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A Bifurcation in Sentiment

Markets rarely linger in equilibrium. The pendulum of sentiment swings between fear and greed, and this year has been no exception. After April's lows, the S&P surged over 30 percent in just two months, one of the fastest rallies in recent history, while the TSX hit multiple all-time highs.

Yet, the mood among investors remained divided. The summer enthusiasm saw a return of speculative fervour: meme stocks and cryptocurrencies (consider that Fartcoin reached a market cap of \$1 billion). Many younger investors, who came of age during the low-rate post-pandemic era (and notably have never experienced a prolonged bear market), leaned into the euphoria. More seasoned investors, meanwhile, appeared to be climbing the proverbial "wall of worry," mindful of cycles past.

One driver has been the substantial optimism over artificial intelligence (AI). In the first half of 2025, AI capital expenditures contributed more to U.S. GDP growth than consumer spending.¹ This has prompted some analysts to ask: Would the U.S. economy have contracted without this massive spend? The top four tech firms alone are on track to spend \$344 billion in AI capex this year—about one percent of total U.S. GDP.²

Indeed, the excitement pushed valuations to elevated levels. By summer's end, the S&P 500 traded at 22.0x forward earnings; well above its long-term average of 16.7x, with the top 10 stocks at 28.8x.³ The S&P/TSX sat lower at 17.0x, reflecting Canada's heavier weighting in value-oriented sectors like energy and financials.

Are we approaching bubble territory? At the height of the dot-com boom, the S&P 500 had a forward P/E of 24.2x, but many stocks traded much higher: Cisco at 200x and Microsoft at 73x! In the late 1990s, simply adding ".com" to a company's name could send valuations soaring. Today's tech leaders are different: profitable, diversified, generating substantial cash flow and leaders in innovation. During the bubble of the "Nifty Fifty" era in the 1960s and 1970s, Polaroid traded at 90x earnings, yet

investors still justified such multiples for "one-decision" stocks—buy and never sell.⁴

Today's extended valuations may be viewed through several lenses. Lower interest rates increase the present value of future cash flows. Higher multiples are often justified for high-growth sectors like technology, when innovation and productivity gains are expected to persist. Supply/demand dynamics have also shifted: the number of U.S. publicly-listed companies has shrunk by half from its peak of 8,000 in 1996, while retail participation has surged: 62 percent of U.S. households own stocks, up from less than 40 percent in 1990.⁵ And, of course, investor euphoria has fuelled gains.

While momentum can carry further than many anticipate, fundamentals eventually reassert themselves. Earnings growth and return on capital, among others, drive long-term performance, even when short-term dislocations occur. Elevated valuations can reduce upside potential if prices already reflect optimistic outcomes, and amplify downside risk should expectations falter. The price you pay remains important to achieving strong long-term outcomes. Valuations may not forecast short-term movements, but they remain a dependable compass, helping investors steer between the twin forces of fear and greed.

As the cooler days approach, it is a reminder that the end of the year will be here before we know it. If you need assistance with any investing matters in the final months of 2025 (see pg. 3, in brief), please call. This Thanksgiving season and beyond, we remain grateful for your trust and wish you a wonderful fall.

1. <https://fortune.com/2025/08/06/data-center-artificial-intelligence-bubble-consumer-spending-economy/>
2. <https://financialpost.com/news/big-techs-big-bet-ai-driving-spending>
3. At 6/30/25. <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/market-insights/guide-to-the-markets/mi-guide-to-the-markets-us.pdf>
4. Nifty Fifty: A group of 50 NYSE large-cap stocks. <https://awealthofcommonsense.com/2020/07/the-nifty-fifty-and-the-old-normal/>
5. <https://www.axios.com/2023/10/18/percentage-americans-own-stock-market-investing>

In This Issue

Food For Thought: We've Never Been Wealthier	2
At a Glance: Perspectives on the Big Tech Bull Market	2
A 547% Increase? On the Rising Cost of Education	3
In Brief: Tax Planning Before Year-End	3
The Mechanics Behind the Cascading Life Insurance Strategy	4

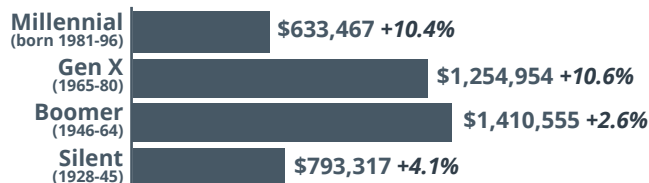
WEALTH PERSPECTIVES

Food For Thought: We've Never Been Wealthier

Canadians are wealthier than ever. The latest statistics show that average household net worth reached \$1.03 million last year and continued to rise. Total wealth has grown by 30 percent since 2019, with Millennial and Gen X wealth climbing by over 10 percent in 2024.¹

Canada's Household Wealth by Generation, Q4 2024²

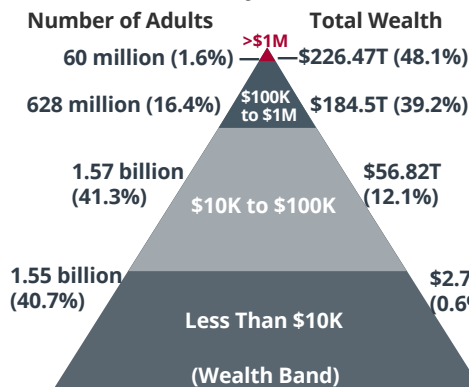
Average Net Worth & 1-Year % Change



Despite facing one of the toughest job markets in decades and a difficult path to homeownership, Gen Z (born 1997 to 2012) is doing just fine. At the same age, Gen Z incomes are 50 percent higher than Boomers', according to *The Economist*. By comparison, Gen X incomes were only 16 percent higher than Boomers' at the same age—the smallest gain of any group, likely due to a weak labour market after the Global Financial Crisis.² Gen Z is also saving better, contributing a greater share to retirement plans than Millennials did when entering the workforce. In 2023, the median RRSP contribution for those under 25 was more than 20 percent higher than Millennials in 2009.³

Yet, despite rising wealth across every generation, many don't feel wealthy. Higher living costs have strained households, while constant connectivity makes it easy for some to feel like they're falling behind the Joneses. Wealth can be a slippery benchmark—it often feels like it's never quite enough. Research shows that people quickly adapt.

While incremental increases provide a temporary boost in satisfaction, expectations quickly reset. In one survey, 19 percent of people with a net worth of at least US\$500,000 said that 'having enough money' was a constant worry. Yet, among those with a net worth of at least US\$10 million, 33 percent felt the same.⁴

The Global Wealth Pyramid²

At the end of the day, however, it's worth remembering: being a millionaire (in USD) puts you in the top 1.6 percent of the wealth pyramid globally.⁵

- [1. https://financialpost.com/wealth/canadian-households-worth-more-million-2024](https://financialpost.com/wealth/canadian-households-worth-more-million-2024)
- [2. https://www.economist.com/finance-and-economics/2024/04/16/generation-z-is-unprecedentedly-rich](https://www.economist.com/finance-and-economics/2024/04/16/generation-z-is-unprecedentedly-rich)
- [3. https://www.theglobeandmail.com/investing/personal-finance/retirement/article-retirement-savings-gen-z-canadians/](https://www.theglobeandmail.com/investing/personal-finance/retirement/article-retirement-savings-gen-z-canadians/)
- "Your Money & Your Brain," Jason Zweig, pg. 127
- Based on USD. <https://www.ubs.com/global/en/wealthmanagement/insights/global-wealth-report.html>

ARTIFICIAL INTELLIGENCE EXUBERANCE: HOW FAR WE'VE COME

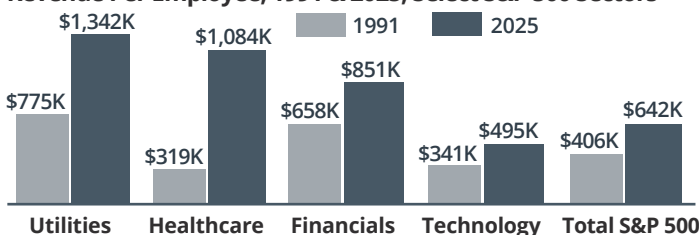
At a Glance: Perspectives on the Big Tech Bull Market

After a summer of considerable market enthusiasm surrounding artificial intelligence (AI), it's worth taking a step back.

Why does AI seem to be advancing so quickly? While it may feel like a recent phenomenon, its roots stretch back to the 1950s when Alan Turing proposed his now-famous "Turing Test" for machine intelligence. What's different today is the pace of progress, driven by exponential increases in computing power, vast datasets and advances in machine learning algorithms. To put it into perspective, in the late 1980s, annual data creation was measured in terabytes (TB). In 2025, global data generation is expected to exceed 180 zettabytes (ZB)—one ZB is a billion times larger than one TB. At the end of the 1980s, one terabyte of storage cost more than \$20 million; today, it is well under \$100—a mind-blowing decline in just four decades.¹

Few doubt that AI will be an economic driver in the years ahead. Technology has long supported productivity gains. Consider how revenue per employee has dramatically increased since 1991 (chart, top), fuelled by computers, the internet, mobile devices, software and the innovation they've enabled. However, key questions remain: Will AI live up to its transformative promise, reshaping the world like the steam engine or lightbulb? And, beyond the excitement, who will emerge as the winners?

Concerns persist about the concentration of big tech in the S&P 500, but the reality is more nuanced. Today's largest tech firms differ from the internet darlings of the late 1990s. The "Magnificent Seven" are cash-generating, innovative and diversified, having acquired over 800 companies and expanding across industries. In many ways, they

Revenue Per Employee, 1991 & 2025, Select S&P 500 Sectors²

function as modern tech conglomerates—still growing organically, but supported by multiple engines of innovation.

Ultimately, history reminds us that the successful adoption of any new technology doesn't guarantee financial success for all early adopters. Thoughtful analysis and evaluation, alongside a diversified approach to balance exposure and keep portfolios resilient as conditions shift, can help investors capture innovation's upside.

Select Large Technology Company Acquisitions²

	IPO Year	# of Acquisitions	Select Acquisitions
Amazon	1997	105	Whole Foods, MGM
Google	2004	270	YouTube, Wiz
Microsoft	1986	250	Activision, LinkedIn
Apple	1980	100	Siri, Beats

- [1. https://ourworldindata.org/grapher/historical-cost-of-computer-memory-and-storage](https://ourworldindata.org/grapher/historical-cost-of-computer-memory-and-storage)
- Inflation-adjusted; <https://ritholtz.com/2025/08/the-magnificent-493/>

A 547% INCREASE?

On the Rising Cost of Education

If you've eaten fast food recently, you may be surprised by the bill. Thirty years ago, a Big Mac hamburger cost around \$2. Today, it is almost four times the price. Over the same period, average family income has risen by 162 percent, while the Consumer Price Index (CPI), the official measure of inflation, increased by 140 percent. Yet, among the items compared below (chart), one cost has far outpaced everything else: university tuition.

With the school year now underway, it is a timely reminder to consider education funding. Ensuring our families have the financial means to support higher education is more important than ever, given the rising costs. An investment program is also a great way for parents, grandparents and other family members to leave a legacy.

Changes in (Nominal) Prices of Select Items: 1987 & 2025¹

	1987	2025	Change
Cdn. Family Income (Avg.) ²	\$42,686	\$112,001	+162%
Cdn. House (Avg.) ³	\$129,702	\$672,784	+419%
Flat Screen TV ⁴	\$1,599 (32")	\$750 (55")	-53%
Top Apple Computer ⁵	\$9,150	\$8,999	-2%
Microwave ⁴	\$580 (680W)	\$300 (1100W)	-48%
Bottle of Dom Perignon ⁶	\$85.25	\$351.95	+313%
Big Mac Hamburger ⁷	\$2.05	\$7.81	+281%
University Tuition ²	\$1,137	\$7,360	+547%
Consumer Price Index ⁸	67.5	162	+140%
S&P/TSX Composite Index ⁹	3,975.32	28,564.50	+619%

1. 1987 data is nominal data from: Report on Business Magazine, Apr. 2012, pg. 13; 2. https://publications.gc.ca/collections/collection_2018/statcan/13-208/CS13-208-1987.pdf; Stat Can T-1110019101 for 2025, with 3.6% (2024) & 3.8% (2025) wage growth assumptions; 3. Data from CREA; April 1987 and July 2025 data; 4. Average Sony HD TV price based on 32" and 55", bestbuy.ca; 5. MacPro Tower, apple.ca; 6. LCBO Ontario pricing at July 1987 and July 2025; 7. economist.com Big Mac Index raw data: <https://github.com/TheEconomist/big-mac-data>; 8. <https://bankofcanada.ca/rates/related/inflation-calculator/> for June 1987 & 2025; 9. At close on 8/27/87 and 8/29/25.

Registered Education Savings Plan (RESP)

— The most common tool, the RESP offers tax-deferred investment growth, Canada Education Savings Grants (CESGs) of up to \$7,200 per beneficiary and potential income-splitting when funds are withdrawn and taxed in a beneficiary's hands.

Formal Trust — Unlike RESPs, there are no contribution limits (RESPs have a \$50,000 per beneficiary limit), tax deferral or CESG benefits. However, earnings on trust assets may be taxed in the hands of the trust beneficiary if properly structured so attribution rules do not apply. Be aware that once funds are paid to the beneficiary, they can be used for any purpose, not just education.

Life Insurance — Participating whole life insurance can be structured to accumulate cash value to help cover future education costs. The cash value grows in a tax-advantaged way, and the policy also provides life insurance protection for the beneficiary.

Do You Have a Student in the Family?

If you have a student attending post-secondary school, keeping good records is important to take full advantage of tax benefits. Two tips:

- **Tuition Tax Credit** — This federal non-refundable credit has been reduced to 14 percent of eligible tuition fees (July 2025), with provincial credits available. After applying the tuition credit to their own taxes, any remaining credit can be transferred to one of the following: spouse/partner, parent or grandparent to a maximum of \$5,000 less the amount used by the student. Unused amounts can also be carried forward for use by the student in a future year.
- **Moving Expenses** — Certain moving costs may be deductible. For example, if a student attends a post-secondary program at least 40 km from home and returns in the summer for a job, these expenses may be deductible for the student on a tax return.



FEEL AS THOUGH YOU'RE PAYING MORE TAX?

In Brief: Tax Planning Before Year-End

Despite rising living costs, the share of income spent on necessities has declined. In 1976, households spent about 43 percent of their income on shelter, food and clothing. Today, this has fallen to around 35 percent. What has risen is the share we pay to taxes. In 2025, the average Canadian family paid 43.1 percent in taxes.¹ Put differently, if taxes were paid upfront, the first 158 days' earnings would go entirely to the government!

This is why tax planning continues to be an important part of wealth planning. As we approach the final months of the year, here are a handful of actions, in brief, that may help improve your tax position in 2025:

Split income. This may include electing to split eligible pension income with a spouse or paying reasonable salaries to family members for services provided to your self-employed business.

Contribute to your RRSP. You still have 60 days after the calendar year end to make contributions for the 2025 tax year, but the earlier you contribute, the greater opportunity for tax-deferred growth.

Consider tax-loss harvesting. Realize capital losses to offset capital gains. Please contact the office well before the end of the year to enact this strategy to allow for sufficient settlement time.

Give charitably. Gifting publicly-traded securities to a registered charity may offer tax benefits, including eliminating the capital

gains tax liability on appreciated securities.

Claim the pension income tax credit. If you are 65 years or older and don't have eligible pension income, consider opening a small RRIF or purchasing an annuity.

Withdraw from the TFSA before year-end.

If you plan to withdraw, consider doing so before the year-end. Contribution room resets at the start of the calendar year, so withdrawals after December 31, 2025, won't restore contribution room until January 1, 2027.

Make RESP contributions. While it won't save tax, you may potentially benefit from the CESGs for 2025.

For more information or ideas, please contact the office.

1. <https://www.fraserinstitute.org/commentary/canadian-families-must-work-nearly-half-year-pay-taxes>

How Our Tax Liability Has Grown Since 1976

Average Income Expenditure Allocation (%)

1976		2025
20.8%	Discretionary Income	21.5%
6.8%	Clothing	2.1%
17.2%	Food	11.3%
19.0%	Shelter	22.0%
36.2%	Taxes	43.1%

The Mechanics Behind the Cascading Life Insurance Strategy

When it comes to preserving family wealth, many affluent Canadians face a familiar challenge: How do I pass assets along to future generations in a tax-efficient way? In the past, we’ve discussed various ways to support an intergenerational wealth transfer, such as the use of a testamentary trust, a life annuity and introducing us, your advisors, to your beneficiaries to provide support. Yet, these tactics may not focus solely on tax efficiency.

For high-net-worth investors, cascading life insurance can offer a tax-efficient way to transfer family wealth across multiple generations. In general, the strategy involves a whole life insurance policy structured so that a future generation ultimately receives the death benefit.

Cascading life insurance is designed to shift both ownership and benefits, so they “cascade” between generations. It can be used in various family situations—not just for parents/grandparents. Aunts, uncles and other relatives who want to support non-child heirs may also find this insurance strategy appealing.

To understand how this works in practice, consider the example of grandparents purchasing cascading life insurance. They buy a whole life policy that insures the life of their child, naming a grandchild as the beneficiary. The grandparents can transfer their wealth by using the Additional Deposit Option (ADO), allowing them to increase the policy’s cash value. Upon the grandparents’ death, ownership of the



policy transfers to the adult child on a tax-free basis. When the adult child passes, the grandchild receives the death benefit tax free. While this is just one approach, it illustrates the core principle: transferring wealth in a controlled, tax-efficient way across multiple generations. The chart below illustrates the potential benefits for each generation.

As with any insurance strategy, there are potential risks. Ongoing premium payments are required, and failure to pay may result in the coverage lapsing. Withdrawals from the whole life policy’s cash value may have tax implications. Once the policy is transferred, the original owner loses control, allowing the new owner to make changes that may differ from the original intent.

For high-net-worth (HNW) families looking to safeguard wealth and create a multi-generational legacy, cascading life insurance may be worth considering. For a deeper discussion, please contact the office.

Illustrative: The Cascading Life Insurance Strategy — An Example for Grandparents

Ownership	Responsibility	Potential Benefits
1st Generation You, The Grandparent (“Policy Owner”)	• Pays the premiums and controls the policy • Names adult child as the “life insured” • Names grandchildren as beneficiaries	• Unlike non-registered investments, funds invested in the policy (“cash value”) may grow on a tax-sheltered basis and be protected from income tax or probate fees (where applicable) • Utilizing the ADO option allows the policy owner to increase the policy’s cash value • Policy premiums may be lower (for the 2nd generation) than if the grandparents had insured their own lives • Retains control of funds until death, with the ability to access cash values accumulated in the policy, if required • Tax-free transfer of policy ownership upon death (bypassing probate, where applicable) • After transfer, funds withdrawn are taxed in the new owner’s hands
2nd Generation Your Adult Child (“Contingent Owner”)	• Named as “life insured” • Eventually assumes ownership of the policy • May continue to add funds to protect/build wealth through the ADO option	• Life insurance protection • Ability to access any cash values (once the policy ownership is transferred), if required • Policy is protected from creditors
3rd Generation Your Grandchildren (“Beneficiary/ies”)	• Named as “beneficiary/ies” of the policy	• Receives tax-free death benefit on the life of the insured • Can use eventual proceeds to further the “cascade” by purchasing policies on their own adult children

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