TD Wealth

Wealth Insights

TD Wealth Private Investment Advice

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In This Issue

Planning for CRA Instalments 2
The Housing Market Over Time 2
A Tax-Efficient Withdrawal Strategy ... 3
Investor Behaviour & Market Cycles ... 4

To My 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, I would be pleased to offer my experience and support.

Please feel free to share my information or this newsletter with them. I remain grateful to those who have made introductions and appreciate your continued trust in my services.

Wishing you many warm days ahead.

Volatility Returns

"This rupture calls for more than adaptation...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 2026*[1]

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 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-9.7052725; 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/

■ 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

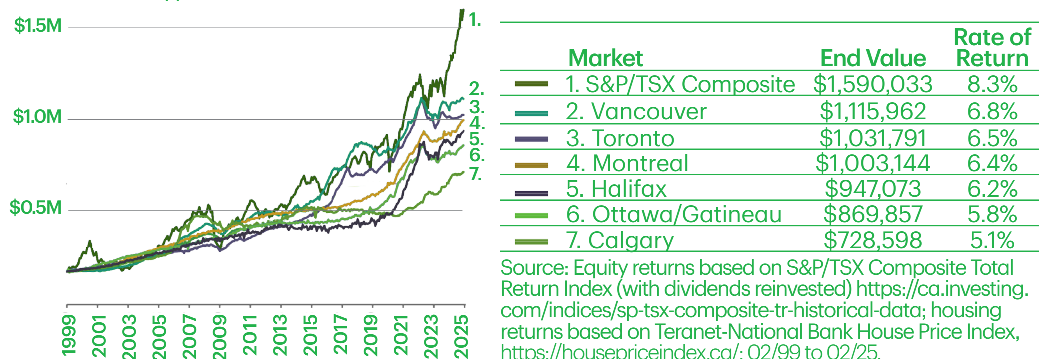
Spring marks the start of the home-buying season. Over the past year, however, activity and price growth in many markets have slowed or even reversed. Despite this, real estate remains widely viewed as one of the most successful long-term asset classes, after decades of steady appreciation. Yet since 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



Market	End Value	Rate of Return
1. S&P/TSX Composite	$1,590,033	8.3%
2. Vancouver	$1,115,962	6.8%
3. Toronto	$1,031,791	6.5%
4. Montreal	$1,003,144	6.4%
5. Halifax	$947,073	6.2%
6. Ottawa/Gatineau	$869,857	5.8%
7. Calgary	$728,598	5.1%

Source: Equity returns based on S&P/TSX Composite Total Return Index (with dividends reinvested) https://ca.investing.com/indices/sp-tsx-composite-tr-historical-data; housing returns based on Teranet-National Bank House Price Index, https://housepriceindex.ca/; 02/99 to 02/25.

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.

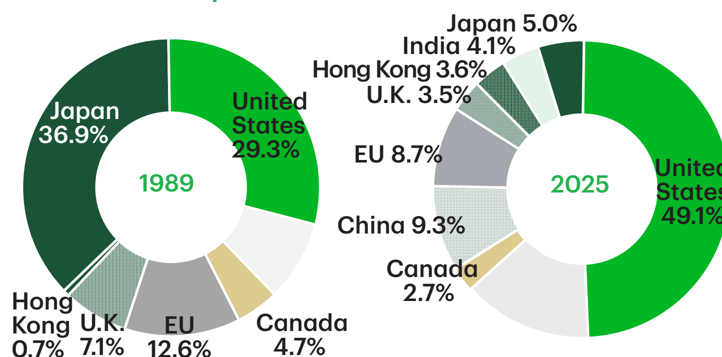
Equity Market Perspectives: A Brief Look Globally

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/

Lessons from the 1980s & 1990s

The Age of Boredom: Investor Behaviour and Market Cycles

A recent op-ed recalled a time when boredom was simply part of daily life. There was no "on demand": entertainment meant rewinding cassette and VCR tapes, playing board games or just staring out the car window. Growing up in the 1980s and 1990s, before the internet or social media, very little competed for our attention.

Today, ultra-short attention spans have reshaped behaviour, creating an almost reflexive need to escape boredom. This shift has had meaningful implications for investing. While discount brokerages have democratized investing access, they have also democratized short-term behaviour. It's something I've pointed to before: average stock holding periods have collapsed from years to mere months; the median self-directed investor reportedly spends just six minutes researching a stock before buying it; and a recent CBC article described young investors as "investing on vibes."

As advisors, these trends are concerning, and they raise an important question: **Are shorter market cycles becoming the norm, or has a decade of rapid recoveries conditioned investors to expect them?**

For more than a decade, "buy the dip" has been rewarded, while policymakers have repeatedly cushioned economic slowdowns with monetary and fiscal stimulus, dulling the markets' sensitivity to underlying weakness. As a result, we haven't experienced a significant recession for a long time, nor have we endured an extended bear market. Yet history reminds us that prolonged bear markets can emerge when deeper structural weaknesses ultimately surface. Over the past 53 years, we've seen eight bear markets lasting a cumulative 77 months (chart). Underlying structural vulnerabilities, such as growing national debt and weakening balance sheets, can eventually assert themselves over time.

The Global Financial Crisis of 2008-09 is one such reminder. In the U.S., the economy required years, not months, to heal, and markets reflected this reality as confidence took time to rebuild. The S&P 500 fell roughly 57 percent from peak to trough and took nearly 66 months, or five and a half years, to reclaim its previous high. Canadian markets fared somewhat better but, based on monthly closing figures, the S&P/TSX Composite Index still declined by 45 percent. Many investors, particularly young ones, exited the markets; some permanently.

This is not intended to provoke near-term worry. Corporate earnings remain solid, and household balance sheets are among the strongest in recent times. However, several enduring lessons are worth repeating. Severe dislocations can take time to heal. Financial institutions and capital markets did not stabilize overnight, but they ultimately recovered. Corporate earnings responded similarly. While fiscal and monetary intervention prevented a depression-like outcome, the recovery still required patience, and many valuations only became attractive with time. Yet memories also fade, demographics shift, and new marginal buyers eventually emerge.

So, what happens if we face a prolonged bear market? The short attention spans cultivated by the internet and social media suggest that patience during an extended recovery may be far more challenging. At the same time, the growing influence of younger retail investors could signal a new era, potentially shortening future bear markets compared with historical norms.

The Inevitability of Bear (and Bull!) Markets Since 1973

Time Period (Monthly Figures)		# Months	Return
November 1973 to September 1974	Bear	11	-37%
October 1974 to June 1981	Bull	81	183%
July 1981 to June 1982	Bear	12	-42%
July 1982 to July 1987	Bull	61	195%
August 1987 to November 1987	Bear	4	-26%
December 1987 to December 1989	Bull	25	33%
January 1990 to October 1990	Bear	10	-22%
November 1990 to April 1998	Bull	90	149%
May 1998 to August 1998	Bear	4	-28%
September 1998 to August 2000	Bull	24	103%
September 2000 to September 2002	Bear	25	-45%
October 2002 to May 2008	Bull	68	138%
June 2008 to February 2009	Bear	9	-45%
March 2009 to January 2020	Bull	131	113%
February 2020 to March 2020	Bear	2	-23%
April 2020 to Current	Bull	71	157%

Source: Monthly S&P/TSX Composite Index figures, 11/1973 to end of February 2026.

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