



Wealth Insights

TD Wealth Private Investment Advice

Spring 2026



Volatility Returns

“The old order is not coming back. We shouldn’t mourn it. Nostalgia is not a strategy. But we believe that from the fracture, we can build something better, stronger, more just.”
— Prime Minister Carney, January 2026¹

Volatility returned to start the year, not just in financial markets, but in U.S. policy, driving geopolitical uncertainty amid widening global conflict. Even before recent events, this drove a flight to safety in precious metals, with swings in gold and silver prices, alongside a weakening U.S. dollar. Volatility extended to certain technology stocks, which, despite solid earnings, were punished for elevated capital spending, with concerns about the impact of artificial intelligence spreading beyond the sector.

Trade rhetoric has been similarly volatile as the U.S.-Mexico-Canada Agreement (USMCA) renegotiations approach. With exports to the U.S. alone accounting for around 20 percent of Canada’s GDP, investors are watching closely to see whether threats translate into action.² Many economists expect the agreement to survive in some form, likely on terms favourable to the U.S., as a full dismantling would risk inflation, job losses and broader disruption during a U.S. midterm election year.

Even so, an Oxford Economics analysis suggests that a full collapse would reduce Canada’s GDP by about 1.8 percent below baseline and cut private investment by 6 to 7 percent — serious, but far from catastrophic.³ By comparison, the early 1980s recession, driven by high inflation and tightening monetary policy, saw output fall by around 5 percent and unemployment reach 12 percent, a reminder that Canada has endured far more severe shocks and recovered. Elevated Canada-U.S. trade barriers are also not unprecedented, having persisted for long stretches during the 19th and 20th centuries.

While acknowledging the risks, Canada’s underlying strengths should not be overlooked. Our nation is an energy superpower with vast natural resources, abundant fresh water, three coastlines and the world’s most-educated population. Canada’s political and economic stability offers a strong foundation for investors and businesses. Regardless of political views, current leadership is actively working to reorient the economy and pursue a new agenda focused on defence spending, trade and security agreements, and deepening ties with global trade partners.¹

The broader lessons carry into investing. Markets are inherently volatile, and conditions that appear stable can shift quickly. No cycle, policy regime or market trend is permanent. In that

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To Our Clients:

Spring is often referred to as the season of renewal, a time when many reassess their priorities. If you have friends or relatives seeking a fresh perspective on an existing portfolio or advice on a new financial situation, we would be pleased to offer our experience and support. Please feel free to share our information or this newsletter with them. We remain grateful to those who have made introductions and appreciate your continued trust in our services.

Wishing you many warm days ahead.

— James & Catherine

context, diversification is not simply a safeguard but a necessity for managing risk. At a time when uncertainty feels amplified and global policy-making remains volatile, discipline becomes increasingly important, particularly when the range of possible outcomes is wide. Conviction, paired with flexibility, allows investors to stay positioned while adapting as conditions evolve, an essential part of effective portfolio oversight. History also offers perspective: many periods of disruption are ultimately weathered. While the road ahead may be complex, Canada has the capacity, the tools and resilience to navigate it.

1. <https://www.cbc.ca/news/politics/carney-davos-speech-97052725>; 2. 2023 World Bank figures, <https://wits.worldbank.org/countrysnapshot/en/CAN>; 3. www.oxfordeconomics.com/resource/usmca-scenarios-north-american-trade-at-a-crossroads/

Wealth Insights

■ Tax Season & the CRA

Planning for CRA Instalment Payments

If tax isn't being withheld from your income, did you know you may be responsible for quarterly instalment payments?

Business owners and self-employed individuals may generally be familiar with the Canada Revenue Agency's (CRA) instalment payment process. However, many new retirees, or those newly self-employed, are often surprised to learn that they may be required to remit quarterly instalment payments to the CRA. This is because, during their working years, employers deducted and remitted income tax on their behalf throughout the year, whereas retirement or self-employed income is often received without tax withheld at source.

If your net tax owing is more than \$3,000 (\$1,800 for Quebec) in the current year and in either of the two preceding years, you generally must make instalment payments by March 15, June 15, September 15 and December 15 (with exceptions for farmers and fishers).

Why This Is Important

Cash Flow Management — Proper planning helps ensure you have sufficient cash set aside to make quarterly payments.

Missed Payments — If you miss an instalment payment or pay late, interest and penalties may apply. Interest on overdue amounts is compounded daily by the CRA at the prescribed interest rate, which is 7 percent in Q2 2026. A penalty will be charged if instalment interest charges for the current year exceed \$1,000.

Potential "Overpaying" — The CRA often calculates instalments based on your most recent assessed tax return. If your income varies from year to year, adjusting payments annually can help avoid overpaying the CRA, which effectively acts as an interest-free loan. For example, a significant one-time capital gain, such as from

selling a vacation home, may cause CRA-suggested instalments for the following year to exceed what your expected income would warrant.

Practical Tips to Manage Instalments

You can reduce/eliminate accrued interest by overpaying subsequent instalments or making payments early. Early instalment payments earn CRA instalment credit interest, which is not refundable but can offset interest charged on late instalments in the same year.

Three options are available to calculate instalments. Instalment payments may be based on CRA-calculated amounts, your prior-year tax return or your current-year income estimates. Choosing the appropriate method is particularly important if your income fluctuates from year to year, to ensure you pay sufficient amounts without overpaying and effectively providing the CRA with a tax-free loan. For more information: <https://www.canada.ca/en/revenue-agency/services/payments/payments-cra/individual-payments/income-tax-instalments/options-calculate.html>

Instalments may be reduced or eliminated by having tax withheld at source, or by increasing the amount of tax deducted from OAS, CPP/QPP benefits, EI or employer-sponsored pension income. Requests must be made through Service Canada or Retraite Québec. Note: tax cannot be withheld from certain types of income, including self-employment, investment, rental income or capital gains.



Home Economics: A Look at the Housing Market Over Time

Spring marks the start of the home-buying season. Over the past year, however, activity and price growth in many markets have slowed or even reversed. Despite this, real estate remains widely viewed as one of the most successful long-term asset classes, after decades of steady appreciation. Yet since the start of the millennium, an interesting comparison emerges: the S&P/TSX Composite, despite more volatile returns, has generated higher annualized total returns than many Canadian real estate markets. The chart illustrates performance through the start of last year, as housing price gains moderated, in part due to higher interest rates.

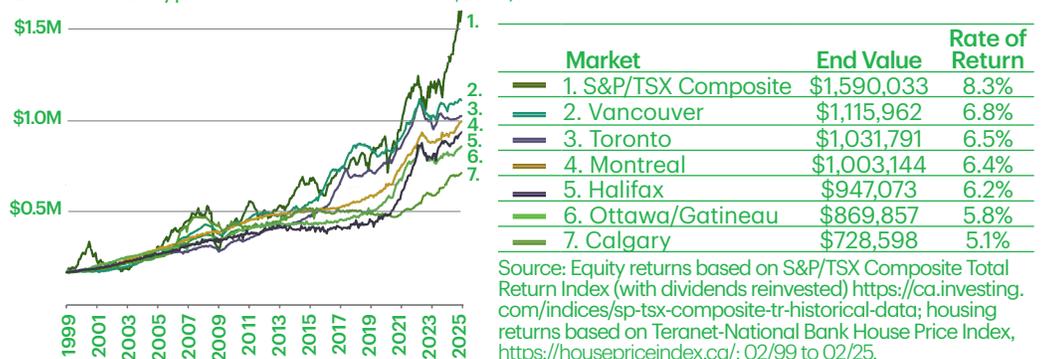
Of course, numerous factors make a direct comparison between real estate and stocks difficult. Investing in real estate involves several considerations, including limited liquidity, significant capital requirements (partially offset by leverage, such as a mortgage), transaction costs (commissions, legal fees and land transfer taxes) and ongoing maintenance expenses (property taxes and repairs).

Stock market participation is generally more accessible, with lower initial capital requirements, reduced

transaction costs and greater liquidity, while also offering broader diversification. However, the stock market can be more volatile, and downturns can be more psychologically challenging for investors. Differences in tax treatment further complicate direct comparisons.

Recent cooling in housing market activity also serves as a reminder that even long periods of strong price growth can give way to slower conditions. Yet, Canadians have been fortunate that both real estate and equities have offered substantial wealth-building opportunities over recent decades.

S&P/TSX Composite & Select Real Estate Markets, February 1999 to 2025
Based on a Hypothetical Investment of \$200,000



■ Keeping More of What You Earn

Do You Have a Tax-Efficient Withdrawal Strategy?

It's tax season once again, a reminder that wealth is built not only by how it grows, but by how efficiently it is taxed.

Understanding how and when you access different income sources is key to managing the taxes you pay, your eligibility for government benefits and your longer-term financial health. Whether you are accumulating assets, navigating a career transition or preparing for retirement, a thoughtful, tax-efficient withdrawal strategy can make a meaningful difference. Here is a brief overview of common income sources, along with ideas to help optimize withdrawals:

Non-Registered Accounts — Tax treatment depends on income type: interest (fully taxable), dividends (may be eligible for the dividend tax credit) and capital gains (based on the inclusion rate, currently 50 percent). Tax-loss harvesting can help offset capital gains to reduce tax.

Registered Retirement Savings Plan (RRSP) — Withdrawals are fully taxable and subject to withholding tax. Importantly, once funds are withdrawn, the contribution room is permanently lost.

TFSA — Offers significant benefits as growth is tax free and withdrawals are not taxed. This means withdrawals do not affect income-tested government benefits. Amounts withdrawn can be recontributed in the following calendar year.

Employment Income — If you continue to work while drawing income from other sources, consider how employment income will stack with taxable withdrawals. In high-income years, deferring benefits (if possible) or adjusting other withdrawals may help reduce the overall tax burden.

Here are additional considerations for those nearing retirement:

Canada Pension Plan (CPP) — CPP benefits are taxable income. Timing matters: starting early reduces benefits by 7.2 percent per year before age 65. Delaying increases payments by 8.4 percent per year after age 65, to a maximum of 42 percent by 70. The total benefit received can impact income level and tax situation.

Old Age Security (OAS) — OAS is a taxable benefit starting at age 65. If you expect a higher income later in life, here are two considerations: **i) Clawback** — If net income exceeds \$95,323 (2026), OAS is reduced by 15 percent of the excess. At \$154,708 (ages 65 to 74), it is fully clawed back; and **ii) Delaying OAS** — This increases the benefit up to 36 percent by age 70.



Registered Retirement Income Fund (RRIF) — Mandatory withdrawals start the year after opening the RRIF, increasing taxable income. Some choose to begin RRSP withdrawals early to manage future tax exposure or reduce future triggering of the OAS clawback.

Company Pension — Pension income is taxable. Generally, after age 65, the pension tax credit can help offset the tax liability. Consider timing a pension's start with other income sources to manage the tax liability.

Don't Forget: Income Splitting — Couples can sometimes lower their combined tax burden by splitting certain types of income, especially when one has a significantly higher income. For retirees, shifting eligible pension income may reduce taxes or the OAS clawback. In cases of continued employment, coordinating taxable income (particularly after 65) may yield tax savings over time. Planning together can lead to better outcomes.

Building a tax-efficient income plan involves many moving parts. Knowing how and when to draw income may help reduce taxes and preserve benefits. Alongside tax advisors, we can help develop a strategy that balances cash flow needs, tax implications and government benefits to support your long-term financial goals.

Equity Market Perspectives: A Brief Look Globally

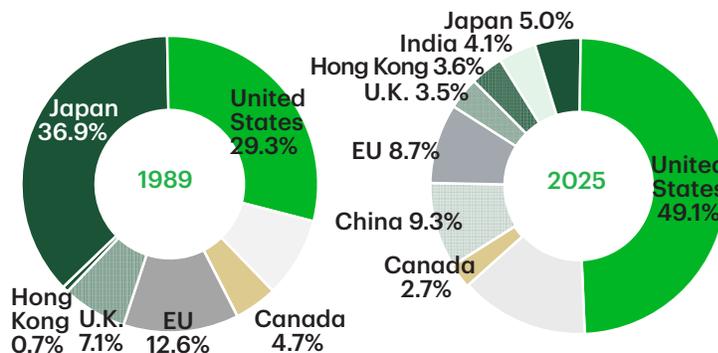
Ongoing geopolitical tension and geoeconomic events have prompted some questions about global equity markets. The U.S. remains dominant, while Canada's share has fallen to under 3 percent. The scale of U.S. leadership is striking: With just 4 percent of the world's population and around 25 percent of global GDP, the U.S. accounts for half (or more, depending on metrics used) of global equity market capitalization.

Yet the world is never static. The competitive advantages we see today may not persist indefinitely. Consider how much has changed over four decades. Seasoned investors may recall a time when the prevailing view was that Japan would surpass the U.S. as the leading global superpower. In 1989, Japan dominated global markets, accounting for almost 40 percent of global market capitalization. The Nikkei 225 rose from around 12,000 in 1985 to 38,915 in 1989, a 225 percent increase in four years. The U.S. held roughly 30 percent, while developing countries like China and India were virtually absent from the global equity landscape. By the late 1990s, Europe's share (EU and U.K.) had risen to over 25 percent, though today it has fallen to around 12 percent. Since then, China and India have experienced rapid economic expansion and now represent over 13 percent of global share, while Japan's share has fallen to just 5 percent. Few would likely have anticipated the scale

of today's U.S. technology boom just two decades ago.

This is to suggest that nothing in the markets remains permanent. Global leadership can evolve, sometimes in ways that challenge prevailing narratives. Japan's experience is one such example, reinforcing the value of diversification and adaptability in navigating an uncertain future.

Global Market Capitalization Share: 1989 vs. 2025



Source: 1989: World Bank, World Federation of Exchanges data. 2025: www.visualcapitalist.com/sp/ter01-piecing-together-the-127-trillion-global-stock-market/

■ Estate Planning & Intergenerational Wealth Longevity

Worried About Beneficiaries? An Insurance Trust May Be a Consideration

Did you know that a life insurance trust can help ensure your wealth supports your beneficiaries in the way you intend?

Today, many investors are planning beyond simply passing on wealth. They want to protect it for future generations. The old “shirtsleeves to shirtsleeves in three generations” adage captures the risk: The first generation builds wealth through hard work, the second generation inherits and enjoys it and the third generation often loses it, returning to “shirtsleeves.”

While tools like testamentary trusts have long been used for intergenerational planning, fewer people realize that trusts can also help safeguard life insurance proceeds.

Why Naming a Beneficiary May Not Be Enough

When you purchase a life insurance policy, choosing a beneficiary is one of the more important decisions you need to make. But in some cases, you may not want the intended beneficiary to receive proceeds directly. Here, a life insurance trust can be named as the policy's beneficiary instead of an individual. Insurance proceeds are then paid to a trustee, appointed in your will or in a separate trust agreement, who manages and distributes funds according to your instructions.

A life insurance trust allows for the same benefits as naming an individual beneficiary, including privacy, speed of access to funds upon death, and avoidance of probate (in provinces where applicable). Yet, it also offers added control and protection, making it a compelling estate planning tool for some.

When a Life Insurance Trust Makes Sense

Here are some reasons why it may make sense:

- **Enhanced Control** — If a beneficiary needs guidance and support because they are not ready or able to responsibly manage a large sum of money, a trust can allow you to set the timing and manner of distributions, helping to ensure funds are used as you intend.
- **Creditor Protection** — Assets held in the trust may offer some protection from creditors of both the estate and the beneficiary.
- **Support for Children** — Minor children are generally not legally entitled to directly receive life insurance proceeds. Without a trust, insurance proceeds could be paid to a public trustee, and court

How Real Is the Third-Generation Shirtsleeves Curse?

A 20-year study of 3,200 families once found that 70 percent of wealthy families lose their wealth by the second generation and 90 percent by the third. Is family wealth really so fleeting?

Although the evidence is not unanimous, many studies indicate that affluent families tend to lose wealth over generations. For the “quants” among us, the CFA Institute published a simulation to model how wealth passes to heirs, using this formula:

$FV = [(H \times (1+i)^N) + ((H \times i) \times (1-G)/Q) \times ((1+i)^N - 1)/i] \times (1-T)$, where:

- H = heritage received
- Q = number of heirs
- N = years of accumulation
- i = return on investment
- G = annual expenditure (% of family income)
- T = wealth tax

Even ultra-affluent families are likely to significantly erode family wealth over time. Simulating 10,000 billionaire children, 57 percent of fifth-generation heirs had less wealth, with a -2000 percent average accumulated return.

<https://rpc.cfainstitute.org/blogpage?q=2d84bc9af90af492b0071c9fa36623e3e244cf7c0c51910fb42de73e60328>

approval may be required to make payments to the minor, or be held until they reach the age of majority. Often, when a beneficiary receives a large, lump-sum payout immediately, such as upon reaching the age of majority, they aren't ready to handle this significant amount. A trust can help ensure funds are managed until they are ready, avoiding court involvement and protecting against misuse.

- **Protecting Disabled Beneficiaries** — A trust containing special terms may provide ongoing financial support to beneficiaries receiving provincial disability benefits without jeopardizing their eligibility for income- or asset-tested assistance programs.

A life insurance trust is a risk management tool that can help protect a legacy and position your wealth to benefit those you care about in the way you intend.

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