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- INVESTMENT -
INSIGHT

Susyn Wagner
CIM®, CFP®, FCSI®, EPC
Senior Wealth Advisor
Senior Portfolio Manager
587.747.6625
susyn.wagner@wellington-altus.ca

Karen Routledge
CIM®, CFP®, RRC
Portfolio Manager
Senior Wealth Advisor
587.747.6624
karen.routledge@wellington-altus.ca

250 5th Street SW, Suite 2200
Centennial Place, West Tower
Calgary, AB T2P 0R4

Toll Free: 833.251.2936
Fax: 587.747.6630

https://advisor.wellington-altus.ca/wagner/

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The Illusion of Speed

It has been said that *"there are decades where nothing seems to happen, and there are weeks where decades happen."* The sweeping global tariffs, announced by the U.S. on April's "*Liberation Day,*" caught the world off guard—disrupting long-held norms in global trade and world order. This may signal the beginning of a new chapter—one where political disruption, rapidly shifting policies and the velocity of digital information collide.

We've seen a wave of financial market volatility triggered by how rapidly these changes were communicated—and perceived. In today's hyper-connected world, the pace of modern life has never been faster. That same urgency has seeped into the way we make decisions.

Technology underpins this behavioural shift. The average investor now holds a stock for just months—down dramatically from the multi-year horizons of previous generations.[1] A recent study found that many retail investors spend less time researching a stock than they do reading a restaurant menu.[2] The result? Decisions are driven more by momentum and emotion than thoughtful, long-term planning.

Markets, too, have become increasingly reflexive. April's rapid selloff, followed by the swift recovery in May, shows how quickly sentiment can shift.

Similarly, the U.S. administration's approach has been characterized by rapid disruption, with some describing it as a "*move fast and break things*" approach.[3] The speed at which new policies are introduced amplifies the perception of urgency—even when outcomes remain uncertain, or when policies may later be changed—or even reversed.

Yet amid this policy whiplash, a shift may be taking place: a move away from globalization toward greater national protectionism, security and economic self-sufficiency. This pivot has raised deeper questions about the role of the U.S. as the dominant superpower. During April's volatility, a sharp selloff in U.S. Treasurys raised concerns—particularly as China, which holds about one-sixth of all foreign-owned U.S. Treasurys, has been increasing its gold reserves. Subdued demand for the U.S. dollar—once the default safe haven—has prompted questions about its future as the global reserve currency. Since the start of the year, its value has fallen by around 9 percent[4]—a rare and significant drop. Questions about waning confidence in U.S. global leadership have emerged. To paraphrase one analyst: "*You can't antagonize and influence at the same time.*"

This environment should serve as a reminder: speed does not always equate to change. The illusion of speed—fueled by technology and policy turbulence—can distort our sense of urgency and lead us to chase headlines rather than stay grounded in fundamentals. It's a dynamic that can leave investors vulnerable to short-term noise. Investing, at its core, rewards patience.

While the events of April may already feel like a distant memory, it's understandable that the market movements were unsettling for many. If you have friends or family who could benefit from our approach, we would be happy to offer support. We've navigated these challenging times before and continue to provide value through a disciplined process.

After a spring marked by *'weeks where decades seemed to happen,'* may your summer days be filled with many slow and relaxing moments.

1. https://www.visualcapitalist.com/the-decline-of-long-term-investing/; 2. https://www.wsj.com/finance/investing/buying-stocks-research-study-2a839a4a; 3. A term coined in the tech industry; 4. To end of May, per ICE U.S. Dollar Index.

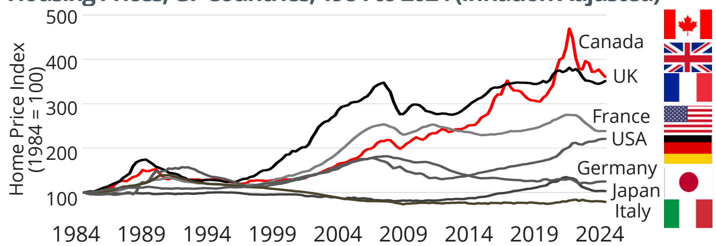
In This Issue

BRIDGING THE HOUSING AFFORDABILITY GAP

Supporting a Home Purchase? Five Questions to Ask

Without a doubt, home ownership has become increasingly out of reach for younger generations (chart, bottom right). Canadian home prices have risen faster than in any other G7 country—nearly quadrupling over 40 years (graph, top). As such, many families are stepping in to help.

Housing Prices, G7 Countries, 1984 to 2024 (Inflation Adjusted)



https://www.dallasfed.org/research/international/houseprice

Beyond easing financial stress, this support can have added benefits. Many high-net-worth individuals value the opportunity to see their wealth in action during their lifetime. Lifetime gifting can also simplify estate administration and, depending on province, may reduce probate fees.

Still, meaningful support requires thoughtful planning to avoid unintended consequences. Here are five key questions to consider:

1. How will this impact my own finances? Many people draw from lifetime savings to provide support. It's essential to assess how this could affect your long-term financial security—especially given increased life expectancy and the rising cost of long-term care.

2. How do I structure my support? Support can take many forms, including gifting cash, loaning funds, co-signing a mortgage or purchasing a property in your own name—each with different tax and family law implications.* Remember, gifting means giving up control. Smaller, ongoing support may allow the recipient to leverage tax-advantaged tools like the Tax-Free Savings Account (TFSA) or First Home Savings Account.

3. What are the family law implications? If the recipient is in a relationship that ends, gifts or property could be subject to division, depending on provincial family law. There may be ways to protect the intent of your support, such as through the use of formal ownership agreements or cohabitation agreements.*

4. Are there tax implications? While Canada has no gift tax, some arrangements can trigger taxable events. For example, co-owning a property with the recipient may protect your share, but if it's not your principal residence, you could face capital gains tax upon its sale or disposition. Large gifts from taxable investment accounts could also trigger capital gains or income tax.

5. Will this affect my estate plan? If you have multiple children who are intended beneficiaries, a gift to one child can affect how you equalize your estate. A strategic approach might include integrating gifting into an estate equalization plan—through lifetime gifts or testamentary planning using trusts or insurance.

*Consult legal and tax professionals to understand the implications of any strategy.

Housing Costs Over 40 Years: Kids Today May Have It Harder

	1984	2012	Today	% Change from 1984
Average home cost	$76,214	$369,677	$712,200 (1)	+834%
Median family income	$48,500	$71,700	$107,663 (2)	+122%
Price-to-income ratio	1.57	5.16	6.62	+321%
5-yr. fixed mortgage	14.96%	4.23%	4.70% (3)	–69%
75% mortgage value	$57,161	$277,258	$534,150	+834%
Monthly payment (25 yr.)	$711	$1,493	$3,016	+324%
Payment-to-income ratio	17.6%	25.0%	33.6%	+91%
Lifetime interest cost	$156,034	$170,704	$370,665	+138%

(1) National benchmark, April 2025: https://wowa.ca/reports/canada-housing-market; (2) StatCan Table 11-10-0190-01, 2022 figure (after tax) with 2.56% annual wage growth in 2023-25; (3) Avg. major banks' five-year fixed rate, April 28, 2025. Historical data source: "2012 vs 1984: Yes, Young Adults Do Have It Harder Today," R. Carrick. Globe & Mail, 8 May 2012, B12.

MACROECONOMIC PERSPECTIVES

A Credit Downgrade: What's in a Rating?

In May, Moody's downgraded the U.S. credit rating from the top Aaa to Aa1. This move by one of the major credit rating agencies—S&P and Fitch are the other two—raised the question: Does a downgrade matter?

First, what is a rating? A credit rating assesses a borrower's ability and willingness to repay debt. Unlike personal credit scores, which typically range from 300 to 900, government credit ratings are expressed as letter grades, with AAA representing the highest quality and lowest risk. A downgrade implies an increasing likelihood that a government may default on its bonds.

Why does this matter? A downgrade generally means investors demand higher interest rates to compensate for added risk. Higher interest payments raise the cost of government borrowing. To sustain spending, more bonds must be issued—further increasing the debt burden. In the U.S., interest payments have become the second-largest federal expense, surpassing defence spending in 2024.

While credit downgrades can shake investor confidence, equity markets had a muted response, briefly jittering. This was partly because the move wasn't a surprise, lagging similar downgrades by Fitch in 2023 and S&P in 2011. However, bond prices have come under pressure, sending yields higher, with the 30-year rate surpassing 5 percent in May. It comes at a time when a Republican tax bill rekindled debate about the sustainability of the U.S. deficit and spending.

There are likely to be ripple effects. A surge in U.S. mortgage rates may dampen consumer spending. Credit card and auto loan rates are less likely to be affected, as they tend to follow the federal funds rate more directly.

Why is this significant for Canada? Canada is among the few nations still holding the top credit rating from at least two major agencies. Fitch downgraded Canada in 2020 due to pandemic-related spending. While Canada's credit outlook remains stable, a downgrade would be unwelcome. Net debt is not out of step with other AAA-rated economies, but gross debt levels are high, and rising interest rates would raise debt-servicing costs—straining future budgets. The heightened focus on global debt may help explain why Prime Minister Carney has opted to delay the release of the federal budget, usually delivered in the spring. Credit agencies continue to evaluate sovereign debt positions, and the U.S. downgrade follows a move by Moody's to downgrade France at the end of 2024.

THINKING AHEAD:

Planning a Tax-Efficient Withdrawal Strategy

"A dollar's value depends on the tax trail it travels."

How and when you access your income sources can influence the taxes you pay, your eligibility for government benefits and your long-term financial health. Whether you're accumulating wealth, transitioning between career stages or planning for retirement, a tax-efficient withdrawal strategy can make a meaningful difference. Here is a brief look at common income sources and ideas to help you optimize withdrawals or manage income streams more effectively:

Non-Registered Accounts — Tax treatment depends on the type of income: interest (fully taxable), dividends (eligible for a dividend tax credit) or capital gains (50 percent is taxable). Tax-loss harvesting can offset capital gains to reduce your overall tax bill.

Registered Retirement Savings Plan (RRSP) — Withdrawals are fully taxable and subject to withholding tax. Importantly, once funds are withdrawn, 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. Any amount 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/Quebec Pension Plan (CPP/QPP) — CPP/QPP 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 higher income later in life, here are two considerations: ***i) Clawback***—If net income exceeds $93,454 (2025), OAS is reduced by 15 percent of the excess. At $151,668 (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 RRIF withdrawals begin the year after the RRIF is opened, increasing taxable income. Some choose to begin RRSP withdrawals earlier to manage future tax exposure or reduce the risk of triggering the OAS clawback.

Company Pension — Pension income is taxable. After age 65, the pension tax credit may help offset the tax liability. Consider timing your pension's start with other sources of income to manage your 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 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.

PERSPECTIVES ON MARKET VOLATILITY

The Merits of Hanging in (& Why April Felt So Bad)

It's been a wild ride this year—and we're only halfway through.

If April's market movements felt unsettling, you weren't mistaken. While volatility is a natural part of equity markets, the magnitude of April's decline was unusual. A two-day drop of more than 10 percent in the S&P 500, seen over April 3 and 4, is rare and has occurred only four times since 1980: on Black Monday in 1987, twice during the 2008 Global Financial Crisis (GFC) and in the early days of the 2020 pandemic.

It's worth repeating: while it might feel tempting to exit the markets during turbulent periods, doing so can come at a cost. One reason is that some of the best-performing days often follow the worst. Exiting the markets after a decline may mean missing out on these gains, which can then make re-entering even more difficult. We saw this play out in the spring when April's sharp drop was followed by a swift recovery in May.

While markets don't always rebound immediately, time has a powerful way of smoothing even the sharpest declines. In the year following the worst two-day drops, the S&P 500 posted an average gain of 36.3 percent. Similarly, after the largest one-day declines in the S&P/TSX, the average one-year forward return was +34.6 percent.

One of the benefits of navigating through challenging markets like the GFC and the pandemic is that we have accumulated invaluable experience. Time and again, we are reminded that you can't keep the markets—or the economy—down for long.

Even the darkest nights eventually give way to dawn—and patience remains one of an investor's great virtues.

1. BMO Capital Markets, *U.S. Strategy Report*, April 6, 2025. 2. BMO Capital Markets, *Canadian Strategy Report*, April 6, 2025. Calculations based on BMO Capital Markets Investment Strategy Group calculations, Factset, Compustat, IBES.

S&P 500 Two-Day Declines & One-Year Forward Return[1]

Date	Decline	1-Yr. Forward Return
10/19/1987	-24.6%	+23%
3/12/2020	-13.9%	+59%
11/20/2008	-12.4%	+45%
11/6/2008	-10.0%	+18%
Average	**-15.2%**	**+36.3%**

Largest S&P/TSX One-Day Declines & One-Year Forward Return[2]

Date	Decline	1-Yr. Forward Return
3/12/2020	-12.3%	+51%
10/19/1987	-11.3%	+6%
3/9/2020	-10.3%	+27%
3/16/2020	-9.9%	+53%
12/1/2008	-9.3%	+36%
Average	**-10.6%**	**+34.6%**

Estate Planning:
Joint Ownership — The Good, the Bad & the Ugly

Owning assets jointly has grown in popularity—with spouses, and now more frequently between parents and children. While there may be benefits, be aware of the potential pitfalls prior to transferring assets into joint ownership.

Joint ownership occurs when an asset is owned by more than one person. There are two forms: "Joint tenancy" (with the right to survivorship) refers to an arrangement in which the ownership of the asset passes directly to the surviving owner(s) upon the death of one of the owners.* As such, the asset passes outside of the deceased owner's estate. Under the alternative "tenants in common" arrangement, owners each hold separate ownership interests in the asset that can generally be sold, transferred, or bequeathed without the consent of the other owners.

Here, we focus on joint tenancy, which is being increasingly used in the estate planning process. While there are benefits, be aware of the bad—and potentially "ugly"—implications prior to entering into this arrangement:

The Good...

Ease of asset transfer — Upon the death of one owner, the surviving owner(s) automatically becomes the owner of the asset, with few legal or administrative hassles upon transfer.

Bypass probate — Since assets pass to joint owners outside of the will, no probate or estate administration fees are assessed, in provinces where applicable.

The Bad...

Tax implications — There may be potential tax consequences to joint owners. For example, if real estate is owned jointly between a parent and a child who already owns a residence, there may be a proportionate loss of the principal residence exemption. Adding a joint owner to a property could also result in the incidence of land transfer tax. For jointly-owned investment accounts, even if tax slips may be received in the names of the joint owners, the Income Tax Act could require attribution of the income earned and owned by one taxpayer to another taxpayer for tax purposes, based on who provided the capital, and what proportion was used to acquire the assets in question. Depending on the circumstances, adding another party as joint owner could also result in the recognition of some gains or losses for tax purposes.

Loss of control — Joint ownership may mean that the original owner no longer has total control over the assets. With property, decisions regarding its maintenance or sale need to be made jointly. With financial accounts, such as a bank account, a joint owner would generally have the ability to withdraw or use funds.

The Ugly...

Estate equalization issues — If the majority of assets are held in joint ownership (outside of the estate), the estate may not have sufficient assets to fund legacies or gifts outlined in the will, or to cover potential tax liabilities. If an estate is to be divided equally but a jointly-owned asset hasn't been considered, expensive and divisive legal action could result. It also may not be clear if a joint-tenancy arrangement was done for ease of administration or if a change in beneficial ownership was intended.

Exposure to creditors or matrimonial claims — Jointly held assets may be exposed to claims by a joint owner's personal or business creditors, or ex-spouse. This could force the sale of an asset to cover the payment of debts or claims of the joint owner.

As always, please seek the advice of legal and tax advisors as it relates to your particular situation.

*Not applicable in Quebec, where the laws differ and an automatic right of survivorship does not exist.

You & Your Estate Plan: Is a Review in Order?

According to a recent survey, only 30 percent of Canadians have an estate plan. Additionally, more than half of those surveyed aren't familiar with many key estate planning features:[1]

- **50%** aren't aware of how the power of attorney works;
- **55%** do not appreciate the important role life insurance can play in protecting the value of one's estate;
- **53%** do not understand the role a will plays;
- **63%** are unfamiliar with how taxes impact assets after death.

How about you? If these statistics prompt a need to revisit your estate plan and you require support, please reach out.

1. https://www.wealthprofessional.ca/news/industry-news/canadians-lack-estate-planning-knowledge-study-finds/386014