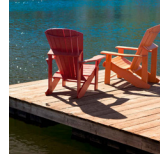




Wealth Insights

TD Wealth Private Investment Advice

Summer 2025



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To My Clients:

If the spring reinforced anything, it's that we should expect the unexpected. While uncertainty is always part of the near-term outlook, the next 3.5 years under the current U.S. administration will likely bring continued policy shifts and unpredictability. April's market events were understandably overwhelming for many—but the rapid sentiment shift serves as a reminder of the importance of discipline in investing.

I remain grateful for your continued trust in my services and hope you take some time to enjoy these fleeting summer months.

McNiven

Wealth Management

The Speed of Change

Six minutes: that's the time the median individual investor spends researching a stock before purchasing it online, according to a recent *Wall Street Journal* article.¹

It's no wonder the average holding period for a stock has dropped from around eight years in the 1950s to roughly five months today.² Technology continues to accelerate the speed at which we access, process and react to information—likely encouraging impulsive investor behaviour. Consider, for instance, that for every 100-millisecond improvement in load time, Amazon reportedly sees a one percent boost in revenue.³

Given this unsettling context, it's perhaps not surprising that equity markets moved with such rapid speed after April's "Liberation Day":

S&P 500 Large Moves After Liberation Day, April 2025

Apr. 2	-4.84%	Apr. 9	-3.46%	Apr. 20	-2.36%
Apr. 3	-5.97%	Apr. 10	+1.81%	Apr. 21	+2.51%
Apr. 8	+9.52%	Apr. 15	-2.24%	Apr. 23	+2.03%

Indeed, investor sentiment can quickly shift. While it's never easy to see portfolio values under pressure, a well-constructed investment plan with carefully selected holdings is designed to navigate short-term volatility. Through rigorous research and disciplined investment management, this approach helps us to remain committed to—and confident in—the longer-term growth potential.

This rapid change has not only been seen in the markets, but also in broader global shifts, driven by the volatile—and, at times, seemingly impulsive—policy stances of the U.S. administration. Are we entering a new era of structural transformation and global realignment?

While the breadth and global reach of the tariffs announced on Liberation Day took markets by surprise, observers remain divided on the consequences. Some suggest heightened recessionary risks, while others believe that unfolding policy responses will help avert a significant slowdown. After all, these are self-imposed measures that continue to evolve.

What's clearer is that the shift in U.S. trade policy has accelerated a move away from globalization toward a more "multipolar" world, where nations are increasingly focused on self-sufficiency and national security. This pivot may challenge the longstanding 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, which holds about one-sixth of all foreign-owned U.S. Treasuries, has been increasing its gold reserves. At the same time, subdued demand for the U.S. dollar—once the default safe haven—has raised questions about its future as the global reserve currency.

As tariff policies continue to remain in flux, the economic effects may become more apparent in the months ahead. Yet, periods of disruption are a recurring feature of modern capital markets. Markets have long demonstrated the ability to adapt and progress over time. In a world where headlines can move markets in minutes, resisting the impulse to react emotionally is important. Above all, patience, perspective and participation continue to serve investors well.

1. <https://www.wsj.com/finance/investing/buying-stocks-research-study-2a839a4a>; 2. <https://www.visualcapitalist.com/the-decline-of-long-term-investing/>; 3. <https://www.forbes.com/sites/steveolenski/2016/11/10/why-brands-are-fighting-over-milliseconds/>

■ Summer Perspectives: Housing Affordability

A Home as a Retirement Plan? More Young Canadians Think So

The housing affordability crisis may be shifting views. Here are perspectives on relying on home equity for retirement.

With housing affordability increasingly out of reach for younger Canadians, views on homeownership and wealth building may be shifting. While older Canadians are less likely to look to home equity to support retirement, a growing number of young people expect home equity to fund at least part of their future retirement.¹

Some homeowners consider downsizing as a way to unlock retirement funds, while others may look to borrow against their homes. However, there are reasons to exercise caution when relying on home equity for retirement. In brief, here are a handful:

You may not move. Today's older retirees are less likely to sell their homes before age 85. In fact, the sales rate for those over age 75 has been trending downward since the 1990s.² This may not be surprising. Selling a lifelong home can be more emotionally difficult than anticipated. Many choose to stay close to family, friends or their community to maintain independence. Some instead "downsize from the inside," by using only part of their home to lower costs like heating.

Low housing supply. While selling a home in today's market may be easy, finding a suitable replacement can be challenging given the limited supply of homes and rental properties.

Moving can be costly. The cost of moving—including real estate and legal fees, land transfer tax, staging or other expenses—can quickly add up. Additional costs with the next home, such as maintenance, repairs, monthly condo fees or rent (which can increase over time), can further erode the net financial gains of downsizing.

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.

Higher interest rates. Today, about 25 percent of retirees carry mortgages, with many seeing rates reset higher in recent years—a challenge for those on fixed incomes.³ For those looking to borrow against their homes, options like a home equity line of credit (HELOC) or reverse mortgage have limitations. HELOCs, often secured before retirement when income is higher, typically carry variable rates that fluctuate with the market. Reverse mortgages generally allow borrowers to access home equity without monthly payments, reducing equity over time. These often come with higher interest rates and limited lender options as they aren't widely available in Canada.

1. <https://rates.ca/resources/canadian-homeowners-expect-home-equity-fund-retirement>; 2. "Canadian seniors not downsizing, partly owing to lack of options," S. Peesker, Globe & Mail, 02/12/24; 3. "Wealth tied up in real estate can hurt your retirement," R. Carrick, Globe & Mail, 11/30/23.

Managing Cash Flow for Unforeseen Times: Are You Prepared?

When it comes to wealth planning, the focus is often on investing and long-term wealth accumulation. Yet, having a plan for managing cash flow is also important to help you prepare for unforeseen times. A cash flow plan can help temper unnecessary financial stress during unexpected events like a temporary job loss or illness, while protecting longer-term financial goals.

Important for High-Net-Worth Individuals & Retirees Alike

A common misconception is that cash flow management matters only for those with limited assets. However, substantial wealth often involves managing larger financial obligations. Effective cash flow management can help you meet ongoing expenses, fulfil planned commitments and handle unexpected costs with little disruption.

Some investors assume they can simply sell investments to cover short-term needs. Yet this approach comes with trade-offs: selling assets on short notice can interrupt long-term growth, trigger unnecessary taxes or force a sale in a market downturn. For example, selling from a non-registered account may result in capital gains tax, while early Registered Retirement Savings Plan (RRSP) withdrawals not only trigger withholding tax, but are fully taxable and contribution room is permanently lost.

For retirees, managing cash flow may be even more complex. Many live on fixed incomes, relying on pension income, government benefits or Registered Retirement Income Fund (RRIF) withdrawals. Without careful planning, the timing or structure of withdrawals can lead to unexpected tax obligations or affect

eligibility for income-tested benefits like Old Age Security. Moreover, taking on debt to cover shortfalls can be risky, particularly if interest rates rise or loans are reset at higher rates.

The Value of an Emergency Fund

An emergency fund can serve as the first line of defence in cash flow management. Typically, this is an amount equivalent to three to six months of living expenses, reserved for unexpected life events. Beyond a traditional cash reserve, a tiered approach to liquidity can balance accessibility and long-term growth. This may include: i) A reserve for short-term needs, such as a high-interest savings account or cashable GICs; ii) Easily accessible investments with lower volatility, such as short-term bonds or GICs; and iii) Longer-term investments to build wealth over time.

Some consider using a Tax-Free Savings Account (TFSA) as an emergency fund, as withdrawals are tax free and added back to contribution room in the following calendar year. However, there may be trade-offs. When it comes to marketable securities, a market downturn could reduce the value of TFSA investments at the very moment you need them. Selling investments at a loss locks in that loss, as only the withdrawn amount—not the original investment value—can be recontributed. Also important: you forgo potential future long-term, tax-free growth.



■ Investor Behaviour & Investment Outcomes

Navigating Choppy Waters: The Value of Discipline

With the ever-changing rhetoric from south of the border, market volatility has returned—and is likely to persist. Worth repeating: reacting emotionally to short-term headlines can work against longer-term success. Here's why.

In challenging markets, discipline can play a role in successful investing. A core part of our role as advisors is to remain objective, unemotional and focused—building portfolios based on research and fundamentals, with the understanding that occasional market or economic setbacks are a normal part of the investing journey.

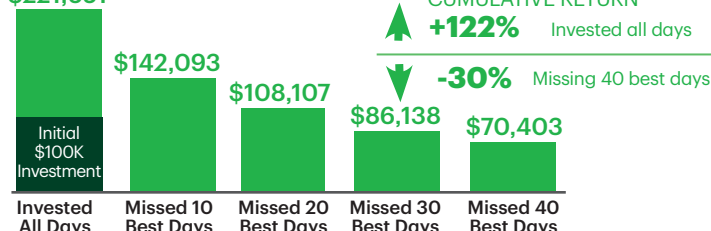
The dilemma, of course, is that human nature often compels us to want to take immediate action when faced with adversity. This instinctive response—rooted in our evolutionary drive for survival—can lead to decisions that hinder longer-term investing success.

While it might feel like the right response to exit the markets when things get tough, such as we saw with the dramatic market pullback in April, the opportunity cost of doing so—when markets reverse their course, often unexpectedly—can have a notable impact on future wealth. Ideally, we'd avoid the worst days, but these are nearly impossible to predict. Many of the strongest market days also tend to follow the weakest. The chart below shows how missing a handful of the best days can substantially reduce long-term returns. Ironically, doing nothing can sometimes be the best course of "action."

This dynamic isn't limited to the longer term. During the 2020

The Investment Impact of Missing the Best Market Days¹

Investing \$100,000 Over 10 Years Ending 8/31/23, S&P 500 Index

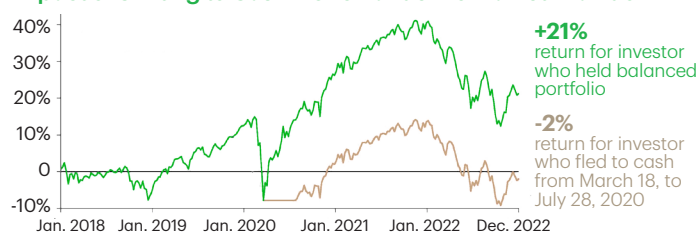


Source: Morningstar. Returns based on S&P 500 Index, for 10-year period ending August 31, 2023.

pandemic, when the U.S. stock market fell 34 percent in just 22 days, an investor who moved to cash at the bottom in March and remained on the sidelines until July would have seen a 2 percent decline (from 2018 to end of 2022). A disciplined investor holding the same balanced portfolio through that period would have seen a 21 percent gain.



Impact of Shifting to Cash: 2020 Pandemic Market Drawdown



<https://investor.vanguard.com/investor-resources-education/article/four-timeless-principles-for-investing-success>; Balanced 60/40 portfolio—Stocks: MSCI ACWI; Bonds: Bloomberg Global Aggregate Bond Index.

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.¹ Don't underestimate the role of discipline and support in making informed decisions, managing risk and maintaining focus on longer-term wealth goals.

1. https://russellinvestments.com/-/media/files/au/support/voa/voa_report_2023.pdf

Cancellation of Proposed Increase to Capital Gains Inclusion Rate

Since the spring publication, the proposed increase to the capital gains inclusion rate was cancelled on March 21, 2025—after being deferred at the end of January. The government also announced it intends to maintain the increase in the Lifetime Capital Gains Exemption limit to \$1,250,000, intending to introduce necessary legislation in due course.

Looking Back, Moving Forward: What Happens After Significant Pullbacks?

While it may feel like a distant memory, the sharp market pullback we witnessed in April was overwhelming for many. In moments like these, revisiting a wealth plan is valuable. It has been thoughtfully constructed to navigate periods of uncertainty, with the expectation that markets will inevitably see down periods along the way. By aligning decisions with your time horizon, your plan provides a roadmap for spending or retirement needs, while keeping committed to and confident in the longer-term growth potential of equities.

It may not feel like it in volatile times, but history reminds us that equities remain one of the most effective asset classes for building future wealth. Over the past five years, the S&P/TSX delivered an annualized return of 5.4 percent—or 9.8 percent with dividends reinvested—even in the face of a pandemic and recent tariff-related declines (1/1/20 to 4/8/25). While the near-term direction of the markets is always uncertain, the longer-run trend has been upward.

Time has a powerful way of smoothing even the sharpest market declines. A two-day drop of more than 10 percent in the S&P 500—like the one seen in April—is rare. Since 1980, it has occurred just four

times: on Black Monday in 1987, twice during the 2008 Global Financial Crisis and in the early days of the pandemic. Yet, in the year following these events, the S&P 500 posted an average gain of 36.3 percent. Likewise, after the largest one-day declines in the S&P/TSX, the average one-year forward return was +34.6 percent.

While the rapid decline in April was quickly followed by a recovery in May, keep in mind that recoveries don't always unfold quickly. Yet, a look back in time reminds us that even the darkest nights give way to dawn, and patience can be one of an investor's greatest virtues.

S&P 500 2-Day Declines & 1-Year Forward Return

Date	Decline	1-Yr. Fwd. Return
10/19/1987	-24.6%	+23%
3/12/2020	-13.9%	+59%
11/20/2008	-12.4%	+45%
11/6/2008	-10.0%	+18%
Average	-15.2%	+36.3%

Largest S&P/TSX Composite 1-Day Declines & Forward Return

Date	Decline	1-Yr. Fwd. Return
3/12/2020	-12.3%	+51%
10/19/1987	-11.3%	+6%
3/9/2020	-10.3%	+27%
3/16/2020	-9.9%	+53%
12/1/2008	-9.3%	+36%
Average	-10.6%	+34.6%

■ Summer Reading

Nine Ways the World Is Getting Better

With everything going on, it can be easy to become consumed by the prevailing negativity. Yet, *The Economist* reminds us: “Of all the progress of the past 10,000 years...half has occurred since 1990. Of all the golden ages, the greatest is here and now.”¹

It's easy to lose sight of how far we've come. However, a longer-term perspective reveals a more balanced story—one of progress, resilience and advancement. Here are nine ways life has improved:

1. Poverty is at historic lows. Just 200 years ago, 85 percent of the world's population lived in extreme poverty. In 1990, that figure was still around 36 percent. Today, it is less than 9 percent, and 75 percent of the world lives in middle-income countries.²

2. Life expectancy continues to grow. In 1800, many wouldn't live past the age of 40. By 1900, the average Canadian life expectancy was just 50 years. Today, it has increased to over 82 years—bringing new meaning to the word “retirement.”³

3. We enjoy modern conveniences. In 1870, the share of homes with electricity was zero. Today, over 99 percent of Canadian homes have access to electricity and running water. In 1954, only 20 percent of Canadian households had a TV; today, over 90 percent do. Globally, more than 70 percent of people own a smartphone.⁴

4. Deaths from disease have significantly declined. In 1900, more than 37 percent of deaths were caused by infectious diseases; today, that figure is around 1.6 percent.⁵

5. Efficiency has improved. Innovations like the washing machine, dishwasher and microwave are often taken for granted, but they've saved hours of labour. In 1920, doing laundry could take 11.5 hours per week.⁶ Today, we can order food, book a ride, track our health or pay a bill—all from the palm of our hand using a smartphone.

6. The cost of necessities has fallen and income has risen. In 1961, Canadians spent over 56 percent of income on necessities: food, shelter and clothing. Today, that has fallen to just over one-third.⁷

7. We are wealthier. As household income has increased, baby boomers have become the wealthiest generation in history. Decades of economic growth, combined with appreciating real estate and equity markets, have helped build substantial wealth.⁸

8. We are better educated. In 1920, the global literacy rate was about 12 percent; today, it's over 87 percent. Canada ranks among the highest globally in post-secondary educational attainment.⁹

Which Is Longer? The Classic Optical Illusion & Our Perceptions



You've likely seen this illusion: two lines of equal length that appear different. Though we know they're the same, it's hard to unsee the difference. If you're looking for a summer read, Hans Rosling's “*Factfulness*” (2018) makes the case that just as visual illusions fool our brains, cognitive biases can create similar “illusions” about the world. In fact, the world is a better place than we often perceive.

9. “Luxuries” are more accessible. Consider that in 1950, airline travel was largely out of reach for many; long-distance travel often meant trains or steamships. A flight from New York to London could take up to 15 hours and cost the equivalent of over \$8,500 today.¹⁰

Taking a longer-term view reminds us of our substantial progress.

Income and quality of life are up, while disease, violence and child mortality have fallen. Necessities and luxuries alike have become more affordable. Despite current economic challenges, Canada offers a high quality of life, thanks to healthcare, education, safety and personal freedoms. We benefit from clean air and water, political stability, low crime and an inclusive society that supports well-being.

The same may be said for investing. Investors have benefitted from the long-term growth of financial markets. Despite recessions, war, pandemics, bear markets and many other disruptions, the S&P/TSX Composite has returned 2,174 percent over 50 years—an annualized return of 6.4 percent, or 9.9 percent with dividends reinvested.¹¹

Progress is rarely linear—but it continues. Keep looking ahead.

1. <https://www.economist.com/culture/2025/05/01/how-golden-ages-really-start-and-end>; 2. <https://www.worldbank.org/en/publication/poverty-prosperity-and-planet>; “Factfulness,” H. Rosling, Flatiron Books, April 2018; 3. <https://www.statista.com/statistics/1041135/life-expectancy-canada-all-time/>; 4. https://www150.statcan.gc.ca/n1/pub/11-402-x/2007/40000/ceb40000_001-eng.htm; (2023) <https://www.statista.com/topics/840/smartphones/>; 5. <https://www150.statcan.gc.ca/t1/tb1/en/tvaction?pid=1310014101>; 6. <https://www.bls.gov/charts/american-time-use/activity-by-hdch.htm>; 7. <https://www.fraserinstitute.org/sites/default/files/canadian-consumer-tax-index-2024.pdf>; 8. <https://money.com/wealthiest-generation-baby-boomers/>; <https://macleans.ca/society/the-jackpot-generation/>; 9. <https://www.weforum.org/stories/2022/09/reading-writing-global-literacy-rate-changed/>; <https://gpseducation.oecd.org/CountryProfile?primaryCountry=CA&threshold=10&topic=EO>; 10. \$6,400 in 2012 dollars. <https://www.cnn.com/travel/article/golden-age-of-air-travel-downsides/index.html>; 11. S&P/TSX Composite, from 3/31/1975 to 4/8/2025.

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