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The Way I See It

By Sergio Simone

A Fundamentals-First Recap and What to Expect

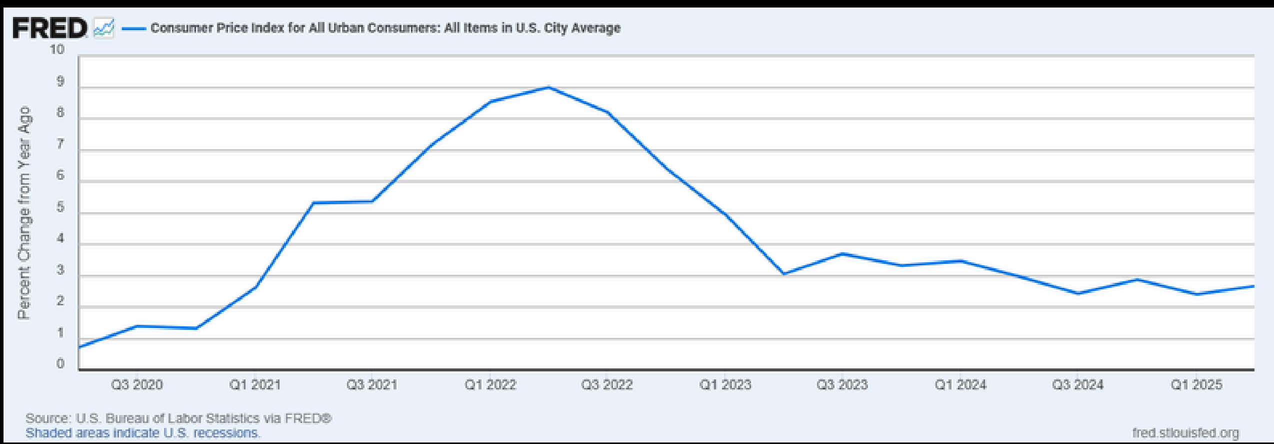
As we enter the fourth quarter, I've been doing my usual start-of-month portfolio reviews - with extra attention given it's Q4 - and re-checking the market's underlying health. 2025 started on strong footing, then headlines about tariffs, politics, and assorted "noise", drove a mid-year wobble. Through that stretch we stuck to fundamentals rather than reacting to the tape - and positioned for an eventual rebound that we felt strongly about. With Q4 underway, here's where U.S. fundamentals stand today and what that could mean for portfolios into year-end.

Looking back over the year to date, the U.S. backdrop has been more constructive than the headlines suggested. Inflation has cooled meaningfully from its peaks, the Federal Reserve has shifted toward a more supportive stance, and credit conditions have remained orderly - signals that usually accompany a stable economic expansion rather than a contraction.

Earnings have continued to grind higher even if the path hasn't been perfectly smooth, and market leadership has broadened beyond a small group of mega-cap names. Those were the reasons we stayed invested, rebalanced into weakness where appropriate, and kept quality at the core.

So, where does that leave us now that Q4 is underway? In short, with fundamentals that still argue for discipline and patience. Policy rates are no longer rising and are more likely to be a tailwind than a headwind if inflation continues to behave. Credit markets are calm, which tells us financial conditions are not flashing stress. Growth is uneven - manufacturing remains soft while services are steadier - but "uneven" is very different than "absent." Seasonally, the final quarter often provides a more supportive backdrop for equities; history is by no means a guarantee of the future, but it does act as a barometer that keeps us informed and guide us on our thinking about risk and opportunity as the year winds down.

U.S. Inflation Trend



Inflation keeps easing from prior peaks: U.S. CPI (year-over-year) has trended lower over the past five years, supporting a more constructive policy backdrop into Q4. Source: BLS/FRED

For portfolios, especially those leaning towards U.S. equities, which most of our client's portfolios do, the message is to stay invested and stay selective. We continue to emphasize companies with resilient balance sheets and durable free cash flow, the kind that can benefit from easier financial conditions without relying on perfect economic data, so to that end we focus on mutual fund managers that share the same core beliefs in their investment philosophies and strategies. We then balance this 'quality core' with selective exposure to cyclicals where valuations and fundamentals still look reasonable.

On the defensive side, short-to-intermediate bonds, high-quality dividend payers, and liquid alternatives remain useful complements to equity risk as interest rates drift lower. None of the way we operate at KPW Financial is about swinging for the fences; it's about letting the data - not the noise - do the steering while we manage the risk deliberately.

Market Context (S&P 500, YTD

U.S. equities YTD: The S&P 500's path shows early-year strength, a mid-year pullback, and renewed focus on fundamentals into Q4. Source: Yahoo Finance

The Way I See It

Into year-end we will keep a close eye on the same indicators that have guided us all year: the inflation trend and the Fed's tone, the direction of earnings revisions, the behavior of credit spreads, and the health of purchasing-manager surveys across manufacturing and services. If those gauges stay supportive, the path of least resistance should remain constructive. If they deteriorate, we'll adjust promptly - reducing risk where needed and leaning again on diversification to soften the bumps.

The bottom line is that, despite a mid-year pullback and plenty of drama in the headlines, the U.S. fundamental picture entering Q4 is still favorable for patient investors. That's the environment we positioned for earlier in the year. We'll continue to manage risk actively, but our base case supports remaining invested and letting fundamentals – not fear – drive decisions.

When people think of financial advisors, they often think of investment planning — building portfolios, tracking market performance, and managing risk. And while that's certainly part of what we do, it's far from the whole picture.

In fact, our mission is to provide **holistic financial planning** that goes well beyond investments. If you're working with us, you're not just getting help with your portfolio — you're gaining a partner who's here to guide you through every aspect of your financial life.

What Does Holistic Planning Include?

Our comprehensive financial planning services are designed to help you make confident decisions across a wide range of areas:

· **Retirement Planning:** We help you visualize your retirement goals and create a roadmap to get there — whether you're just starting out or already retired.

· **Tax Planning:** We look for strategies to help you minimize taxes now and in the future, working in coordination with your CPA or tax professional.

· **Estate Planning:** We help you think through how your assets will be passed on, and ensure your wishes are clearly documented.

· **Insurance Review:** We evaluate your coverage to make sure you're protected against life's uncertainties.

· **Cash Flow & Spending:** We help you understand your income and expenses and build a plan that supports your lifestyle and goals. Cash flow modelling is the foundation for finding out how much money you need to maintain your desired lifestyle, no matter what happens.

Behavioral Coaching: A Hidden Superpower

One of the most valuable — and often overlooked — aspects of our work is behavioral coaching. Markets fluctuate, headlines can be alarming, and emotions can lead to impulsive decisions. We're here to help you stay focused, avoid costly mistakes, and stick to your long-term plan.

Your Goals, Your Lifestyle, Your Plan

Every client is unique. That's why we take the time to record and understand your goals, values, and priorities. Your financial plan is built around what matters most to you — not just numbers on a spreadsheet.

When I first started in this profession, many of my first meetings started with someone asking me to invest their money or explain a financial product to them. In fact, I would wager that even today, many financial advisors meet prospective clients this way. As holistic financial planners, we have since evolved into a mindset in which discussing financial products should come later in the relationship. Learning about your goals, values, and financial attitudes and then modelling this into a financial life plan should always come first.

You’re Paying for More — Use It!

If you’re working with us, you’re already investing in a relationship that offers far more than investment advice. We encourage you to take full advantage of everything we offer. Whether you have questions about buying a home, saving for college, or planning a charitable gift — we’re here for you. And if you use all our services, you end up with an additional added value that exceeds the cost of any investment you own through us. For example, according to Vanguard’s “Advisor Alpha” study and a Russell Investments study, a financial advisor can add 3% to 4% in net annual value through the following:

Service Area	Estimated Annual Value Added
Behavioral Coaching	1.93%
Customized Planning	1.04%
Tax-Smart Strategies	0.68%
Portfolio Rebalancing	0.20%
Total	~3.85%

Let’s Make Sure You’re Getting the Full Value

If you haven’t had a recent review of your full financial plan — or if you’re unsure whether you’re using all the services available to you — let’s talk. Call, email, send a messenger pigeon. However, you do it, lets schedule a planning session. No question is too small, and no goal is too big. We’re here to help you make the most of your financial journey.

For many seniors, the family home is more than just a property. It is a place filled with memories, milestones, and a deep sense of comfort. The idea of leaving it behind can be emotionally difficult, which is why so many people express a strong desire to age in place. While this decision offers emotional benefits and stability, it also comes with important financial and lifestyle considerations that should be carefully reviewed.

Remaining in the family home often feels like the easiest and most natural choice. Familiar surroundings provide comfort, and staying close to neighbours and community can offer a sense of belonging. However, as individuals age, the home itself may no longer meet their needs in the same way it once did. Accessibility, safety, and ongoing maintenance become increasingly important factors to consider. Renovations such as installing ramps, stair lifts, or accessible bathrooms can make aging in place more practical, but they can also represent a significant financial investment.

The financial side of staying in the home extends beyond modifications. Property taxes, utility costs, and regular upkeep all continue regardless of age. For seniors on fixed incomes, these expenses can become more challenging to manage. Planning ahead to understand cash flow, explore options for deferring property taxes, or setting aside funds for maintenance can help alleviate stress and allow seniors to remain in their homes longer.

Health care is another important consideration. As needs evolve, it may become necessary to bring care into the home. While in-home support allows seniors to maintain independence, it can be costly over time. Reviewing insurance coverage, government benefits, and private care options early on ensures that families are prepared for future expenses.

There are also lifestyle factors to weigh. Staying in the family home may provide comfort, but it can sometimes lead to isolation if mobility or driving becomes an issue. Seniors who wish to remain at home often benefit from planning ahead for social connection, whether through community programs, family involvement, or support services.

Maintaining a balance between independence and connection is key to long term well being. Ultimately, the decision to stay in the family home is deeply personal. The emotional attachment is undeniable, but it should be balanced with a clear understanding of the financial and practical realities. With thoughtful planning, it is possible to create a strategy that allows seniors to remain in the place they love while protecting their financial security and lifestyle.

As lifestyle financial planners, we work with clients to explore the full picture, emotional, financial, and practical, so they can make informed decisions that align with their values. Making the choice to stay in the family home is deeply personal, but it does not have to come at the expense of security or comfort.

With careful planning and a clear understanding of both financial and lifestyle factors, seniors can remain in the homes they love while maintaining independence, peace of mind, and quality of life. Thoughtful strategies for cash flow, maintenance, and in home support ensure that aging in place is not just a possibility, but a sustainable and fulfilling option. Collaborating with an experienced team can help families develop a plan that safeguards their future while allowing them to remain in the home they value most.

When Data Goes Dark

"Without data, you're just another person with an opinion." – W. Edwards Deming

When the Data Goes Dark: How Government Shutdowns Affect Market Analysis

While the lights remain on at the New York Stock Exchange, the U.S. government shutdown—now entering its second week—has dimmed the usual flow of economic data that shapes market sentiment. For instance, Wall Street traders did not receive their regular 8:30 a.m. employment report on Friday, and the Consumer Price Index scheduled for this morning has been delayed. As the economic indicators that guide billions of dollars in daily trading decisions are on pause, this situation highlights the extent to which modern financial markets rely on government-produced economic information for decision-making.

The U.S. Data Machine

The United States operates one of the world's most comprehensive economic data collection systems. The Bureau of Labor Statistics employs thousands of statisticians tracking everything from unemployment rates to gasoline prices. The Census Bureau surveys millions of businesses monthly to gauge economic activity. The Bureau of Economic Analysis synthesizes this information into GDP figures that help determine whether America is in recession or expansion.

Consider the U.S. Consumer Price Index (CPI), which measures inflation by tracking changes in the cost of goods and services over time. Data collectors visit 23,000 retail establishments across 75 American cities monthly, recording prices for over 80,000 specific items while adjusting for quality improvements, seasonal patterns, and regional variations to create a comprehensive inflation measure that helps guide Federal Reserve policy decisions.

Conversely, the Purchasing Managers' Index (PMI) surveys American manufacturing executives to capture real-time business sentiment from people making production, hiring, and inventory decisions. These forward-looking readings often signal economic turning points months before they appear in historical statistics.

While Canada operates its own comprehensive data system through Statistics Canada to inform Bank of Canada decisions and domestic financial markets, the two economies are deeply intertwined in ways that make U.S. data equally critical for Canadian investors. Canada sends 75% of its total exports to the United States, representing nearly 18% of Canadian GDP, while the U.S. accounts for 63% of Canadian imports. This makes Canada more economically integrated with the United States than virtually any other major economy globally.

This integration extends beyond simple trade flows. Roughly half of all Canada-U.S. merchandise trade involves companies trading with their own subsidiaries or related parties across the border. Additionally, 12% of Canadian exports to the U.S. actually contain value-added components that originated from U.S. producers—meaning these exports indirectly support American businesses and workers. Canadian investors also hold nearly $1.1 trillion in direct investments in the United States, compared to $620 billion flowing the other direction.

This deep interconnectedness means that when U.S. economic data is delayed, Canadian investors lose critical intelligence for understanding conditions affecting nearly three-quarters of their export markets. Canadian portfolio managers rely heavily on U.S. employment, inflation, and PMI data to assess everything from commodity demand to exchange rate movements. The temporary absence of this information creates particular challenges for integrated North American investment strategies, where economic conditions on both sides of the border drive investment decisions.

Adapting Analysis During Data Gaps

During periods of limited government data availability, investment professionals typically adjust their analytical approaches while navigating new information asymmetries. While alternative data sources exist—large institutional investors might access real-time credit card spending data or private employment surveys like ADP—these create uneven advantages since individual investors typically depend on publicly available government data. Moreover, these alternatives have significant limitations: ADP's payroll data captures large employer hiring patterns while missing small business employment changes, and credit card spending data excludes cash transactions and government benefit spending.

These information gaps create challenges throughout the investment process. Without key economic data, it becomes harder to assess whether stocks in different sectors are attractively valued or whether bond investments offer appropriate returns for current economic conditions. While corporate earnings reports continue to provide company-specific insights, they can't fill the broader economic picture that helps determine whether the overall market environment favors growth stocks over value investments, or domestic holdings versus international diversification.

The effects extend to portfolio risk management, where the usual guideposts become less reliable. When employment and inflation data are delayed, the relationships that typically exist between different investments—such as how bond prices move relative to stock sectors—may not follow their normal patterns. This uncertainty often leads investment managers to take more conservative positions until comprehensive economic data becomes available again, affecting both the timing of investment adjustments and the confidence level in making significant portfolio changes.

The Bottom Line

It’s important to note that government shutdowns have not shown a consistent effect on financial markets. Some periods have coincided with gains, others with losses, and many have had little measurable impact at all. What they do introduce is a layer of uncertainty that calls for more deliberate analysis and measured risk management. Markets keep functioning; it is the flow of information that narrows temporarily. The narrowing of information is precisely what reveals how much modern investing depends on the steady rhythm of economic reporting.

Importantly, the slowdown in data reporting does not remove opportunity, though it shifts the emphasis toward discipline, flexibility, and caution. Ultimately, the data infrastructure that underpins global markets has proved resilient, and when regular reporting resumes, markets tend to adjust quickly and efficiently. Until then, investors will continue to work with what remains visible while waiting for the full picture to return.

Why We Chase Certainty

And What it Costs

By Sergio Simone

I’ve seen it time and time again: investors crave certainty. And honestly, I get it. When you’ve built something meaningful, the last thing you want is to watch it wobble in the wind. But here’s the paradox - chasing certainty in investing often leads to decisions that quietly chip away at long-term outcomes.

It’s not irrational. It’s human!

When clients react to market swings, they’re not just responding to emotion. Losses feel twice as painful as gains feel good. That’s loss aversion. And when volatility hits, even the most seasoned investors start asking. “Should we pull back?” Not because the fundamentals changed, but because their gut says “danger”.

This is where structured strategies like PAC overlays or interest-only leverage come in. They don’t just offer financial benefits - they offer psychological ones. They create a sense of control. They help clients stay invested when the noise gets unbearably loud. And when I frame these strategies in terms of emotional resilience, not just performance, the conversation shifts.

Because let’s be honest - when a client asks, “is this safe?” they’re not just asking about risk metrics. They’re asking, “Will I feel okay sticking with this when things get uncomfortable?” That’s the moment I lean into psychology, not just charts.

Behavioral finance isn't just about identifying biases. It's about designing strategies and conversations that work with human nature. When I present overlays, I don't just say, "This performs better in most scenarios." I say, "This helps you stay invested when markets get noisy." That's the language that lands. And although I may not say it so eloquently, the message is the same.

When I am building scenario tables or walk through stress tests, I'm not just showing numbers - I'm building confidence. I'm helping clients visualize not just what could happen, but how they might feel at each stage.

So, let's dig into one of the most common "safe" choices: GICs. I often describe GIC investing as "going broke slowly." That might sound a little harsh, but let's look at the numbers.

GICs may feel safe, but they quietly erode purchasing power over time. The S&P 500, even after taxes and inflation, delivers meaningful real growth.

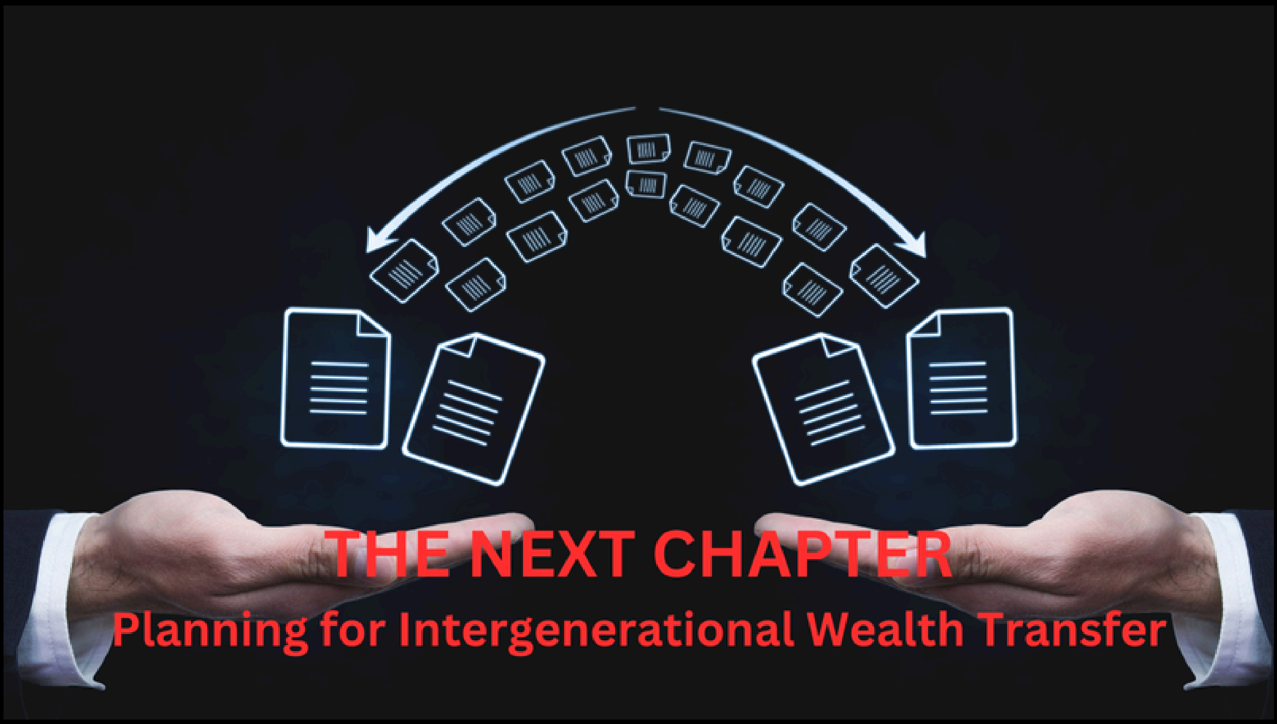
Over the past 10 years, the average annual return on GICs in Canada hovered around 2.5%. Meanwhile the S&P 500 delivered an average annual return of 15.6% in Canadian dollars. That's a massive gap.

But here is where it gets worse: GIC interest is taxed as regular income. For a client in a 53.35% tax bracket, that 2.5% return gets chopped down to just 1.17% after tax. Now subtract inflation - which averaged around 2.6% over the same period - and you're left with a real return of roughly -1.43% per year.

So yes, the principal is guaranteed, but the purchasing power? That's quietly eroding.

Compare that to the S&P 500. Even after accounting for capital gains tax and volatility, the long-term compounding effect is undeniable. And more importantly, it gives clients a fighting chance to outpace inflation and grow real wealth.

This is why I push back - gently but firmly - when clients say they "just want something safe." Because sometimes, what feels safe is actually the riskiest move of all.



By Sergio Simone

At KPW Financial, we understand that for high-net-worth families, wealth is more than a measure of success — it's a legacy that spans generations. As stewards of significant assets, these families face a distinct set of challenges and opportunities when planning for intergenerational wealth transfer. This is not simply about minimizing taxes or avoiding probate. It's about preserving values, preparing heirs, and ensuring that wealth continues to serve a purpose beyond the current generation.

Timing and the Living Strategy

Timing is critical. While many families wait until retirement or estate planning becomes urgent, the most effective strategies begin early — often when the first signs of generational transition appear. Whether it's adult children joining the family business, grandchildren entering university, or aging parents considering succession, these moments signal the need for proactive planning.

At KPW Financial, we encourage clients to treat wealth transfer as a living strategy, not a static event. Early planning allows assets, trusts, and family structures to evolve alongside personal goals, ensuring flexibility and control as circumstances change.

Strategies and Structures for Significant Estates

For affluent families, the options available are both powerful and complex. Trust structures remain foundational, but their design must reflect the family's broader vision. Revocable living trusts provide flexibility and control during one's lifetime, while irrevocable trusts can lock in tax advantages and asset protection. Dynasty trusts, in particular, can preserve wealth across multiple generations, often with significant estate tax benefits.

For families with operating businesses or investment entities, family limited partnerships and holding companies can centralize control, provide income-splitting opportunities, and streamline succession. Estate freezes allow founders to transfer future growth to heirs while managing current tax exposure. Meanwhile, life insurance continues to play a vital role in creating liquidity for estate taxes or balancing inheritances among beneficiaries.

Each structure carries trade-offs. Irrevocable trusts require careful governance. Family partnerships demand clarity around roles and decision-making. Even lifetime gifting — through exemptions or annual exclusions — must be weighed against liquidity, control, and long-term objectives. The key lies not simply in selecting tools, but in integrating them into a cohesive strategy that reflects both financial and personal priorities.

Philanthropy as Legacy

Philanthropy has become an increasingly important dimension of intergenerational planning. Donor-advised funds and private foundations allow families to embed charitable giving into their legacy, while engaging younger generations in purpose-driven stewardship. Beyond tax benefits, these vehicles foster shared values and teach financial responsibility — often serving as a bridge between wealth and meaning.

Control, Stewardship, and Communication

High-net-worth families must balance control with empowerment. Too much structure can stifle initiative; too little can lead to discord or misuse. The solution lies in deliberate communication and governance. At KPW Financial, we help families develop mission statements, succession protocols, and governance frameworks that define responsibilities and promote transparency.

Communication is often the linchpin. Many families wrestle with how much to disclose and when to involve heirs. We facilitate these discussions with discretion and empathy, ensuring that financial preparation is matched by emotional readiness. The goal is stewardship — not entitlement — and continuity built on trust, not assumption.

The Role of Tax and Legislative Awareness

Tax planning remains a dynamic and essential layer of intergenerational strategy. With potential shifts in estate tax thresholds, capital gains treatment, and trust taxation, staying ahead of legislative change is critical. Our team continuously monitors policy developments and works collaboratively with accounting and legal professionals to preserve both flexibility and compliance. For larger estates, a proactive tax lens can make the difference between erosion and preservation of generational wealth.

The KPW Financial Perspective

Intergenerational wealth transfer is about more than preserving capital — it's about preserving intention. For high-net-worth families, the stakes are higher, the structures more intricate, and the opportunities more profound. At KPW Financial, we take a holistic view — integrating investment management, tax efficiency, insurance, estate design, and family governance into a unified framework.

Our mission is to help families sustain their wealth with purpose, preparing heirs not just to inherit assets, but to inherit wisdom, responsibility, and a clear sense of direction.

Whether you are refining an existing plan or beginning the conversation, now is the time to take a closer look at your intergenerational strategy. Speak with any of the KPW Financial advisors to explore how your plan aligns with your family's evolving goals.

"At KPW, we manage wealth to help families shape their future with clarity, confidence, and care."

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Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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