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KPW FINANCIAL

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The Way I See It

By Sergio Simone

The past year reminded investors that resilience often emerges in unexpected ways. Despite early concerns over inflationary pressures and geopolitical uncertainty, global growth held steady at approximately 2.7%, supported by easing interest rates and a rebound in services trade. Canada's economy weathered the year with modest expansion, while U.S. growth slowed but remained positive. Alternative investments—particularly real estate and private credit strategies—proved their worth as stabilizers in portfolios, offering diversification when traditional markets wavered.

As we turn the page to 2026, our position is cautiously optimistic. Fundamentals point to modest global reacceleration, aided by fiscal support in Europe and Asia, and continued monetary easing in North America. Yet risks remain: inflationary flare-ups, uneven consumer sentiment, and geopolitical tensions could temper progress.

For investors focused on mutual funds and liquid alternatives, this environment favors diversification and measured exposure to sectors with structural growth potential. Interval funds, tender-offer vehicles, and nontraded REITs continue to gain traction, offering access to private markets with less correlation to public equities.

The Way I See It

Sector Guidance
Certain areas stand out as opportunities in 2026. Utilities and power generation are positioned to benefit from surging demand tied to electrification and AI infrastructure. Healthcare remains resilient, supported by demographic tailwinds and steady demand for income-oriented strategies. Infrastructure and industrials also look promising, as governments and private capital continue to invest in capacity expansion.

On the other hand, caution is warranted in consumer discretionary sectors, where sentiment may weaken, and in segments of technology where valuations appear stretched by AI enthusiasm.

Global Investing in 2026
Global diversification remains essential. Emerging debt markets, European alternatives, and global real estate funds offer both yield and diversification. Semiliquid vehicles provide practical access to these opportunities, balancing liquidity with exposure to private-market strategies.

Currency Considerations: USD vs CAD
The USD/CAD exchange rate is expected to fluctuate in 2026, with forecasts ranging between 1.37 and 1.44. The Canadian dollar's performance will remain closely tied to energy exports and interest rate differentials. For Canadian investors, this volatility underscores the importance of currency-aware strategies when allocating globally.

Looking Ahead: KPW Accredited
In line with our forward-looking approach, KPW Financial is preparing to launch KPW Accredited in the new year. This subsidiary will focus exclusively on accredited investors, offering an invite-only platform with advanced strategies typically reserved for high-net-worth individuals. More details will follow soon, but we are excited to expand the ways we can serve our clients at every stage of their financial journey.

Call to Action
At KPW Financial, we believe 2026 will reward investors who remain disciplined, diversified, and forward-looking. Mutual funds and liquid alternatives provide the flexibility to capture global opportunities while managing risk. We encourage clients to review their portfolios with us early in the year to ensure they are positioned for resilience and growth in a changing landscape.

Lifestyle Planning Solutions

by Ryan Simone, CFP, CLU, CHS

When it comes to building wealth in Canada, two powerful tools stand out: the Registered Retirement Savings Plan (RRSP) and the Tax-Free Savings Account (TFSA). As we approach the end of the 2025 year and enter into 2026 and the beginning of RRSP season, now is a good time to start thinking about TFSA top-ups and RRSP contributions.

1. **Know Your Contribution Limits**

   - **RRSP**: For 2025, you can contribute up to **18% of your 2024 earned income**, to a maximum of **$32,490**. Check your CRA account for your exact room.
   - **TFSA**: The annual limit for 2025 is **$7,000**, plus any unused room from previous years.

If you've withdrawn any money from your TFSA in 2025, you'll be able to put it back into your TFSA January 1, 2026.

2. Know the Tax Benefits

- RRSP: Contributions reduce your taxable income today, and your investments grow tax-deferred until withdrawal. Ideal if you're in a higher tax bracket now than you expect in retirement.
- TFSA: Contributions aren't deductible, but all growth and withdrawals are tax-free. Perfect for flexibility and avoiding taxes on investment gains.

3. Which Should You Prioritize?

- If you earn a high income (40%+ marginal tax rate), start with the RRSP for the tax deduction. Then use your refund to fund your TFSA, which can be a powerful one-two punch.
- If you're in a lower income bracket, a TFSA may be better for long-term growth and avoiding future tax implications.

4. Smart Strategies for 2025

- Maximize your TFSA first if you want liquidity and tax-free growth.
- Contribute to your RRSP before March 1, 2026 for the 2025 tax year.
- Consider a spousal RRSP for income-splitting in retirement.
- Use Your RRSP tax refund to boost TFSA contributions and turn tax savings into tax-free growth.

The RRSP Tax Refund to TFSA Strategy

If you earn $100,000 and contribute $20,000 to your RRSP, you could receive a tax refund of about $8,600. Of this money, $7,000 can go into your TFSA (TFSA limits may go up to $7,500 in 2026; however, it is best to wait for the official announcement). For an extra boost to your investments, you could put the remainder of your tax refund into your 2026 RRSP or a non-registered investment account.

A Quick Checklist
· [ ] Check your RRSP contribution room on CRA My Account.
· [ ] Confirm your TFSA limit (2025 = $7,000 + carry-forward).
· [ ] Decide which account to prioritize based on your tax bracket.
· [ ] Plan to contribute to RRSP before March 1, 2026 for 2025 tax year.
· [ ] Use your RRSP refund to fund your TFSA.
· [ ] Consider spousal RRSP for income-splitting.
· [ ] Review your investment mix for both accounts (growth vs. income).
· [ ] Schedule a mid-year review to stay on track.

Bottom Line: Both RRSPs and TFSAs are essential for Canadians. The key is to balance tax savings today with tax-free growth tomorrow. A well-structured Life Plan can address this and help you retire comfortably, live the lifestyle you want to live, and keep more of your money working for you.

Wealth & Wisdom

By Kristina De Souza, CFP, CFDS, RHS

Helping Families Navigate

Disability Support

Planning for the financial well-being of someone with a disability in Ontario can feel complicated, especially when you are trying to balance long-term security with access to important government supports. As a lifestyle financial planner, I work with many families who want to do the right thing but are unsure where to begin. The good news is that Ontario offers a number of helpful programs and planning tools. When they are used together, they can create steady support today and a solid foundation for the future.

A common starting point is the Ontario Disability Support Program, or ODSP. ODSP provides monthly income and important health benefits such as prescription drug coverage, dental, and vision care. Because ODSP has strict limits on income and assets, families need to be careful with how money is given, saved or inherited. A gift that is too large or an inheritance that is set up incorrectly can accidentally affect someone's eligibility. This is why planning ahead is so important.

Another major tool is the Registered Disability Savings Plan. The RDSP is a long-term savings plan that offers very generous government grants and bonds for people who qualify. Even small contributions can grow quickly when matched by the government, and the money does not interfere with ODSP.

Before an RDSP can be opened, the individual must qualify for the Disability Tax Credit, which provides its own tax savings. While the application requires medical forms and can take some time, being approved opens the door to many valuable supports.

Many families also start thinking about what will happen in the future, especially when it comes to inheritances or leaving money to a loved one. This is where a Henson trust can make a big difference. A Henson trust allows you to leave money for someone with a disability without having it count against their ODSP limits. The trust is managed by a trustee who controls how and when money is used, so the beneficiary can continue receiving government benefits while still having access to extra support for things like therapies, recreation or travel. It is an effective way to protect your loved one’s financial future while preserving their independence.

Beyond financial programs, it is also important to know about Developmental Services Ontario, often called DSO. DSO is the main gateway for adults with developmental disabilities to access provincial services such as residential supports, community programs and respite for caregivers. Registering with DSO early is very helpful because the process can take time, and many services have waiting lists. Being connected to DSO ensures that the person is recognized within the provincial system and can access support when needed. Financial planning and community services work best when coordinated, because together they provide both practical help and long-term stability.

Some individuals may also qualify for Canada Pension Plan Disability benefits, which provide additional income based on past work history. These benefits are separate from ODSP, and when combined properly, they can help create a more predictable monthly income. Understanding how ODSP, CPP-D and private insurance work together can make budgeting and planning much easier.

When you look at all of these programs and tools together, you start to see how they support one another. ODSP provides essential income and health coverage, RDSPs build long-term savings with help from government grants, the Disability Tax Credit offers tax relief and unlocks RDSP eligibility, a Henson trust protects inheritances, and DSO connects individuals with support programs and services. Each piece plays a different role, and when combined, they create a plan that supports both everyday needs and long-term goals. At its core, disability planning is about helping someone live a stable, comfortable and meaningful life. It is not just about finances; it is about ensuring they have choices, support and opportunities. Every family’s situation is unique, which is why conversations around needs, values and goals are so important. If you would like help sorting through these options or building a plan that fits your situation, we would be happy to guide you.

“Prediction is very difficult, especially about the future.” — Niels Bohr

Each year leaves behind a vast trail of data. Week after week we track fresh numbers on jobs, inflation, output, trade, and spending. Alongside these hard statistics come softer measures — consumer confidence, business sentiment, market surveys, and forward-looking expectations. None of this information exists in a vacuum. Geopolitics, social and environmental pressures, and media narratives all shape how data is interpreted and acted upon in real time. As we reflect on 2025 and look ahead to 2026, the challenge is to separate the true drivers of market performance from the noise that clouds the signal. Many forces influenced the economy over the past year, but the impact of artificial intelligence and the strength of the big tech sector stand out as undeniable.

AI's prominence as a market driver accelerated as more businesses adopted and integrated AI-driven processes. The effects began to show up in capital spending decisions, hiring plans, customer and client interfaces, and longer-term margin discussions. What had until recently been framed as a longer-term tech sector ambition is now a cornerstone to virtually every business model, operational strategy, and corporate earnings guidance.

Public discussion around AI also surged this year, drifting largely between optimism and concern, with more balanced narratives often in the minority. And though arguments can be made for both the utility and drawbacks of AI technology, a more pragmatic way to approach the topic in terms of its real contributions to market performance is to focus on scale rather than novelty. The underlying techniques behind today's AI models are not new, but the amount of data, computing power, and capital being applied to them has increased exponentially. That change in scale allows AI systems to affect productivity in ways that matter economically, even as clear limitations remain.

At a technical level, the AI models that dominate headlines are built by training very large neural networks on massive datasets, a process that uses substantial computing resources. It is important to note that these systems do not reason, understand context, or form internal models of the world. Instead, they produce outputs by identifying patterns and predicting likely continuations of those patterns. Even within those constraints, the tools are useful. From the streamlining of organizational tasks to the complete automation of user experiences, the integration of AI-driven systems into businesses is having real economic impact.

Where AI's market impact became clearer in 2025 was not in consumer-facing tools, however, but in the infrastructure required to support them. Training and running large models depend on specialized chips, expansive data centers, reliable energy supply, and global cloud networks. Those requirements make AI costly to build and operate. As a result, much of the economic benefit flowed toward firms that already had the balance sheets, supply chains, and technical capacity to operate at that scale.

This helps explain why market attention narrowed around a relatively small group of companies. NVIDIA's role reflected its position as a critical supplier of advanced chips. Microsoft benefited from its ability to integrate AI across enterprise software and cloud services. Alphabet continued to invest heavily in research and infrastructure while working to translate that strength into more visible commercial outcomes. Amazon's cloud business captured rising demand for computing capacity regardless of which AI models gained traction. Meta reshaped parts of the landscape through open-source development and large-scale deployment, while Apple focused on hardware integration and on-device processing, prioritizing control over user experience and privacy.

Across these firms, a shared pattern emerged. AI investment required sustained spending, long planning horizons, and a willingness to absorb near-term costs in pursuit of longer-term leverage. Smaller firms, even those with compelling products or ideas, often lacked the resources to compete on those terms. That imbalance reinforced market concentration and increasingly tied index performance to the fortunes of a few large technology companies.

Looking ahead to 2026, many of the forces that kept AI and large technology companies in focus remain in place. Expectations for growth are still tied to gains in efficiency, ongoing investment in infrastructure, and control over the systems that support large-scale digital operations. Those conditions tend to draw capital, and they do not usually reverse quickly. As long as AI development continues to require scale, energy, and sustained investment, market attention is likely to stay concentrated.

That does not remove uncertainty. Current valuations reflect confidence in execution, competitive positioning, and the ability of leading firms to maintain their advantages. Some of that confidence will likely be reinforced over time, while other assumptions may be tested as costs rise, regulations evolve, or competition intensifies. As new information comes in, markets will continue to sort through which expectations are supported by results, and which need adjustment. Nevertheless, AI and large technology firms are expected to remain prominent in market discussions into 2026, with their influence shaped less by narrative and more by how results evolve.

Celebrating a Standout Season with the U11 Girls Bolton Wanderers

As we reflect on another productive and rewarding year at Kleinburg Private Wealth, one highlight rises above the rest: the opportunity to support and uplift the communities we proudly serve. This year, that support took the form of sponsoring the U11 Girls Bolton Wanderers, a team whose spirit, resilience, and work ethic perfectly embody the values we believe in.

And what a season it was.

The girls delivered their strongest performance to date, finishing with an impressive 12–3–1 record. Whether facing tough competition or celebrating hard-earned victories, they played each match with determination, respect, and an inspiring sense of teamwork. Watching them grow not just as athletes, but as confident young leaders, became a genuine source of pride for everyone at KPW.

At Kleinburg Private Wealth, we've always believed that true success extends beyond financial stewardship. It includes helping to build vibrant, supportive communities where families can thrive. Supporting this exceptional group of young athletes has been one of the most fulfilling parts of our year, and it reinforces our commitment to investing in programs that foster confidence, discipline, and opportunity for the next generation.

Congratulations to the U11 Girls Bolton Wanderers on a remarkable season. We're excited to cheer you on as you continue your journey into the winter season — and we're honoured to stand behind you as proud supporters.
Here's to continued success, teamwork, and a bright future ahead.

Balancing Optimism & Fundamentals

by Sergio Simone

Recent commentary from Scott Bessent, the U.S. Secretary of the Treasury, has painted a strikingly optimistic picture of the American economy in 2026. He points to the influx of capital being put to work, a wave of deregulation that is opening doors for industries from automotive to energy, and the fiscal relief from reduced burdens on healthcare, education, and welfare systems. Bessent also notes the expected leadership change in the Federal Reserve in the spring, with a new chair likely to align more closely with Republican preferences for lower interest rates.

Taken together, these factors suggest the potential for a booming economy, one where growth accelerates and equity markets thrive.

Yet, while these arguments are compelling, most institutional forecasts remain more measured. RBC, Morgan Stanley, and Oxford Economics project U.S. GDP growth in the range of 1.8 to 2.4 percent for 2026. Their caution stems from several fundamentals. Tariffs introduced in 2025 continue to ripple through supply chains, raising household costs by over $1,000 annually and adding between 0.3 and 0.7 percentage points to inflation. While wage growth remains elevated compared to pre-pandemic levels, it is unevenly distributed and does not fully offset higher living expenses, particularly in housing and services. For many households, the net effect is still a squeeze on disposable income.

Employment trends also temper the outlook. After years of tight labor markets, unemployment has edged up to around 4.4 percent, with job creation slowing to a more modest pace. This stabilization supports consumer demand but limits the explosive growth that would underpin a true boom. Moreover, restrictive immigration policies, while reducing fiscal pressures on public systems, also shrink the available labor pool. Analysts warn that this could constrain output and productivity, offsetting some of the benefits of deregulation and investment inflows.

Monetary policy adds another layer of complexity. The Federal Reserve concluded its rate-cutting cycle at the end of 2025, bringing the federal funds rate into the mid-3 percent range. While a new chair may favor more aggressive easing, inflation remains sticky above 3 percent, and the Fed's own projections place personal consumption expenditure inflation at 2.5 percent by year-end. This suggests that policymakers will remain cautious, balancing political pressure with the need to preserve credibility in the fight against inflation.

Equity markets reflect this balance of optimism and restraint. The S&P 500 closed 2025 near 6,886 after a strong year, and forecasts for 2026 cluster around the 7,500–7,800 range. That implies a potential gain of 7 to 12 percent, with more bullish houses projecting up to 16–18 percent if earnings growth and AI-driven investment materialize. At the same time, more cautious firms see only low single-digit returns. It is important to stress that these are forecasts, not guarantees. Market outcomes depend on countless variables — from policy shifts to global shocks — and no one can predict with certainty how equities will perform. For investors, the prudent approach is to treat forecasts as scenarios rather than promises.

Taken together, the outlook for 2026 is one of resilience rather than exuberance. Investment inflows, deregulation, and potential monetary easing provide meaningful tailwinds, but tariffs, labor constraints, and inflationary persistence act as counterweights. For Canadian investors with significant exposure to U.S. equities, the message is clear: the fundamentals support moderate growth, but expectations of a "boom" should be tempered by the realities of policy, trade, and labor dynamics. Diversification and vigilance remain the best strategies for navigating this complex environment.

Looking North

Artificial intelligence (AI) has quickly become one of the most debated forces shaping our economy. Headlines often warn of mass job losses, portraying AI as a disruptive technology that will hollow out industries and leave workers behind. Yet history suggests a more nuanced reality. Every major technological shift — from the mechanization of agriculture to the automation of manufacturing — has sparked fears of widespread unemployment. In practice, these transitions eliminated certain roles but created new ones, often in fields that did not exist before. AI appears poised to follow a similar trajectory: less a destroyer of jobs than a catalyst for change.

Lessons from History

When tractors replaced farmhands in the early 20th century, millions of agricultural jobs disappeared. But the productivity gains freed labor for manufacturing, services, and eventually knowledge work. The same pattern repeated with industrial automation in the 1970s and 1980s. Machines took over repetitive tasks, but new industries — computing, finance, logistics — absorbed displaced workers. Economists call this **"creative destruction"**: the process by which innovation reshapes the economy, destroying some jobs but creating others, often at higher levels of productivity and pay.

AI fits squarely into this tradition. It is already automating routine tasks in customer service, logistics, and document review. But it is also opening doors to new roles in data analysis, AI oversight, prompt engineering, and human-machine collaboration. Rather than erasing work, AI is changing its nature.

Industries Getting the “Kick in the Behind”

Some sectors have long resisted modernization. Healthcare, for example, has struggled with inefficiencies for decades. AI-driven diagnostic tools and administrative automation are not replacing doctors and nurses, but they are forcing systems to modernize and freeing professionals to focus on higher-value care. In manufacturing, predictive maintenance powered by AI reduces downtime and increases efficiency, revitalizing plants that had lagged behind global competitors. Even creative industries are adapting: AI tools for video editing, music composition, and design are not eliminating artists, but they are accelerating workflows and expanding creative possibilities.

In finance, AI is streamlining compliance, fraud detection, and portfolio modeling. Advisors who once spent hours crunching numbers can now rely on algorithms to generate scenarios in seconds, allowing them to focus on client relationships and strategic planning. In this sense, AI is not a threat but a tool that, when used properly, enhances productivity and unlocks human potential.

Productivity Gains and Economic Impact

My view, that AI is a tool for productivity rather than a replacement for human ingenuity, is supported by research. McKinsey estimates that AI could add up to $4.4 trillion to global GDP annually by 2030, largely through productivity gains.

PwC projects that AI could contribute up to 14% of global GDP by 2030, making it one of the largest economic drivers of the coming decade. These gains come not from eliminating jobs, but from augmenting them: automating repetitive tasks, improving decision-making, and enabling workers to focus on higher-value activities.

The challenge lies not in whether jobs vanish, but in how quickly workers and industries adapt. Those who embrace AI as an augmentation tool rather than resist it as a competitor are likely to thrive. The real risk is not AI itself, but the failure to retrain and reskill workers for the new opportunities it creates.

Will AI Take Over Financial Advice?

This question deserves special attention. AI is already transforming the financial sector through robo-advisors, algorithmic trading, and personalized portfolio recommendations. These tools can process vast amounts of data and deliver efficient, low-cost solutions. For younger investors or those with straightforward needs, robo-advisors provide a compelling alternative to traditional advisory services.

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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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