



# Wealth Insights

TD Wealth Private Investment Advice

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## To Our Clients:

Spring is often referred to as the season of renewal, a time when many reassess their priorities. If you have friends or relatives seeking a fresh perspective on an existing portfolio or advice on a new financial situation, we would be pleased to offer our experience and support.

Please feel free to share our information or this newsletter with them. We remain grateful to those who have made introductions and appreciate your continued trust in our services.

Wishing you many warm days ahead.

## Volatility Returns

*“This rupture calls for more than adaptation...the old order is not coming back. We shouldn’t mourn it. Nostalgia is not a strategy. But we believe that from the fracture, we can build something better, stronger, more just.” — Prime Minister Carney, January 2026<sup>1</sup>*

Volatility returned to start the year, not just in financial markets, but in U.S. policy, driving geopolitical uncertainty amid widening global conflict. Even before recent events, this drove a flight to safety in precious metals, with swings in gold and silver prices, alongside a weakening U.S. dollar. Volatility extended to certain technology stocks, which, despite solid earnings, were punished for elevated capital spending, with concerns about the impact of artificial intelligence spreading beyond the sector.

Trade rhetoric has been similarly volatile as the U.S.-Mexico-Canada Agreement (USMCA) renegotiations approach. With exports to the U.S. alone accounting for around 20 percent of Canada’s GDP, investors are watching closely to see whether threats translate into action.<sup>2</sup> Many economists expect the agreement to survive in some form, likely on terms favourable to the U.S., as a full dismantling would risk inflation, job losses and broader disruption during a U.S. midterm election year.

Even so, an Oxford Economics analysis suggests that a full collapse would reduce Canada’s GDP by about 1.8 percent below baseline and cut private investment by 6 to 7 percent — serious, but far from catastrophic.<sup>3</sup> By comparison, the early 1980s recession, driven by high inflation and tightening monetary policy, saw output fall by around 5 percent and unemployment reach 12 percent, a reminder that Canada has endured far more severe shocks and recovered. 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.

While acknowledging the risks, Canada’s underlying strengths should not be overlooked. Our nation is an energy superpower with vast natural resources, abundant fresh water, three coastlines and the world’s most-educated population. Canada’s political and economic stability offers a strong foundation for investors and businesses. Regardless of political views, current leadership is actively working to reorient the economy and pursue a new agenda focused on defence spending, trade and security agreements, and deepening ties with global trade partners.<sup>1</sup>

The broader lessons carry into investing. Markets are inherently volatile, and conditions that appear stable can shift quickly. No cycle, policy regime or market trend is permanent. In that context, diversification is not simply a safeguard but a necessity for managing risk. At a time when uncertainty feels amplified and global policy-making remains volatile, discipline becomes increasingly important, particularly when the range of possible outcomes is wide. Conviction, paired with flexibility, allows investors to stay positioned while adapting as conditions evolve, an essential part of effective portfolio oversight. History also offers perspective: many periods of disruption are ultimately weathered. While the road ahead may be complex, Canada has the capacity, the tools and resilience to navigate it.

1. <https://www.cbc.ca/news/politics/carney-davos-speech-97052725>; 2. 2023 World Bank figures, <https://wits.worldbank.org/countrysnapshot/en/CAN>; 3. [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/)

## Wealth Insights

### ■ Tax Season & the CRA

# Planning for CRA Instalment Payments

If tax isn't being withheld from your income, did you know you may be responsible for quarterly instalment payments?

Business owners and self-employed individuals may generally be familiar with the Canada Revenue Agency's (CRA) instalment payment process. However, many new retirees, or those newly self-employed, are often surprised to learn that they may be required to remit quarterly instalment payments to the CRA. This is because, during their working years, employers deducted and remitted income tax on their behalf throughout the year, whereas 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).

#### Why This Is Important

**Cash Flow Management** — Proper planning helps ensure you have sufficient cash set aside to make quarterly payments.

**Missed Payments** — If you miss an instalment payment or pay late, interest and penalties may apply. Interest on overdue amounts is compounded daily by the CRA at the prescribed interest rate, which is 7 percent in Q2 2026. A penalty will be charged if instalment interest charges for the current year exceed \$1,000.

**Potential "Overpaying"** — The CRA often calculates instalments based on your most recent assessed tax return. If your income varies from year to year, adjusting payments annually can help avoid overpaying the CRA, which effectively acts as an interest-free loan. For example, a significant one-time capital gain, such as from

selling a vacation home, may cause CRA-suggested instalments for the following year to exceed what your expected income would warrant.

#### Practical Tips to Manage Instalments

**You can reduce/eliminate accrued interest by overpaying subsequent instalments or making payments early.** Early instalment payments earn CRA instalment credit interest, which is not refundable but can offset interest charged on late instalments in the same year.

**Three options are available to calculate instalments.** Instalment payments may be based on CRA-calculated amounts, your prior-year tax return or your current-year income estimates. Choosing the appropriate method is particularly important if your income fluctuates from year to year, to ensure you pay sufficient amounts without overpaying and effectively providing the CRA with a tax-free loan. For more information: <https://www.canada.ca/en/revenue-agency/services/payments/payments-cra/individual-payments/income-tax-instalments/options-calculate.html>

**Instalments may be reduced or eliminated by having tax withheld at source,** or by increasing the amount of tax deducted from OAS, CPP/QPP benefits, EI or employer-sponsored pension income. Requests must be made through Service Canada or Retraite Québec. Note: tax cannot be withheld from certain types of income, including self-employment, investment, rental income or capital gains.



## Home Economics: A Look at the Housing Market Over Time

Spring marks the start of the home-buying season. Over the past year, however, activity and price growth in many markets have slowed or even reversed. Despite this, real estate remains widely viewed as one of the most successful long-term asset classes, after decades of steady appreciation. Yet since the start of the millennium, an interesting comparison emerges: the S&P/TSX Composite, despite more volatile returns, has generated higher annualized total returns than many Canadian real estate markets. The chart illustrates performance through the start of last year, as housing price gains moderated, in part due to higher interest rates.

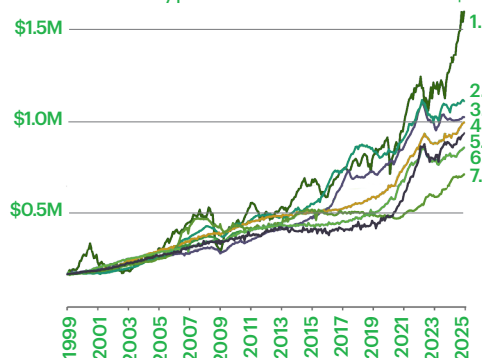
Of course, numerous factors make a direct comparison between real estate and stocks difficult. Investing in real estate involves several considerations, including limited liquidity, significant capital requirements (partially offset by leverage, such as a mortgage), transaction costs (commissions, legal fees and land transfer taxes) and ongoing maintenance expenses (property taxes and repairs).

Stock market participation is generally more accessible, with lower initial capital requirements, reduced

transaction costs and greater liquidity, while also offering broader diversification. However, the stock market can be more volatile, and downturns can be more psychologically challenging for investors. Differences in tax treatment further complicate direct comparisons.

Recent cooling in housing market activity also serves as a reminder that even long periods of strong price growth can give way to slower conditions. Yet, Canadians have been fortunate that both real estate and equities have offered substantial wealth-building opportunities over recent decades.

**S&P/TSX Composite & Select Real Estate Markets, February 1999 to 2025**  
Based on a Hypothetical Investment of \$200,000



Market	End Value	Rate of Return
1. S&P/TSX Composite	\$1,590,033	8.3%
2. Vancouver	\$1,115,962	6.8%
3. Toronto	\$1,031,791	6.5%
4. Montreal	\$1,003,144	6.4%
5. Halifax	\$947,073	6.2%
6. Ottawa/Gatineau	\$869,857	5.8%
7. Calgary	\$728,598	5.1%

Source: Equity returns based on S&P/TSX Composite Total Return Index (with dividends reinvested) <https://ca.investing.com/indices/sp-tsx-composite-tr-historical-data>; housing returns based on Teranet-National Bank House Price Index, <https://housepriceindex.ca/>; Q2/99 to Q2/25.

■ Keeping More of What You Earn

## Do You Have a Tax-Efficient Withdrawal Strategy?

It's tax season once again, a reminder that wealth is built not only by how it grows, but by how efficiently it is taxed.

Understanding how and when you access different income sources is key to managing the taxes you pay, your eligibility for government benefits and your longer-term financial health. Whether you are accumulating assets, navigating a career transition or preparing for retirement, a thoughtful, tax-efficient withdrawal strategy can make a meaningful difference. Here is a brief overview of common income sources, along with ideas to help optimize withdrawals:

**Non-Registered Accounts** — Tax treatment depends on income type: interest (fully taxable), dividends (may be eligible for the dividend tax credit) and capital gains (based on the inclusion rate, currently 50 percent). Tax-loss harvesting can help offset capital gains to reduce tax.

**Registered Retirement Savings Plan (RRSP)** — Withdrawals are fully taxable and subject to withholding tax. Importantly, once funds are withdrawn, the 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. Amounts 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 other withdrawals may help reduce the overall tax burden.

Here are additional considerations for those nearing retirement:

**Canada Pension Plan (CPP)** — CPP 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 70. The total benefit received can impact income level and tax situation.

**Old Age Security (OAS)** — OAS is a taxable benefit starting at age 65. If you expect a higher income later in life, here are two considerations: **i) Clawback** — If net income exceeds \$95,323 (2026), OAS is reduced by 15 percent of the excess. At \$154,708 (ages 65 to 74), it is fully clawed back; and **ii) Delaying OAS** — This increases the benefit up to 36 percent by age 70.



**Registered Retirement Income Fund (RRIF)** — Mandatory withdrawals start the year after opening the RRIF, increasing taxable income. Some choose to begin RRSP withdrawals early to manage future tax exposure or reduce future triggering of the OAS clawback.

**Company Pension** — Pension income is taxable. Generally, after age 65, the pension tax credit can help offset the tax liability. Consider timing a pension's start with other income sources to manage the tax liability.

**Don't Forget: Income Splitting** — Couples can sometimes lower their combined tax burden by splitting certain types of income, especially when one has a significantly higher income. For retirees, shifting eligible pension income may reduce taxes or the OAS clawback. In cases of continued employment, coordinating taxable income (particularly after 65) may yield tax savings over time. Planning together can lead to better outcomes.

Building a tax-efficient income plan involves many moving parts. Knowing how and when to draw income may help reduce taxes and preserve benefits. Alongside tax advisors, we can help develop a strategy that balances cash flow needs, tax implications and government benefits to support your long-term financial goals.

## Equity Market Perspectives: A Brief Look Globally

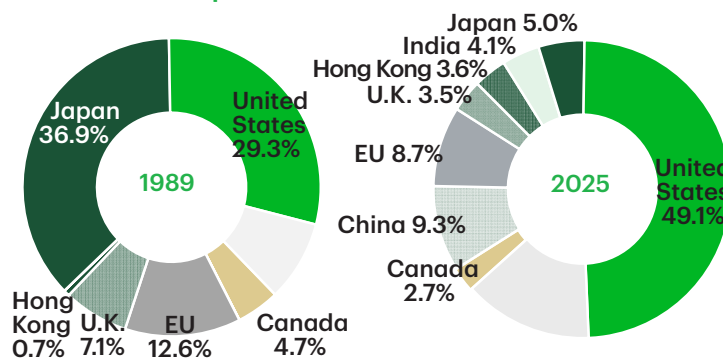
Ongoing geopolitical tension and geoeconomic events have prompted some questions about global equity markets. The U.S. remains dominant, while Canada's share has fallen to under 3 percent. The scale of U.S. leadership is striking: With just 4 percent of the world's population and around 25 percent of global GDP, the U.S. accounts for half (or more, depending on metrics used) of global equity market capitalization.

Yet the world is never static. The competitive advantages we see today may not persist indefinitely. Consider how much has changed over four decades. Seasoned investors may recall a time when the prevailing view was that Japan would surpass the U.S. as the leading global superpower. In 1989, Japan dominated global markets, accounting for almost 40 percent of global market capitalization. The Nikkei 225 rose from around 12,000 in 1985 to 38,915 in 1989, a 225 percent increase in four years. The U.S. held roughly 30 percent, while developing countries like China and India were virtually absent from the global equity landscape. By the late 1990s, Europe's share (EU and U.K.) had risen to over 25 percent, though today it has fallen to around 12 percent. Since then, China and India have experienced rapid economic expansion and now represent over 13 percent of global share, while Japan's share has fallen to just 5 percent. Few would likely have anticipated the scale

of today's U.S. technology boom just two decades ago.

This is to suggest that nothing in the markets remains permanent. Global leadership can evolve, sometimes in ways that challenge prevailing narratives. Japan's experience is one such example, reinforcing the value of diversification and adaptability in navigating an uncertain future.

Global Market Capitalization Share: 1989 vs. 2025



Source: 1989: World Bank, World Federation of Exchanges data. 2025: [www.visualcapitalist.com/sp/ter01-piecing-together-the-127-trillion-global-stock-market/](http://www.visualcapitalist.com/sp/ter01-piecing-together-the-127-trillion-global-stock-market/)

## ■ Perspectives on Investing Behaviour

# A Reminder: Risk Tolerance Doesn't Change With the Markets

One of the questions we often hear from clients during prolonged periods of market strength is: **How often should I change my risk tolerance?** The answer: **Not often.**

Risk tolerance is an investor's personal comfort level with financial risk. In simple terms, it reflects the ability to stomach market swings in exchange for potentially higher returns. Risk tolerance doesn't tend to change dramatically over time. Consider the answer to this question: How would you respond to a 15 percent drop in your investments? Most people's reactions and levels of comfort would likely not vary over time. This matters because such declines are not uncommon. Since the start of the millennium, the S&P/TSX has experienced three bear markets lasting a total of over 36 months, two with drops of over 45 percent.

Indeed, investing in equities is not without risk: market ups and downs, sometimes prolonged, are a natural part of the investing journey. While investment risk can never be eliminated, it can be managed. One of our primary roles as advisors is to act as risk managers, focused on preserving capital while growing it over time. We do this by constructing and managing portfolios to be resilient across different market outcomes, while still being positioned to perform well across the many paths markets may take.

During buoyant periods, such as those we've experienced over recent years, it can be easy to get caught up in the prevailing momentum and overlook the value of risk management. Yet risk management is not about achieving the highest possible rate of return; it's about preserving hard-earned capital and growing it over time to help investors achieve their goals. Often, it is only when markets decline that its value becomes more evident.

In practice, this approach is guided by a set of disciplined principles designed to control risk. We apply these in several ways, including maintaining a strategic asset allocation, rebalancing portfolios when allocations drift too far from targets, limiting the size of any single holding, diversifying across sectors and geographies, and paying particular attention to an investor's personal risk tolerance levels.

## When Does Risk Tolerance Change?

As circumstances evolve, your capacity to take on financial risk may change. Risk capacity, or your ability to withstand a financial shock, can influence risk tolerance. Several factors can affect risk capacity, including:



- **Major life events.** Marriage or the birth of a child can lower your capacity for risk as you plan for large expenses, including a new home or a child's education. Spouses often have different risk tolerance levels, so finding common ground is important when managing finances.
- **Health-related events.** Unexpected medical expenses or changes in your ability to generate income can alter your timeline and ability to achieve financial goals.
- **Changes in income or net worth.** Financial resources can influence risk capacity. Higher discretionary income or savings can make it easier to weather market downturns without affecting lifestyle. Conversely, a reduction in income or a significant decline in net worth may reduce your capacity to absorb financial risk.
- **Stage of life.** As we age, risk capacity may decline. With fewer income sources or a need to preserve wealth for retirement, recovering from market volatility may become more challenging.

## One Reason Not to Adjust: Fluctuations in the Markets

Your risk tolerance should not shift based on market conditions. Changing it in response to market performance is similar to trying to time the markets by buying and selling shares. It may be tempting to lower your risk tolerance after losses, or raise it during sustained gains, but market performance and emotions like fear or greed should not prompt a reassessment of your tolerance for risk.

If you have any questions about this, or any other investing matters, please reach out.

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