TD Wealth

Wealth Insights

TD Wealth Private Investment Advice

Autumn 2025

An Exponential Shift?

In 1896, Washington, DC banned the introduction of cars because they threatened the livelihoods of horses. As *The Washington Post* reported: "*The horse's occupation, so largely taken away by reason of the use of bicycles, shall not further be displaced by horseless carriage.*"[1]

Change is hard. History shows it's difficult to know, in the moment, which changes will reshape the world.

While the underlying economic challenges we've faced since the start of the year haven't changed much, markets have performed well since their April lows. The S&P 500 surged more than 30 percent in just two months, one of the fastest rallies in recent history, and the S&P/TSX hit multiple new highs.[2] This optimism wasn't entirely misplaced: growth has proven more resilient than expected, trade tensions have eased as extreme threats are abandoned and many expect central banks to cut rates if conditions weaken.

Investor enthusiasm was also boosted by solid earnings from major tech firms linked to artificial intelligence (AI). Their impact shouldn't be underestimated. The "Magnificent 7" increased capital expenditures by 40 percent last year and continue to expand this spending, while the rest of the S&P 500's capex grew less than 4 percent. In the first half of 2025, AI-related capex contributed more to U.S. GDP growth than consumer spending.[3] Some analysts have even asked: *Would the U.S. economy have contracted without this massive spending?*

Few doubt that AI will be an economic driver in the years ahead, but the successful adoption of any new technology doesn't translate into financial success for all its early adopters. Technology has indisputably been a key driver of productivity, but key questions remain: Will AI live up to its transformative promise? And, beyond the excitement, who will emerge on top?

It's also worth reflecting on where we are in the AI "cycle." AI isn't new—its roots go back to the 1950s when Alan Turing proposed his now-famous "*Turing Test*" for machine intelligence. What's different today is the pace of change, driven by exponential increases in computing power, vast datasets and advances in machine learning algorithms. To put it in perspective, global data generation is expected to exceed 180 zettabytes in 2025. In the late 1980s, annual data generation was measured in terabytes (TB)—or 0.000000001 zettabytes (and back then, 1TB of storage cost over $20 million!).[4]

AI's exponential growth mirrors compounding in investing: quiet at first, then gaining powerful momentum over time. That's why, as advisors, one of the most valuable principles we stress is simple: *never interrupt compounding unnecessarily*.

Oberman ▪ Mangione
Family Wealth

In This Issue

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To Our Clients:

With students of all ages returning to school, we should be reminded of the importance of ensuring our families have the financial means to support a higher education, should they choose. Post-secondary costs continue to rise, and an investment program is a great way for (grand)parents or family members to provide support—and create a lasting legacy.

As we enter the final months of the year, please call if you require any investment assistance. Enjoy the fall colours!

— Oberman Mangione Family Wealth

After a summer where markets rallied from their April lows to hit multiple all-time highs, many investors find themselves climbing the cautionary "wall of worry": Where do we go from here?

As always, risks remain—a slowing economy, lingering trade policy impacts and potential volatility if today's optimism proves overextended. Yet momentum can carry further than many expect. We don't know exactly how AI will shape tomorrow, and elevated valuations only add to the uncertainty. That's why the principles of investing remain unchanged, including discipline, diversification and the tenacity to endure short-term uncertainty in pursuit of long-term results. These fundamentals have served investors well through countless cycles—and remain as relevant today as ever.

1. https://collabfund.com/blog/what-a-world/; 2. Bloomberg, S&P 500 4/8/25 to 6/8/25; 3. https://fortune.com/2025/08/06/data-center-artificial-intelligence-bubble-consumer-spending-economy/; 4. https://ourworldindata.org/grapher/historical-cost-of-computer-memory-and-storage

Estate Planning Considerations

The RESP & Your Will: Why Estate Planning Matters

Why consider estate planning for the Registered Education Savings Plan (RESP)? Here's how key benefits could be lost.

With kids back to school, it's a timely reminder of how the Registered Education Savings Plan (RESP) can play a role in supporting post-secondary education, while offering key benefits:

- **Income-splitting** — When RESP funds are withdrawn for qualified education, investment income/growth and grants are typically taxed in the beneficiary's hands—often in a lower tax bracket. This feature shouldn't be overlooked by high-net-worth families.
- **Tax-deferred growth** — Investments within the RESP can grow tax-sheltered until withdrawal.
- **Government grants** — The Canada Education Savings Grant (CESG) provides up to $7,200 in matching grants per beneficiary.

However, these benefits can be lost if the RESP is not addressed in the event of death. Why? Unlike the Registered Retirement Savings Plan (RRSP), which can pass directly to a named beneficiary and bypass probate, RESP assets do not transfer to the student beneficiary.

If there is no joint subscriber (the "subscriber" sets up and makes RESP contributions) or if no successor subscriber is named in the will, the RESP forms part of the estate and will typically be collapsed by the executor. If the RESP is collapsed, the assets fall into the deceased subscriber's estate. The assets forming part of the estate could trigger potential consequences, including:

- **Tax** on accumulated income payments, payable by the estate;
- **Repayment** of CESGs;
- **Probate fees** (where applicable); and
- Assets becoming **subject to creditor claims**.

Financial Tips for Students from Those Who Went Through It

The *Wall Street Journal* asked readers to share advice for students heading back to school. Here are their tips (some may even be useful for those of us in adulthood!):

1. *Track your finances. Save and subsist!*
2. *Consider a small part-time job and start a habit of saving $25 each week.*
3. *Create a budget and stick to it.*
4. *Wait a day to buy it.*
5. *No loans for expenses.*
6. *Learn assets and liabilities.*
7. *Treat credit like cash.*
8. *Build your credit score.*
9. *Budget for a broken heart; it's cheaper than a failed semester!*
10. *Resist peer pressure.*
11. *Master compound interest.*
12. *Don't forget to HAVE FUN!*

Source: "25 Financial Tips for College Students," D. Gallego, *Wall Street Journal*, 8/17/23.

As a result, the RESP loses its key benefits: future income-splitting, tax-deferred growth and grant eligibility. It may also disrupt legacy plans, as RESP assets may instead be distributed to beneficiaries of the will, who may differ from the intended RESP beneficiary.

How to Preserve RESP Benefits

To help ensure RESP advantages are protected and your intentions are honoured, consider the following:

1. Name a joint subscriber (for spouses/partners or former spouses/partners who are legal parents of the beneficiary only). The surviving joint subscriber continues managing the plan, retaining its tax and grant benefits. Both joint subscribers should ensure their wills contain mirror RESP clauses to direct what happens on the death of the survivor.

2. Appoint a trusted successor subscriber in your will. This allows a trusted individual to take over the plan, potentially preserving future benefits. Keep in mind the new subscriber would control the plan and could potentially collapse it to receive funds personally (subject to tax).

3. Consider a testamentary trust. Under certain conditions, your will can name a testamentary trust as the successor subscriber. Subject to the terms of the will, assets could be left to the trust to continue making RESP contributions beyond your death (subject to contribution limits), with the trustee obligated to follow the terms of the trust.

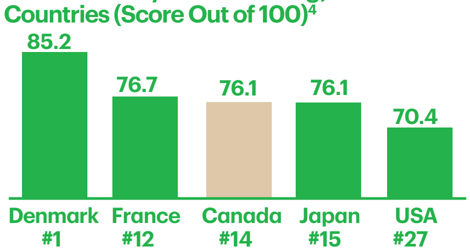
Oh Canada! On Global & Social Mobility (& Snowbirds, Be Aware)

After a summer when travel to the U.S. fell sharply due to ongoing trade tensions,[1] many Canadians explored other international destinations.[2] It's worth noting that the Canadian passport remains a valuable asset, offering significant global mobility. In the Global Passport Ranking, Canada ranks 8th, granting visa-free access to 184 countries. Singapore tops the list, with access to 193 countries.[3]

While we often take this mobility for granted, recent compliance updates have served as an awakening for some Canadian snowbirds planning to head south this winter. Since April 2025, Canadian visitors who spend 30 consecutive days or more in the U.S. must register with U.S. Citizenship & Immigration Services (USCIS)—unless already issued an electronic *Form I-94*, which is typically automatic for air travellers.*

This development highlights the value of our freedom to travel and brings into focus broader reflections on opportunity. Many of us have won the "genome lottery": Life opportunities are largely dictated by the socio-economic circumstances we're born into. Before the pandemic, the Global Social Mobility Index ranked Canada in the

Social Mobility Index Ranking, Select Countries (Score Out of 100)[4]



top quartile (14th) by social mobility, or the ability to move between socio-economic strata. Indeed, it's a privilege, and perhaps a point for reflection during the Thanksgiving season and beyond, to call Canada home.

*Land and sea arrivals can complete *Form I-94* at: https://i94.cbp.dhs.gov/home

1. https://www.cbc.ca/news/canada/edmonton/where-canadians-are-travelling-instead-of-united-states-1.7602862; 2. https://globalnews.ca/news/11329629/canada-return-trips-us-travel-ongoing-decline/; 3. https://www.henleyglobal.com/passport-index/ranking; 4. https://www3.weforum.org/docs/Global_Social_Mobility_Report.pdf

Tax Tips for the Final Months of the Year

Tax Planning Before Year-End? Don't Forget the Carry-Forward Rules

As we approach year-end, here is an overview of the carry-forward rules for accounts and common tax deductions/credits.

The final months of the year are when tax strategies are top of mind. The tax rules allow you to carry forward certain credits or deductions not used in the current year. Here are reminders—along with tips to help you optimize contributions, deductions and timing strategies.

Capital Losses — If investments held in non-registered accounts are sold for less than their original cost, the capital loss can be used to offset capital gains realized during the year. If you don't have sufficient capital gains, the net capital loss can be carried back three taxation years, or carried forward indefinitely to use against taxable capital gains. ***Tip:*** Be aware of the superficial loss rules, which may deny the loss if you or an affiliated entity acquires the same security 30 days before/after the date of the loss transaction.

Registered Retirement Savings Plan (RRSP) — Both available RRSP contribution room and unused RRSP contributions available to deduct may be carried forward. ***Tip:*** You don't have to wait for the March 2, 2026, deadline to make 2025 tax year contributions. Contributing as early as possible can allow for greater tax-deferred growth. Also, deferring the deduction can provide tax-planning opportunities, i.e., if you contribute today, delaying the deduction to a future year when you have higher income can offset a higher tax liability.

Tax-Free Savings Account (TFSA) — Unused TFSA contribution room carries forward indefinitely. ***Tip:*** If you plan to withdraw, consider doing so before year-end. Withdrawals made after December 31, 2025, won't restore contribution room until January 1, 2027.

RESP — The CESG, a 20 percent matching grant, is capped at $500 per year; however, up to $1,000 in grants may be received per year if there is an available carry-forward balance. ***Tip:*** Consider an annual contribution of $5,000 if catching up to achieve the maximum grant.

First Home Savings Account (FHSA) — FHSA holders can contribute $8,000 in annual participation room to a lifetime limit of $40,000. Unused room carries forward, but the maximum you can carry forward is $8,000. ***Tip:*** Since the FHSA closes at the end of its 15th year (or year after a first qualifying withdrawal), fully contributing from the onset may help maximize tax-free growth.

Charitable Donations — Donations not claimed in the current year can be carried forward for five tax years. This may be useful for U.S. charity donations, as these generally can only be claimed against U.S. source income earned in the year the credit is claimed. ***Tip:*** If you donate shares "in kind" to an eligible charity, you receive a donation receipt for the fair market value. For appreciated shares in a non-registered account, the donation may also eliminate the tax liability on capital gains triggered.

Medical Expenses — While medical expenses can't be carried forward, you can claim eligible expenses for any 12-month period ending in the current tax year. ***Tip:*** If expenses don't exceed the minimum threshold within a calendar year, consider choosing a 12-month period extending into a different year, e.g., if significant expenses were incurred between June 1, 2024, to May 31, 2025, you could use this period to claim expenses on your 2025 tax return.

Business Owners: Allowable Business Investment Loss (ABIL) — An ABIL is a capital loss arising from the disposition of certain shares or debt of a small business corporation. These losses are deductible against all sources of income in the year realized. Unused ABILs are treated as non-capital losses and can be carried back 3 taxation years or carried forward for 10 years. ***Tip:*** ABIL balances remaining after the 10th taxation year become a net capital loss and can be carried forward indefinitely to reduce future taxable capital gains only.

Wealth Perspectives: Canadians Have Never Been Wealthier

Recent statistics suggest that Canadians are wealthier than ever, with average household net worth reaching $1.026 million at the end of last year. Average household net worth has grown by 30 percent since 2019, with Millennials ($633,467) and Gen X ($1.2 million) average net worth rising more than 10 percent over the year.[1]

Despite this, many don't feel wealthy. Wealth can be a slippery benchmark—it often feels like it's never quite enough. Rising living costs strain many, while constant connectivity makes some feel like they're falling behind the Joneses. Yet, it's worth remembering: being a millionaire puts you in the top 1.6 percent of global wealth holders.[2]

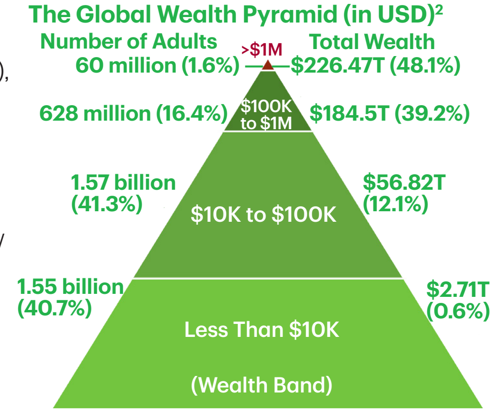
With that in mind, here are some perspectives on wealth creation:

Building wealth has less to do with income and more to do with savings. Wealth is simply the accumulated difference between what you earn and what you spend. You don't need a high income to build wealth, but without a high savings rate, your chances are slim.

Wealth is relative to your needs. People require vastly different amounts to get by each month. A dollar saved means something very different depending on one's lifestyle, location and priorities.

Time is a great ally, and starting early has benefits. Consider two investors investing for 20 years at an annual return of five percent. A 25-year-old invests $500/month for 20 years ($120,000 total), stops contributions and lets it compound until age 65, growing to around $550,000. A 45-year-old would need to invest $1,350/month, or $324,000 (2.7 times more), to achieve a similar outcome by 65.

The Global Wealth Pyramid (in USD)[2]



One of the lessons we've learned from our time in the industry is that the principles of successful wealth creation remain timeless. Wealth comes from choices, not chances: choosing to save wisely and pay yourself first, living within your means and having an investment plan focused on quality, diversification and discipline—with the patience to let it work for you over the long run.

1. https://financialpost.com/wealth/canadian-households-worth-more-million-2024; 2. In USD: https://www.ubs.com/global/en/wealthmanagement/insights/global-wealth-report.html

Maximizing Your Future Benefits: Why OAS Timing Matters

If you're nearing retirement, understanding the role of government benefits for your income plan is critical—especially OAS.

For the average Canadian senior household with a combined annual after-tax retirement income of $75,000, around half of that income typically comes from the Canada Pension Plan (CPP) and Old Age Security (OAS).[1] While CPP is based on work history and contributions, OAS is a universal benefit available to most Canadians regardless of work history. And because it's income-tested, the timing of when to start OAS can have a major impact on how much you receive—and how much you keep.

While the decision of when to begin OAS depends on individual circumstances—such as income needs or life expectancy—planning ahead can help maximize benefits. Here are key factors to consider:

Delaying OAS can increase benefits. OAS payments typically begin at age 65. The maximum monthly OAS payment is $727.67 (Q1 2025, ages 65 to 74*), or $8,732 per year. Unlike the CPP, which can begin at age 60, you can't start OAS early. However, if you do not need the funds, consider that delaying OAS benefits until age 70 increases payments by 0.6 percent per month to a maximum of 36 percent (or an additional $262 per month, or $3,144 per year based on current figures).

Understanding the clawback. Unlike CPP, OAS is subject to a recovery tax (clawback). If your net annual income is greater than $93,454 (2025), your OAS is reduced by 15 percent of the excess amount. If net income reaches $151,668 (ages 65 to 74), your OAS benefit is fully eliminated.

Other income can impact OAS. Due to the clawback, it's important to consider how income streams can impact benefits, including:

- **Employment income** — If you plan to continue working past the age of 65 and have a high income, delaying OAS may help you avoid the clawback.
- **Mandatory RRIF withdrawals** — If you convert your RRSP to the RRIF at age 71, mandatory RRIF withdrawals will begin at age 72, increasing taxable income. Some retirees choose to convert their RRSP to the RRIF earlier and withdraw smaller amounts before 65 to reduce the size of mandatory withdrawals later. This strategy can help manage taxable income and potentially mitigate the impact of the OAS clawback.
- **CPP payments** — CPP payments are taxable and will increase net income. The maximum monthly CPP payment is $1,433 (2025), or $17,196 annually. If you choose to delay CPP, this will increase payments by 8.4 percent per year after age 65, to a maximum of 42 percent (equating to an additional $602/month or $7,222/year).
- **TFSA withdrawals** — TFSA withdrawals are not taxable and therefore will not impact OAS eligibility, making the TFSA a potentially useful tool to preserve benefits if income is needed.

Preserving benefits through pension income splitting. If you have a spouse or common-law partner, splitting eligible pension income may help reduce taxable income to avoid the clawback. However, be aware that it could impact a spouse's OAS eligibility.

What if Your Circumstances Change?

If you plan to defer OAS but later experience health issues or a shortened life expectancy, you may be eligible for retroactive payments, up to a maximum of 11 months, from the date an application is received by Service Canada.

Need Support?

Deciding when to take OAS is just one part of a comprehensive retirement strategy. We are here to help you navigate these decisions to help optimize retirement income. For a deeper discussion, please call. For more information: https://www.canada.ca/en/services/benefits/publicpensions/old-age-security/benefit-amount.html

1. Statistics Canada 2024 Canadian Income Survey: Adjusted for inflation. In 2022, income was approximately $74,200 per year. *Or $800.44 per month for ages 75 and older. You will receive the increase in the month following your 75th birthday. This article should not be construed as specific tax advice. Please consult tax advisors regarding your situation.

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