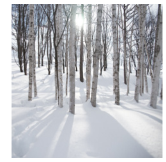
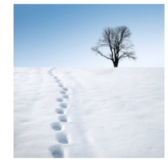
TD Wealth

Wealth Insights

TD Wealth Private Investment Advice

Winter 2026





Have the Ground Rules Changed?

"The most important things never change—they just get ignored because they seem too simple."
— Morgan Housel, *Same As Ever*[1]

In many ways, we may be living through a golden age of investing. Lower costs, technological advances and unprecedented access to information make markets more accessible than ever.

Consider how the investing landscape has evolved over the decades. Technology has automated trading systems, drastically lowering transaction costs, increasing access and fuelling trading activity. In the late 1980s, the New York Stock Exchange averaged around 500 million shares traded daily; by 2020, this figure doubled to over one billion. This has also changed investor behaviour: the average holding period for a stock, once spanning years, is now measured in months.[1]

What many investors may not realize is that public equity markets have shrunk in terms of listed companies. In 1997, there were roughly 8,000 U.S. listings; today, this has halved to closer to 4,000. Despite this, global market capitalization has grown from about $50 trillion in 2011 to over $140 trillion today, with the U.S. share rising from roughly 30 to 50 percent. By contrast, Canada's global market cap share has fallen from 4 percent in the early 2000s to about 2.4 percent today.[2] These trends reflect both consolidation and the rise of massive U.S. and Asian companies that now dominate global indexes.

While the pool of public companies has declined, the range of investment opportunities has never been broader. Over the decades, new products like ETFs, derivatives and private market instruments have allowed investors to build diversified portfolios in ways once unthinkable. Technology has also opened the door to private equity and other alternative assets, areas previously reserved for institutional or ultra-HNW investors.

The combination of lower costs and greater access has fuelled the "democratization of investing." Even in a "K-shaped" economy, where higher-income households drive overall economic activity, equity market participation has widened. The bottom 50 percent of U.S. households now hold over $500 billion in equities, up from $100 billion in 2020. Among lower-income households, 54 percent have taxable accounts, most opened in the past five years.[3] Younger investors are also entering earlier, with rising RRSP and TFSA participation.[4] Retail investors have become an undeniable force, with some strategists suggesting they helped drive the 2025 market rally, influencing valuations and outpacing institutional "smart money."[5]

With these changes, some may ask: Is a new rulebook in play for today's markets? Perhaps, but not necessarily. Valuation criteria and market structures may continue to evolve, yet certain fundamentals never change, as Housel reminds us. The time-tested principles of sound investing endure: a focus on quality, diversification, risk management and longer-term discipline, while aligning investments with personal goals and time horizons. Our role as advisors, too, hasn't changed—navigating the shifting opportunities and risks while focusing on each investor's objectives. Equity markets continue to generate some of the strongest returns of any asset class, supported by corporate profits and innovation. As we enter a new year, it's worth reflecting on the many reasons why this may be a golden age to be an investor.

1. https://www.visualcapitalist.com/the-decline-of-long-term-investing/; 2. $148T, Voroni, by Oct. 2025; https://www.visualcapitalist.com/124-trillion-global-stock-market-by-region/; 3. https://buildcommonwealth.org/research/understanding-todays-retail-investor/; 4. https://www.theglobeandmail.com/investing/personal-finance/retirement/article-retirement-savings-gen-z-canadians/; 5. https://www.reuters.com/markets/us/retail-replaces-smart-money-wall-street-rocket-fuel-2025-07-29/

*TIME 2005 Best Inventions: https://content.time.com/time/covers/0,16641,20051121,00.html

In This Issue

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To Our Clients:

After another solid year for the markets, many are wondering what lies ahead. What's likely to continue: our relentless drive to innovate, evolve and grow. For perspective, take a look at *TIME's Best Inventions* list. Today, it is packed with tech marvels reshaping how we work and play. Two decades ago, "cutting-edge" inventions included airless tires and a folding piano (link below*). With a longer-term view, a strong case can be made that markets and economies will continue to grow.

Here's to a wonderful New Year—and all that lies ahead!

— Melinda & Brendan

Tax-Smart Planning for the Future

How Well Are You Managing Your RRSP? Avoid These Five Pitfalls

Registered Retirement Savings Plan (RRSP) season is just around the corner. How well are you managing your RRSP?

RRSPs remain a key tool for building retirement savings, and avoiding common missteps can help reduce taxes and preserve more of your hard-earned wealth. Here are five RRSP pitfalls to avoid—or share with younger investors as they plan for the future:

1. Withdrawing funds to pay down debt. Consider the implications of making taxable withdrawals from the RRSP to pay down short-term debt. You may be paying more in tax on the withdrawal than you'll save in interest costs. In addition, once you make a withdrawal from an RRSP, you can't reinstate the valuable contribution room—unlike a Tax-Free Savings Account (TFSA), where withdrawals are added back to contribution room in the following year.

2. Contributing "losers" in-kind. To fund the RRSP, some investors move holdings from non-registered accounts. If you're considering making an "in-kind" contribution, be cautious about transferring investments that have declined in value. You'll be deemed to have sold these investments at fair market value at the time of transfer, yet the capital loss will be denied, and any tax relief lost. Instead, consider selling them on the open market and contributing cash to the RRSP so you can claim the capital loss (and be aware of the superficial loss rules—avoid repurchasing the same investment within 30 days).

3. Claiming the deduction in the wrong year. With any RRSP contribution, you're entitled to claim a tax deduction for the amount, so long as it is within your contribution limit. Keep in mind, however, that you don't need to claim the tax deduction in the year you make the contribution. You may carry it forward if you expect your income to be higher in future years, potentially placing you in a higher tax bracket and generating greater tax savings later.

4. Neglecting to update beneficiary designations. It may be beneficial to review account beneficiaries (in provinces where applicable) periodically and after major life changes. For example, in the event of separation or divorce, be aware that named beneficiaries may not automatically be revoked depending on provincial law. As a result, an ex-spouse designation may still be in effect.

5. Withdrawing from a spousal RRSP. For couples where one spouse expects to have a high income in retirement, while the other will have little, a spousal RRSP can be an effective income-splitting tool. Yet, don't forget that attribution rules generally apply. If the higher-income spouse has made contributions to the spousal RRSP in the year or the previous two years, and funds are withdrawn from the plan, the withdrawal may be taxed to the higher-income spouse rather than the lower-income RRSP owner.

Consider the "Four Cs" of RRSP Season

Contribute — The deadline for RRSP contributions for the 2025 tax year is **Monday, March 2, 2026**. Consider setting up an automatic monthly contribution to stay on track and avoid missing the deadline.

Consolidate — If you hold multiple accounts across different financial institutions, consolidation can help provide convenience, comprehensive asset oversight and potential cost savings.

Collapse — If you are turning 71 years old in 2026, please get in touch to discuss options for converting your RRSP.

Confirm (Beneficiaries) — Ensure your plan beneficiaries are up to date to avoid complications during estate settlement.

Forty-Year Flashback: How Has Purchasing Power Changed?

How has purchasing power changed over time? You might be surprised. Back in 2012, the *Globe & Mail* published an article titled "*Are You 68% Richer*?" It took a snapshot of prices a quarter-century earlier, in 1987—the year Prime Minister Brian Mulroney led Canada into the Canada–U.S. Free Trade Agreement, designed to "raise all boats." In 2012, the Consumer Price Index (CPI) suggested inflation had risen at a compound annual rate of 2.36 percent since 1987. Yet, the article noted that the cost of most goods—except for technology-related items—had far outpaced the rate of inflation.

Fast forward to today, and we find ourselves in a similar yet different position. Nearly 40 years later, the era of free trade has given way to a nationalistic agenda driven by the U.S. Still, as it was back then, the prices of most goods have risen well beyond the CPI.

The good news? Since that time, investors have seen the S&P/TSX Composite Index gain more than 713 percent (excluding dividends), outpacing price increases of all items in the chart. This growth came despite six bear markets lasting a combined 54 months, two of which saw declines of more than 45 percent. Equity markets have been one of the best ways to grow wealth and outpace inflationary pressures. And, if history is any indicator, that's encouraging news for long-term investors looking ahead to the next 40 years.

Changes in (Nominal) Prices of Select Items: 1987 & 2025[1]

	1987	2025	Change
Cdn. Family Income (Avg.)[2]	$42,686	$112,001	+162%
Cdn. House (Avg.)[3]	$129,702	$672,784	+419%
Flat Screen TV[4]	$1,599 (32")	$750 (55")	-53%
Top Apple Computer[5]	$9,150	$8,999	-2%
Microwave[4]	$580 (680W)	$300 (1100W)	-48%
Bottle of Dom Perignon[6]	$85.25	$351.95	+313%
Big Mac Hamburger[7]	$2.05	$7.81	+281%
University Tuition[2]	$1,137	$7,360	+547%
Consumer Price Index[8]	67.5	162	+140%
S&P/TSX Composite Index[9]	3,739.47	30,419.68	+713%

1. 1987 nominal data: Report on Business Magazine, Apr. 2012, pg. 13; 2. https://publications.gc.ca/collections/collection_2018/statcan/13-208/CS13-208-1987.pdf; Stat Can T-1110019101 for 2025, with 3.6% (2024) & 3.8% (2025) wage growth assumptions; 3. CREA, April 1987 and July 2025; 4. Average Sony HD TV price 32" and 55", bestbuy.ca; 5. MacPro Tower, apple.ca; 6. LCBO ON pricing, July 1987 and July 2025; 7. https://github.com/TheEconomist/big-mac-data; 8. https://bankofcanada.ca/rates/related/inflation-calculator/ for June 1987 & 2025; 9. At close on 3/31/87 and 10/28/25.

Reminder: 2026 TFSA Annual Dollar Limit is $7,000, bringing the total lifetime contribution room (for those eligible since 2009) to $109,000. The TFSA is a compelling investment vehicle to help preserve real purchasing power over time.

■ **Shaping Retirement Success**

Happy New Year! Plan Ahead for These Age Milestones

It has been said that *"Old age is like everything else. To make a success of it, you've got to start young."*[1]

Retirement planning can start at any age, but as the saying goes, it's best to start as early as possible. If you are nearing certain age milestones this year, here are some tips to potentially maximize retirement savings. For assistance, please don't hesitate to give the office a call. Consult with a tax advisor for any tax-planning matters.

18 or 19 Years Old (Age of Majority of Province/Territory): Help young folks start building long-term wealth early. At these ages, you may be eligible to open a TFSA or First Home Savings Account (FHSA).

60 Years Old: *Early Canada Pension Plan (CPP) benefits.* While the standard age is 65, you may opt to begin CPP benefits as early as age 60. Payments will decrease by 0.6 percent for each month you start prior to 65, up to a maximum reduction of 36 percent. Conversely, by deferring benefits to age 70, you can increase payments by up to 42 percent.

65 Years Old: *Old Age Security (OAS).* You can begin collecting OAS at age 65 or defer payments up to age 70. Each month of deferral increases your benefit by 0.6 percent, or 7.2 percent annually.

Federal Pension Income Tax Credit. At age 65, eligible pension income (such as withdrawals from a Registered Retirement Income Fund (RRIF)) may allow you to claim up to $2,000 to reduce federal tax payable. Since this is a non-refundable tax credit, it cannot be carried forward. If you don't yet have eligible pension income, consider opening a small RRIF to take advantage of this credit.

Note: There are exceptions when the tax credit can be used on a limited basis starting at age 55, including certain qualifying types of pension income and annuity income received as a widow(er), and RRIFs transferred to another RRSP/RRIF. Seek advice regarding your situation.

Pension income splitting. If your spouse/common-law partner has a lower marginal tax rate and/or available tax credits, you may benefit from splitting pension income. Up to 50 percent of eligible pension income can be allocated to a spouse/partner for tax purposes.

Note: Pension income splitting may begin as early as age 55 for qualifying sources, such as registered company pension plans, except in Quebec.

71 Years Old: *Collapse your RRSP.* You must convert your RRSP by the end of the calendar year in which you turn 71. You may convert it to a RRIF, purchase an annuity or withdraw funds (taxable as income).

Final RRSP contributions. Consider catching up on any unused contribution room from prior years. Remember: Contributions must be made before year-end, not by the usual RRSP deadline.

The "forgotten" RRSP contribution. If you continue to work, you may earn new RRSP contribution room for the following year. Since your RRSP must be collapsed by December 31 of the year you turn 71, a contribution could be made before year-end, which may create a temporary overcontribution. While the overcontribution incurs a one percent per month penalty, the resulting tax deduction may be more beneficial. For example, with an annual taxable income of $100,000, if an individual can fully deduct an overcontribution of $20,000, it may result in a tax savings (e.g., at a marginal tax rate of 32 percent = $6,400) which exceeds the approximately $180 penalty, assuming they can take advantage of the $2,000 lifetime overcontribution, which is permitted without penalty.

Spousal RRSP. If you've reached 71 but have a younger spouse and have RRSP contribution room (or are still generating RRSP contribution room), consider a spousal RRSP. This may allow for income-splitting opportunities and continued tax-deferred growth.

1. This quote is often attributed to Theodore Roosevelt and, on occasion, Fred Astaire.

Equity Market Perspectives: What Has Driven the Advances?

With equity markets climbing to new highs in 2025, concerns about elevated valuations have been prevalent. When indices push into record territory, investors question whether prices have outpaced fundamentals—or if there's still room to run.

Many factors influence stock market movements—headlines, geopolitical events, economic growth, inflation, interest rates, government policies, to name a handful. Yet over the long term, one of the key drivers of returns is earnings. Consumer and business spending flow through to corporate revenues and, after costs, drive profits.

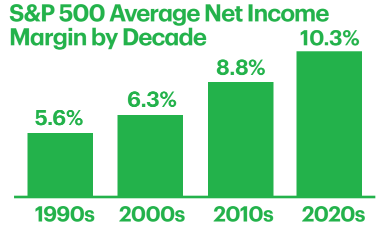
S&P 500 Key Drivers of Stock Market Performance

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%

Respected investor John Bogle 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).
"Don't Count on It," J. Bogle; https://awealthofcommonsense.com/2025/10/animal-spirits-why-retail-is-outperforming/

Profitability has not just held up; it has expanded. U.S. corporate margins have continued to rise, with average S&P 500 net income margins this decade climbing over 10 percent, roughly double the level of the 1990s. Canadian corporate profits have followed a similar trajectory, though aggregate profits have been more sensitive to commodity prices; a reminder that growth in economies and markets is rarely linear.

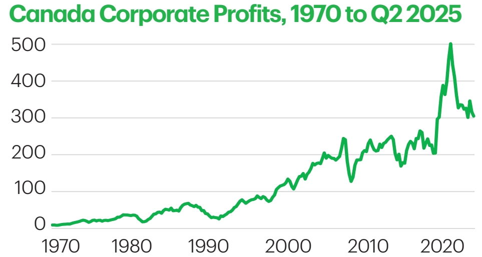
S&P 500 Average Net Income Margin by Decade



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

Earnings growth alone doesn't guarantee high returns.* But it remains an important contributor to the market's strength. Looking ahead to 2026, here's to continued earnings strength, so the bulls can keep running!

Canada Corporate Profits, 1970 to Q2 2025



Aggregate corporation profits before taxes, x 1,000,000,000
Source: StatsCan T:36-10-0125-01

*In the 1970s, earnings growth was strong (+9.9%), yet high inflation and external factors (such as the oil shocks) kept equity returns subdued.

Will AI Be Different?

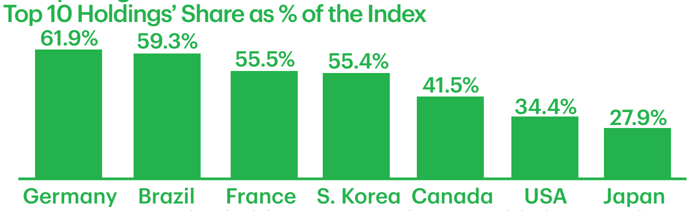
Artificial intelligence (AI) was a key driver of market enthusiasm in 2025, with AI capital investment fuelling economic growth throughout the year. Will these investments pay off, and will AI prove to be a truly transformational technology?

Mega-cap tech companies led the market higher in 2025, fuelled by significant capital expenditures—reportedly over $1.2 trillion by S&P 500 companies.[1] Nvidia became the first company to reach a $5 trillion market capitalization—now worth more than the GDP of every country except the U.S. and China, according to World Bank data. This has prompted many to ask: "Can AI deliver on its potential?"

The current enthusiasm reflects AI's potential to boost efficiency and productivity across industries. History shows how transformative technology can be: over the past 35 years, advances in computing, the internet, mobile devices, apps and software have driven productivity gains. The chart (top) compares revenue per employee for select sectors in 1991 and today (inflation-adjusted). AI is also viewed as a platform for innovation. Unlike earlier technologies that improved efficiency in isolated areas, AI is enabling new ways to create, design and drive advances across many sectors.

While the mega-tech firms now account for more than one-third of total S&P 500 market capitalization, this concentration has left some investors nervous. Yet, equity market concentration is not unusual; it's been a recurring feature throughout time. Globally, the largest companies command a significant share of the index, and the U.S. is no exception. In fact, markets worldwide—including Canada—show an even higher concentration of top 10 holdings than the U.S.

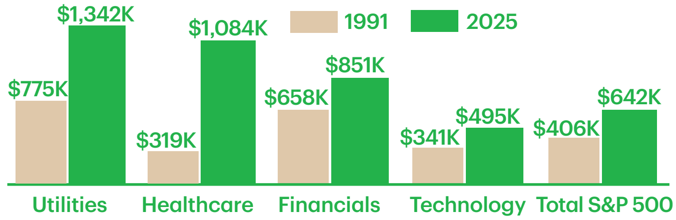
Comparing Concentration Risk Around the Globe
Top 10 Holdings' Share as % of the Index



FactSet & MSCI indices (USD), 5/8/25; www.bny.com/investments/fi/en/institutional/news-and-insights/chart-of-the-week/comparing-concentration-risk-around-the-globe.html

Some have compared the current tech rally to the dot-com bubble of the late 1990s. However, it's worth remembering that today's large tech firms are very different from the internet darlings of that era. They continue to deliver substantial earnings growth, generate significant cash flow and are well diversified, having acquired more than 800 companies while expanding across multiple industries. In many ways, they function as modern conglomerates of advanced technology—growing organically but supported by multiple engines of innovation.

Revenue Per Employee, 1991 & 2025, Select S&P 500 Sectors[2]



Select Magnificent Seven Companies' Acquisitions[3]

	IPO Year	# Acquisitions	Select Acquisitions
Amazon	1997	105	Whole Foods, MGM
Google	2004	270	YouTube, Wiz
Microsoft	1986	250	Activision, LinkedIn
Apple	1980	100	Siri, Beats
Meta	2012	95	Instagram, WhatsApp
Nvidia	1999	20	Mellanox, Bright Computing
Tesla	2010	6	Maxwell, Perbix

As Bloomberg suggested: "*They go by the Magnificent Seven, but act more like the Magnificent Seventy. Viewed this way, as dozens of companies within each, concerns about their record weighting in the S&P 500 miss the point: the index may still be as diversified as ever.*"[3]

What does this mean for equity markets going forward? Taken together, the investment, innovation potential and diversification of today's mega-caps may help put into perspective their elevated share of the index—and the investor enthusiasm the sector continues to attract.

1. https://www.reuters.com/business/finance/buybacks-take-backseat-ai-drives-record-us-capex-spending-2025-10-27/; 2. https://ritholtz.com/2025/08/the-magnificent-493/; 3. https://blinks.bloomberg.com/news/stories/T0MDB8GQ1YPV

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