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KPW FINANCIAL

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Carte
WEALTH MANAGEMENT INC.

The Way I See It

By Sergio Simone

Market Volatility

A Signal the Market is Deciding its Next Move

We are seeing substantial turbulence in the equity markets. Rather than treating this as a harbinger of collapse, it can be more helpful to view it as the market signaling a decision point: Is the next major move up or down?

What the volatility is telling us

When the S&P 500 experiences large swings, it often reflects uncertainty - not panic. For example, the CBOE Volatility Index (VIX) remains elevated compared to historical calm stretches, underscoring that investors are on alert. Rather than being a random event, this kind of turbulence suggests the market is weighing inputs: corporate earnings, interest-rate policy responses, global growth dynamics, and valuation risk. The result: many stakeholders are waiting for a clearer read before committing.

In this sense, volatility is the signal rather than the problem.

Why the breakout might be upward

The fundamental backdrop gives reason for optimism: earnings growth remains positive. According to recent data, the S&P 500 is projected to deliver over 13% year-on-year earnings growth for Q2 2025. In addition, forward-earnings estimates have been revised upward.

When earnings are rising and expectations are firming, the risk of a deep downside collapse diminishes. Historically, large drawdowns are most often preceded by deterioration in earnings fundamentals - not when they are still intact. Further, while valuations are above long-term averages, many argue that with interest rates elevated and inflation uncertain, markets may be discounting risk rather than optimism. This provides the potential for upside surprise if growth remains resilient. In short: the cumulative evidence leans toward an **upward breakout** rather than a free-fall.

Why caution is still warranted

That said, caveats remain. First, valuations are stretched when viewed through traditional lenses. If earnings disappoint, the downside risk becomes more pronounced. Second, market volatility can feed on itself: heightened swings can lead to liquidity issues or exacerbate corrections if sentiment changes sharply. And finally, we must remain vigilant for macro-shock triggers - policy missteps, geopolitical escalation, or an inflation resurgence - that could alter the trajectory very quickly.

THE WAY I SEE IT

Given the evidence, my stance is one of **measured confidence.** I believe the market is more likely to break out upward than downward, but this is by no means certain. Volatility should not provoke panic - it should prompt strategic perspective.

For clients, this means staying aligned with long-term objectives, maintaining diversification, and viewing current turbulence as a potential opportunity rather than a reason to retreat. It's not about timing the market, but about positioning wisely when the direction becomes more clear.

Final takeaway

The elevated volatility we're experiencing is not simply noise - it's a reflection of important decision-making within the market. At present, the fundamentals favor an upside breakout, but we must remain alert and agile. The next leg of the cycle may not be smooth, yet it appears to hold more potential upside than downside. In this moment, volatility is the signal; the direction remains to be determined.

Lifestyle Planning Solutions

by Ryan Simone, CFP, CLU, CHS

Why We Spend the Way We Do

Spending isn't just about numbers. It's about feelings. Research shows that purchases often stem from emotional triggers like stress, boredom, anxiety, or even celebration. This is why 'retail therapy' feels good in the moment—it activates the brain's reward system, releasing dopamine and giving us a temporary mood boost. But that high doesn't last. And when the bill arrives, it can lead to guilt, regret, or even financial strain.

We're social creatures, and our spending habits reflect that. Whether it's keeping up with friends, influencers, or neighbors, the pressure to 'fit in' can lead to purchases that don't align with our goals. To make matters worse, social media amplifies this effect, showing us curated lifestyles that make us feel like we're falling behind.

Behavioral finance teaches us that we're not always rational with money and there are a few mental traps that influence spending such as 'loss aversion', 'mental accounting' and 'present bias'. With loss aversion, we fear missing out on a deal more than we value saving money. It's a common sales tactic we're all familiar with and it's the reason my freezer is filled with 12 boxes of frozen chicken fingers. Mental accounting is about how we treat money differently depending on its source. For example, a tax refund versus a pay cheque and with present bias, we prioritize gratification over long-term goals. Present bias can be a huge roadblock for adequate retirement planning or life planning in general. It's all about finding that equal balance of enjoying life now but not at the expense of your future self. Understanding why we spend is the first step toward changing how we spend. Here are a few strategies to help:

- Pause Before You Purchase: Wait 24 hours before buying something non-essential.
- Be Aware of Your Triggers: Notice when and why you're tempted to spend. Is it stress, boredom, or social media? Do all your cottage neighbors have cool snowmobiles that you watch every winter from your window, as they glide across the crisp frozen lake like a tone skipping across the water, but you need to save for the basement bathroom reno, even though you already have two working bathrooms and no one will ever use the shower in the basement?
- Create a "Feel-Good" Budget: Allocate a small amount for guilt-free spending so you don't feel deprived.
- Practice Mindful Money Habits: Ask yourself, 'Is this purchase aligned with my values and goals?'

If you've ever felt like your money decisions are driven more by emotion than intention, you're not alone and you don't have to navigate it alone either. One of the planners at Kleinburg Private Wealth can talk with you about how to align your spending with your values and long-term goals. That way you don't have to go through life wasting money on things you don't need or care about. Together we can come up with a spending plan that supports your lifestyle.

Wealth & Wisdom

By Kristina De Souza, CFP, CFDS, RHS

Peace of Mind and Purpose

The True Value of Financial Planning

In recent months, my team has shared great insight into the dollar value of financial advice, explaining how thoughtful planning can directly improve outcomes through better returns, tax efficiency, and smarter decision-making. We have also touched on the psychological benefits of working with a financial planner, including the confidence, clarity, and peace of mind that comes from having someone in your corner to help navigate complex decisions and stay focused on what truly matters. Building on those conversations, I wanted to take a closer look at the behavioral and emotional value of financial advice. Even the most sophisticated financial plan only works if it aligns not just with your numbers, but with your mindset and habits.

This topic has been a focus in our industry and came up repeatedly during our recent annual conference, where many of us reflected on how the true impact of advice often goes far beyond market performance or net worth. In our profession, we often refer to this as the advice value stack, the layers of value that go beyond financial metrics and touch the emotional and behavioral aspects of money. Understanding these layers can help clients make better decisions and feel more secure in their financial journey.

At the foundation of the advice value stack is peace of mind. Having a professional in your corner means you are not alone in making high-stakes financial decisions.

Whether markets are volatile or life presents unexpected challenges, a planner helps you stay grounded and focused on what you can control. That sense of stability is invaluable, especially when emotions can drive short-term reactions that undermine long-term goals. Next are clarity and confidence, which comes from having a well-crafted financial plan that turns a jumble of competing priorities, such as saving for retirement, helping children with education, buying a home, or managing debt, into a clear, actionable roadmap.

Many clients tell us that the biggest relief comes not from a new investment strategy, but from simply knowing where they stand and having a plan that reflects their values. With guidance and structure, clients are empowered to move forward with confidence and purpose.

Another key layer of the advice value stack is behavioral coaching, perhaps the most underestimated benefit of all. Even the most sophisticated investors can fall prey to biases such as chasing returns, panicking in downturns, or delaying important decisions out of fear. A financial planner acts as a steady hand, helping clients make decisions rooted in logic rather than emotion. Over time, this guidance can have more impact on financial outcomes than almost any other single factor. Behavioral coaching is also about accountability, helping clients stay disciplined and stick to their plans even when it feels uncomfortable or uncertain.

It is a subtle but powerful influence that keeps long-term goals on track. When combined with clarity and peace of mind, behavioral guidance completes a strong foundation for financial success.

In the end, the value of working with a financial planner cannot be fully measured in percentages or performance charts. It is reflected in confidence, clarity, calm, and the freedom to focus on what is most important. While numbers are important, it is the human side of advice, the guidance, accountability, and reassurance, that truly elevates financial planning from a transaction to a transformation.

At Kleinburg Private Wealth, we see financial planning as a journey, not a checklist. By partnering with clients to understand both the numbers and the emotions behind their decisions, we help them create a life that is not only financially secure but also aligned with their values, priorities, and visions. Through this approach, financial planning becomes more than wealth management; it becomes a roadmap for living with purpose, balance, and confidence.

Canada’s 2025 Federal Budget

The Numbers, The Changes, and Why it Matters to Wealth Investors

“A budget is telling your money where to go instead of wondering where it went.”
— John C. Maxwell

It’s now been a week since the official release of Canada’s 2025 Budget, and the conversation surrounding its impact is in full swing. With projected deficits, debt growth, and major new initiatives in housing, infrastructure, and business investment, the budget introduces changes that directly affect portfolio management, borrowing costs, and long-term financial planning. For private wealth investors, understanding these measures—and the market responses to them—is essential to navigating the year ahead.

The most immediate number that jumps off the page is the $78.3 billion projected deficit for 2025-26, representing 2.5% of GDP—more than double earlier expectations and marking a historic non-recessionary high. That increased deficit is projected to push the federal debt higher, from $1.27 trillion to $1.35 trillion, as the government leans into investment spending while aiming to pivot away from pandemic-era deficits over the next four years. On the spending side, Ottawa is allocating $141.4 billion in new commitments over the next five years, with investment in infrastructure, innovation, and housing leading the charge. The government's vision is a bold one: to mobilize $1 trillion in new capital for Canada by 2030, leveraging $280 billion in public dollars to crowd-in nearly $500 billion of private investment. Ambitious targets, to be sure, but ones that could reshape the investment landscape if realized.

Why should private wealth clients care? For one, this budget signals a clear pivot from traditional social spending toward productivity and capital formation. The government expects the new approach to drive Canada's GDP growth by 3.5% by the end of the decade, with direct ramifications for equity markets, especially in sectors buoyed by targeted support such as housing, public infrastructure, and advanced manufacturing. There is clear intent to make Canadian businesses—and by extension, their investors—more globally competitive.

On the financing front, the Bank of Canada has responded to easing inflation by lowering its overnight rate to 2.25%, further reducing the prime lending rate for variable-rate mortgages to 4.45%. For the approximately 1.2 million Canadians facing mortgage renewals this year, this comes as a relief—monthly payments will rise for most, but less sharply than feared even a few months ago. The outlook for further rate cuts remains cautious: the central bank's priority is to anchor inflation near its 2% target and maintain financial market stability. For investors, flat-to-lower rates contribute to a more supportive environment for both real estate assets and interest-sensitive sectors, while putting a lid on short-term borrowing costs.

Housing and affordability are also front-and-centre in the budget's blueprint. Ottawa has established the "Build Canada Homes" agency, setting an ambitious goal of doubling the national homebuilding rate to between 430,000 and 480,000 starts per year. To grease the wheels, the government will boost the sale of Canada Mortgage Bonds, providing developers more access to low-cost financing for new rental housing. There's also a GST break for first-time buyers purchasing homes under $1 million, as well as regulatory changes designed to unclog project approvals. For investors in real estate—whether directly or through REITs—these moves offer tailwinds, though market watchers are mindful of persistent labour shortages and construction bottlenecks.

The 2025 budget also brings notable opportunities through changes to tax policy. Specifically, a proposed allowance for businesses to immediately deduct the full cost of new capital investments—viewed as a 'productivity super-deduction'—would drop Canada's effective corporate tax burden to the lowest in the G7, if passed as tabled. For private company shareholders, owners of family enterprises, and those planning transitions, the lifetime capital gains exemption on qualified shares, farms, and fishing property rises to $1.25 million. Likewise, rental property investors stand to benefit from enhanced depreciation allowances on new developments, making diversified real estate portfolios that much more tax efficient. Meanwhile, proposed changes to registered investment plan rules outline greater flexibility for direct Canadian business investments in RRSPs and TFSAs in future years.

As investors weigh these significant tax and policy changes, the initial reaction in financial markets has been guardedly optimistic—providing useful insight into the budget's perceived strengths risks. As investors weigh these significant tax and policy changes, the initial reaction in financial markets has been guardedly optimistic—providing useful insight into the budget's perceived strengths and risks. This has been most apparent in the outperformance of housing and infrastructure stocks, while financials and REITs have also benefited as bond yields steadied. Still, there are notes of caution: the budget's success depends on timely delivery of investments and a private sector willing to follow Ottawa's lead. Persistent deficits could test future government resolve and currency stability, especially if global markets sour or projected growth disappoints.

For private wealth investors and families, this budget marks a potential inflection point. Allocations toward sectors positioned to benefit—real estate, infrastructure, and innovation—make strategic sense, as does continued attention to tax efficiency and prudent risk management. Taken together, the opportunities presented by this budget could have a meaningful impact on investment strategies and long-term planning. As policy rolls out and investment flows begin to materialize, we'll be here to provide guidance—helping ensure your financial plan evolves with Canada's changing economic landscape.

The Bubble Talk

by Sergio Simone

There's a lot of talk about bubbles these days—especially surrounding artificial intelligence and the extraordinary pace of its market growth. For those of us who lived and advised through the late 1990s, this all feels familiar. Back then, the excitement centered around the internet and the "new economy," which many believed would transform the world and render traditional valuations obsolete. The parallels to today's enthusiasm are striking. Yet, beneath the surface, there are also key differences that may determine how this cycle ultimately unfolds.

Looking Back: The Late 1990s

In the late 1990s, the markets were euphoric. From the 1998 Long-Term Capital Management (LTCM) crisis low to the peak in early 2000, the S&P 500 delivered a remarkable run, rising by double digits year after year. Investor sentiment was exuberant, fueled by promises of technological revolution and the widespread belief that "this time was different."

But the data tell a cautionary story. By 1999, the S&P 500 was consistently more than two standard deviations above its long-term trend and at times approached five standard deviations. Price-to-earnings ratios soared to record levels. Many companies going public had little to no revenue, yet were valued as though they were on the brink of global domination. Investors abandoned traditional metrics, convinced that a "new paradigm" justified the excesses. The optimism was contagious—but ultimately unsustainable.

When the bubble burst in early 2000, trillions in market capitalization evaporated. For those of us advising clients at the time, the lesson was clear: even the most revolutionary technologies can become overvalued when emotion overtakes fundamentals.

Today’s Landscape: Echoes of the Past

Fast-forward to today, and the conversation feels eerily familiar. Artificial intelligence has captured both the imagination of the public and the capital of global investors. Technology stocks dominate market returns, and valuations have again expanded sharply. Some commentators argue that we are witnessing a new bubble, one that could rival or even surpass the internet boom.

However, the numbers suggest a more nuanced story. While valuations are high, they are not as extreme as they were a quarter century ago. The S&P 500 today trades roughly 1.7 standard deviations above its long-term trend—elevated, but not extraordinary. By comparison, during the late 1990s, the market often traded three to five standard deviations above its mean, a statistical outlier by any historical measure.

Another major difference is that today’s leaders—companies at the forefront of A.I. and cloud computing—are not speculative startups. They generate substantial earnings, possess strong balance sheets, and command real cash flow. The enthusiasm is grounded in tangible technological adoption and productivity gains, not merely the promise of a concept. In that sense, while valuations are rich, they are at least supported by measurable business results.

Market Sentiment and Insider Trading

Investor sentiment today is optimistic, but not euphoric. There is excitement about the transformative potential of A.I., yet it is tempered by the memory of past booms and busts. Institutional investors appear more measured, and retail participation, while notable, is not at the same fever pitch seen in 1999. That said, there are warning lights flashing at the margins. Insider selling has been elevated in several major technology firms. While insider selling doesn’t necessarily predict a downturn—executives sell for many reasons, including diversification and tax planning—persistent or widespread sales can signal that management views valuations as stretched. It is a data point worth watching, even if not cause for immediate alarm.

Fundamentals vs. Fear

The fundamental picture offers a mixed but largely constructive view. Corporate earnings growth remains positive, particularly in the technology and industrial innovation sectors. Profit margins are stable, debt levels are manageable, and global economic conditions, while uneven, are not deteriorating sharply. Contrast this with the late 1990s, when valuations disconnected completely from earnings trends. Today's market, by contrast, is expensive but not irrational.

Volatility remains elevated, but in many ways, that is simply the market's way of "deciding" its next move. We are seeing short bursts of nervousness, followed by renewed optimism—classic signs of a market searching for equilibrium rather than spiraling out of control.

If a correction were to occur, it would likely take the form of a valuation reset rather than a systemic collapse. Given that many of today's leading firms are financially strong and operationally efficient, the likelihood of a full-scale crash similar to the dot-com bust appears lower. However, high valuations mean the cushion for disappointment is thin. Slower-than-expected earnings, regulatory pushback on A.I., or macroeconomic shocks could all serve as catalysts for a meaningful pullback.

Should Investors be Alarmed?

Caution is warranted, but panic is not. The market's enthusiasm for A.I. and innovation reflects legitimate optimism about long-term productivity growth. The late 1990s showed that new technologies can be transformative but also over-extrapolated in the short run. Today's environment, while reminiscent of that era, rests on sturdier fundamentals.

Investors should avoid over-concentrating in the most speculative segments of the market and maintain broad diversification. Those who stay focused on earnings quality, balance-sheet strength, and long-term growth rather than short-term hype are likely to fare best through any volatility that arises.

Conclusion: Lessons from Two Eras

The late 1990s taught us how exuberance can detach markets from reality. The current market, though buoyant, remains tethered to stronger fundamentals. The S&P 500 may be trading above its long-term mean, but not at the extremes that historically define a bubble.

In my view, we are not witnessing a replay of 2000—but we are certainly seeing echoes of it. The rapid ascent of A.I. and related technologies is real, and so are the valuations they command. The critical distinction lies in substance: today's leaders earn what the last generation only imagined.

For investors, the message is simple. Be aware, stay diversified, and recognize that volatility and optimism can coexist without necessarily implying a collapse. Markets may yet correct, but that is part of the cycle, not its end. The fundamentals, at least for now, suggest that the story of innovation and growth still has room to run—though perhaps at a more tempered pace than the exuberant headlines would have us believe.

Looking North

Canada’s Market Outlook 2026

By Sergio Simone

At KPW Financial, I often focus my writing on the United States, and for good reason. It is the largest economy in the world, with a GDP of roughly $28 trillion in 2025, accounting for nearly a quarter of global output. By contrast, Canada’s GDP is about $2.5 trillion, less than one-tenth the size of its southern neighbor. From an international perspective, Canada is a relatively small player. Yet, given the strength of Canadian markets in 2025, it is worth pausing to consider how the domestic outlook may unfold in 2026.

Canada has just come off a very strong year in the markets, buoyed by resilient consumer spending, robust housing activity, and a favorable global environment. But as we look ahead, three themes stand out: recession risk, housing dynamics, and immigration-driven growth.

The first is recession risk. The Bank of Canada has noted that there is roughly a one-in-three chance of recession within the next six months. Trade tensions, slowing global demand, and weaker consumer confidence are all contributing factors. For affluent investors, this means that while Canada’s fundamentals remain sound, portfolio positioning should account for potential volatility. Defensive allocations in fixed income and alternatives may prove prudent as we navigate this uncertainty.

The second theme is housing. The federal government's 2025 budget committed $130 billion to housing initiatives, and CREA forecasts a modest cooling in sales and prices in 2025 before a rebound in 2026. For investors, this suggests that while short-term pressures may weigh on valuations, the medium-term outlook remains constructive. Housing demand is being reinforced by demographic trends and policy support, creating opportunities in multi-residential development, REITs, and funds such as Equiton that are positioned to benefit from the government's push to expand supply.

The third theme is immigration. Canada continues to rely on immigration as a driver of growth, with recent programs inviting thousands of skilled workers to apply for permanent residence. This influx of talent not only supports the labour market but also sustains housing demand and consumer spending. For investors, immigration is a structural tailwind that underpins long-term growth in real assets and consumption-driven sectors.

Taken together, these forces suggest that while Canada faces near-term risks, the outlook for 2026 is balanced. Recession probabilities remind us to be cautious, but housing and immigration provide powerful counterweights that support growth. For affluent investors, the key is to recognize Canada's relative scale in the global economy while still appreciating the opportunities it presents domestically. In 2026, Canada may not rival the U.S. in size, but it will continue to offer meaningful avenues for wealth preservation and growth.

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