchmark, April 2025: <https://wowa.ca/reports/canada-housing-market>. \*\*StatCan Table 11-10-0190-01, 2022 figure (after tax) with 2.56% annual wage growth in 2023-25. \*\*\*Avg. major banks' five-year fixed rate, April 28, 2025. Historical data source: "2012 vs. 1984: Yes, Young Adults Do Have It Harder Today," R. Carrick. Globe & Mail, 8 May 2012, B12.

# Summer job? Help younger family members file a tax return

Is there a teenager in your family—perhaps a child, grandchild, niece or nephew—working part-time during the summer or after school? Helping them file a tax return can be a simple but powerful way to start building future wealth by unlocking potential tax advantages.

Many teens choose not to file a tax return if taxable income is below the basic personal amount—\$16,129 in 2025 (federally). What's often overlooked is that even modest earnings can generate valuable Registered Retirement Savings Plan (RRSP) contribution room.

Take Saya, for example. At age 14, she begins work as a lifeguard and earns \$5,000 each summer. Her aunt helps her file a tax return, allowing her to accumulate RRSP contribution room at a rate of 18 percent of earned income. For Saya, this means \$900 in RRSP room for each summer of work. Even if she doesn't contribute to her RRSP, the unused RRSP room carries forward indefinitely. By age 22, after graduating from university, Saya has accumulated \$8,100 in unused RRSP room. When she starts a full-time job, assuming a 30 percent marginal tax rate,<sup>1</sup> she contributes the full \$8,100 to her RRSP, saving \$2,430 in taxes (\$8,100 x 30%). At an average annual

return of 6 percent, this contribution alone could grow to nearly \$75,000 by the age of 60. Not a bad start for someone just beginning their career!

## There may be other benefits:

- › **Lifelong financial habits** — Supporting kids in filing their taxes at an early age can help instill lifelong financial skills and good wealth management habits.
- › **Income splitting** — If you own a business, paying younger family members for reasonable services rendered can transfer funds to those in lower tax brackets.
- › **Future access to RRSP funds** — RRSP contributions may be accessed later as an interest-free loan, including up to \$60,000 under the Home Buyers' Plan for an eligible first-home purchase, or up to \$20,000 through the Lifelong Learning Plan for eligible education or training. With rising housing and education costs, every bit helps.

<sup>1</sup> Illustrative. Tax rates vary depending on income and the province of residence.

## Less can be more: Simple ways to simplify your finances

Former *Wall Street Journal* personal finance columnist Jonathan Clements has long advocated planning for a financial life that extends past age 90. But when, at 61, he was given a one-year prognosis, his priorities shifted to preparing his family for life without him. One of his biggest tasks? Simplifying his finances. *"I thought (they) were simple, yet since my diagnosis, I've spent endless hours trying to simplify them further."* His takeaway: *"Death is hard work."*<sup>1</sup>

When life becomes difficult, financial simplicity can offer relief. Here are some ways that, when it comes to money, less can mean more:

**Consolidate financial accounts** – Where possible, consolidating bank, investment and other financial accounts can improve asset allocation and tax efficiency, reduce paperwork and prevent forgotten "orphan" accounts over time. It also eases administration for loved ones should something happen to you.

**Reduce your digital footprint** – The average person holds around 100 digital accounts.<sup>2</sup> (They quickly add up when factoring in email, social media, financial, entertainment, retail and other services!) More accounts mean greater exposure to data breaches. Protect yourself by limiting the information

scammers can access. Close unused or inactive accounts to limit the risk of identity theft or fraud.

**Automate transfers** – Set it and forget it: setting up automatic transfers to investment accounts can help you stay on track toward achieving long-term goals with minimal effort.

**Cut subscription fat** – Cancel unused streaming services, apps or memberships to free up cash flow.

**Streamline credit cards** – Fewer cards can reduce missed payments and fees, encourage more intentional spending and simplify overall management. Assigning specific cards to different purposes—such as online purchases or recurring bills—can also help with tracking or fraud resolution if a card needs to be cancelled.

**Minimize debt accounts** – Consolidating loans or prioritizing high-interest debt may be financially prudent to lower interest costs.

**Teach younger folks to avoid lifestyle creep** – Focusing on needs over wants can reduce overconsumption and financial stress. Fewer possessions also mean less maintenance and more financial freedom.

<sup>1</sup> <https://www.wsj.com/personal-finance/jonathan-clements-personal-finance-cancer-e30d1396>  
<sup>2</sup> <https://www.cnn.com/2024/02/26/tech/digital-legacy-planning-personal-technology/index.html>

## Navigating choppy waters: The value of discipline

After April's sharp decline and May's quick rebound, it's worth repeating: reacting emotionally to short-term headlines can hamper long-term success. In challenging markets, discipline is key. Core to our role as advisors is remaining objective and unemotional, building portfolios on research and fundamentals with the understanding that market or economic setbacks are a normal part of investing.

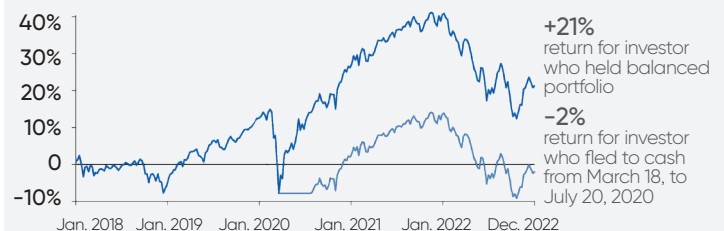
The dilemma, of course, is that human nature often compels us to want to take immediate action when faced with adversity. This instinctive response—rooted in our evolutionary drive for survival—can lead to decisions that hinder longer-term investing success.

While exiting the markets during tough times may feel right, the opportunity cost—when markets reverse their course, often unexpectedly—can significantly impact future wealth. Avoiding the worst days is ideal but nearly impossible to predict. Many of the strongest market days also tend to

follow the weakest. Missing just a handful of the best days can reduce long-term returns. Ironically, sometimes the best "action" is to do nothing.

This dynamic isn't limited to the longer term. During the 2020 pandemic, when the U.S. stock market fell 34 percent in just 22 days, an investor who moved entirely to cash at the bottom in March and remained on the sidelines until July would have seen a 2 percent decline (from 2018 to 2022). In contrast, a disciplined investor holding the same balanced portfolio throughout that period would have seen a 21 percent gain.

### Impact of shifting to cash: 2020 Pandemic market drawdown<sup>2</sup>

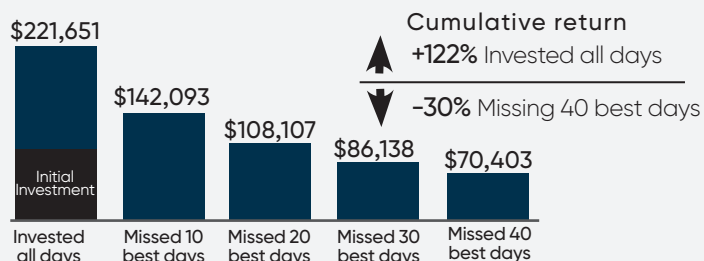


Balanced 60/40 portfolio: Stocks are represented by the MSCI All Country World Index; bonds are represented by the Bloomberg Global Aggregate Bond Index (USD Hedged).

A well-constructed wealth plan serves as a critical roadmap, but professional guidance can help navigate uncertainty and stay on course. One study suggests behavioural coaching alone may provide an average annualized return of 3.4 percent.<sup>1</sup> Don't underestimate the role of discipline and support in making informed decisions, managing risk and maintaining focus on longer-term wealth goals.

### The investment impact of missing the best market days<sup>1</sup>

Investing \$100,000 over 10 years ending 8/31/23, S&P 500



Source: Morningstar. Returns based on S&P 500 Index, for the 10-year period ending 08/31/23.

<sup>1</sup> [https://russellinvestments.com/-/media/files/au/support/voa/voa\\_report\\_2023.pdf](https://russellinvestments.com/-/media/files/au/support/voa/voa_report_2023.pdf)  
<sup>2</sup> <https://investor.vanguard.com/investor-resources-education/article/four-timeless-principles-for-investing-success>

## Protecting you & others: Six practical ways to protect from scams

From fake job offers to impersonated loved ones, the range of scams continues to grow. With the rise of generative AI, scams are more convincing and easier to produce at scale. In a recent newsletter, we shared tips on protecting against phishing. Here are some other practical ways to help protect yourself and others. Please feel free to share this with younger family members or those more vulnerable to:

**1. Pause before you react.** Scammers often rely on urgency or emotional pressure—though sophisticated scams may involve building trust over time. Slowing down can help prevent you from making mistakes.

- › **Be skeptical of any message or caller that pressures you to act immediately**—especially those involving money or personal information.
- › **“Take Five, Tell Two:”** If you’re unsure, pause for five minutes and speak to two trusted people.

**2. Let technology work for you.** Leverage built-in tools and settings to screen out threats. Given our significant daily use of smartphones, here are a handful of ideas relating to mobile phones:

- › **Block unknown callers or let them go to voicemail.** Legitimate callers will leave a message.
- › **Silence calls from unknown numbers** to avoid answering by accident. For the iPhone, go to Settings > Apps > Phone. Scroll down to “Calls.” Tap “Silence Unknown Callers.”
- › **Use your carrier’s screening tools.** For example, Rogers offers “Call Control,” requiring callers to enter a randomly generated number before the call connects to block automated robocalls.
- › **Set up a filter on phones** to sort unknown texts into a separate folder to avoid accidental replies and reduce clutter.
- › **Never reply** to unknown calls or messages—doing so confirms your number is active.

**3. Limit what you share.** The less information you put out there, the harder it is for scammers to target you.

- › **Never share personal or financial information** unless you’re certain of the recipient’s identity and the communication channel is secure.

- › **Reduce your digital footprint.** Delete unused online accounts to reduce access in case of a data breach.
- › **Avoid posting personal details on social media**, like birthdays, addresses, travel plans or family member names.
- › **Set online privacy settings to the highest level.**
- › **Be cautious when filling out online forms or surveys**—always verify the source first.

**4. Use good payment practices.** Be thoughtful about how and where you send money.

- › **Use payment methods with fraud protection**, such as PayPal, when sending funds to unfamiliar recipients. Avoid wire transfers, gift cards or Interac e-transfers for unfamiliar transactions.
- › **Use separate email addresses or usernames for less secure transactions** to protect your identity online.

**5. Add a layer of personal security.** Proactive steps can make it harder to impersonate you or your loved ones.

- › **Create a family code word** to verify the identity of anyone claiming to be a loved one in distress. If a caller can’t provide the code word, hang up.
- › **Consider using a dedicated email address** exclusively for financial and banking transactions.
- › **For added privacy, some use “alternate” birthdates or slight name variations** when registering for non-financial services—to conceal private data and limit exposure of personal information.

**6. Stay informed.** Fraud tactics have become more sophisticated and continue to evolve rapidly.

- › **Follow trusted resources** such as the Canadian Anti-Fraud Centre to stay updated.
- › **If you suspect a scam, report it**—you could help protect others.

Staying alert, using smart tools and talking to others can go a long way in protecting yourself from fraud. If you have questions or concerns, don’t hesitate to reach out—your security is a priority.

Jarrett McKay  
Wealth Advisor  
902-496-7731  
jarrett.mckay@nbc.ca

nbfwm.ca/mckay

Ishmeet Kaur  
Wealth associate  
902-496-7714  
ishmeet.kaur@nbc.ca

**National Bank – Wealth Management**  
1969, Upper Water St.,  
Purdy’s Wharf Tower II, Suite 1601,  
Halifax, NS B3J 3R7



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