



January 2026

# QUARTERLY INSIGHT

Executive Summary

Reflection and Outlook

Family Office Feature – *2026 Tax Facts, Figures and Future Planning*

Investment Management Feature – *Investment Booms: Lessons from History and Today*



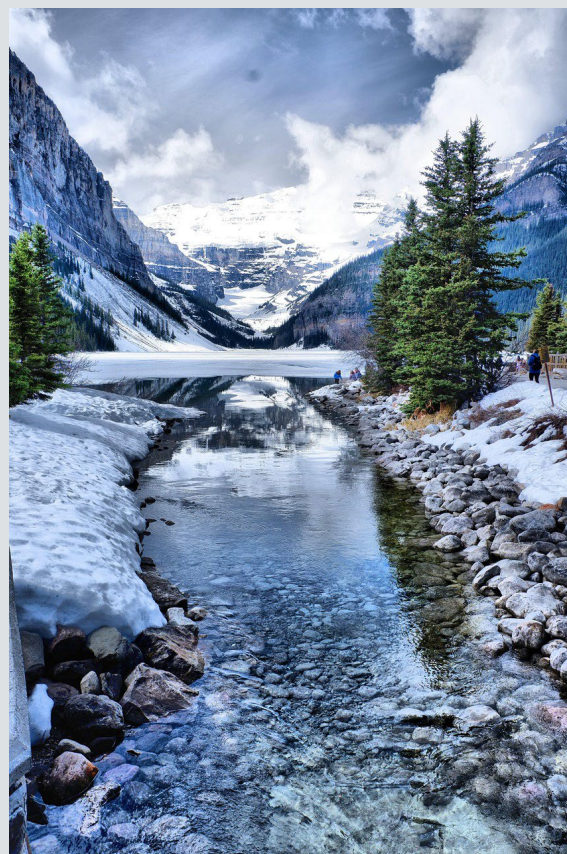
## EXECUTIVE SUMMARY

### Reflection and Outlook

- Markets proved resilient in 2025 despite political tensions, shifting trade policies, and a sharp U.S. market pullback, supported by falling inflation, lower rates, and strong corporate earnings growth.
- Volatility created opportunities to add to stocks and private credit, while Canadian real estate faced pressure from reduced immigration, tariffs impacting growth, and rising supply.
- By year-end, global equities reached new highs, driven by rapid investment in artificial intelligence (AI) and technology, raising questions about a potential early-stage AI-driven market bubble.
- Entering 2026, easing inflation and continued AI-related investment offer support for growth, however a softening labour market and slowing consumer spending signal a late-cycle economy with growing recession risks.
- Portfolio positioning emphasizes diversification and risk management through high-quality bonds, increased private credit, reduced U.S. equity exposure, a hedged U.S. dollar stance, and selective use of equity market protection options.

### Family Office

- The prescribed rate remains at 3% for Q1 2026, and higher federal and Alberta basic personal amounts create stronger opportunities for income-splitting and low-tax planning.
- CRA continues to enforce strict instalment and filing rules, with notable penalties for late payments; key filing deadlines include March 31 for most trusts, June 30 for many corporations, and April 30 for personal returns.
- Registered Retirement Savings Plan (RRSP) and Registered Retirement Income Fund (RRIF) updates include rising contribution limits, early-contribution advantages, and important milestones for those turning 71 or opening new RRIFs.



### Big Events in Calgary

**Chinook Blast Winter Festival:** Visit Eau Claire Plaza between January 30 and February 16 to enjoy Calgary's signature winter festival. It unites partners from the arts, nonprofit, neighbourhood, tourism and sports communities to celebrate the spirit of the city in an inclusive and vibrant way.

To learn more, visit [Chinook Blast](#).

**Skijordue '26:** Skijoring is the fastest growing winter sport in North America, drawing a diverse group of participants spanning generations and genres to dynamic events showcasing skills, speed and style. Skijordue is taking place at the Confluence Historic Site in Calgary on February 21 & 22, 2026.

Visit [Skijordue '26](#) for more information.

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## REFLECTION AND OUTLOOK

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### Looking Back at 2025

This past year brought plenty of surprises. Markets had to navigate political tension, shifting trade policies, and an unusual amount of uncertainty. Even with these challenges, including a sharp U.S. market pullback in April, stocks ultimately proved resilient. Falling inflation, lower interest rates, and strong corporate earnings helped markets recover and finish the year on a high note.

We took advantage of the market volatility by adding more to stocks and private credit at attractive prices. In Canada, real estate faced pressure from changing immigration policies, tariffs, and an oversupply of housing in major cities. Both the Bank of Canada and the U.S. Federal Reserve continued lowering interest rates, helping support slower but steady economic growth. By year's-end, global stock markets reached new highs, driven by rapid investment in AI and technology, which some believe could be the early stages of an AI-driven market bubble.

### Looking Ahead to 2026: *Both Opportunity and Uncertainty*

We are entering 2026 with cautious optimism. Continued government stimulus in the U.S. and ongoing investment in AI infrastructure could support further economic growth. Inflation is easing, but the labour market is softening, and consumer spending is slowing, which are signs that the economy is late in its cycle. A recession is still possible, especially if AI-related profits don't materialize as expected or if a major geopolitical event disrupts markets. At the same time, lower interest rates and strong corporate earnings could continue to support stock prices. Because predicting the exact turning point of a cycle is nearly impossible, we prefer to prepare for a range of outcomes rather than focusing on one specific outcome.

### Portfolio Positioning

To balance growth opportunities with potential recessionary and geopolitical risks, we are positioning portfolios with a mix of stability, diversification, strategic upside and possibly some equity market hedging:

- **High-quality bonds** offering yields in the 4–5% range, providing stability and “dry powder” should markets pull back.
- **Increased private credit exposure**, which offers equity-like long-term returns with lower downside risk.
- **Reduced U.S. equity exposure**, shifting toward Canadian and international markets where valuations are more attractive and dividend yields are higher.
- **A mostly hedged U.S. dollar position**, reflecting our view that the Canadian dollar is undervalued and may strengthen as major national projects progress and if commodity prices firm up.
- **A new equity risk-management strategy**, utilizing some U.S. indices put options, we may implement this year, to help protect portfolios if valuations correct sharply or if a recession or geopolitical shock occurs.

### The Road Ahead: *Staying Diversified and Prepared*

Successful long-term investing is about staying invested in well-managed growing companies while managing risks thoughtfully, especially late in a market cycle. Stocks remain the strongest long-term driver of wealth, while bonds help smooth the ride during periods of uncertainty and provide opportunities to buy equities at better prices. We believe broad diversification across asset classes and regions, combined with prudent opportunistic risk-management tools will help create a more successful long-term investment experience until valuations improve and geopolitical risks abate.

January 2026

# QUARTERLY INSIGHT



## FAMILY OFFICE FEATURE:

### *2026 Tax Facts, Figures and Future Planning*

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#### **CRA Tidbits**

- The prescribed rate Q1 2026 remains at 3%, a favourable rate for new spousal and family trust loan strategies.
- The federal basic personal amount has increased to a maximum of \$16,452, while the Alberta basic personal amount is \$22,769. This means Albertans can generate \$16,452 of income before paying tax, and the following \$6,317 will only be exposed to federal tax. This is a great way to leverage available income splitting strategies.

#### **Tax Filing Deadlines and Details**

- CRA holds the position that tax instalments are due as scheduled, regardless of actual income earned in the year or prior years and charges an interest rate of 7% for late payments.
- The interest rate for late filing is 5% of the balance owing, plus 1% each full month thereafter (up to 12 months).
- Trusts with a December 31 year-end are required to file by March 31, 2026.
- Corporations must file their T2 six months after year-end, yet most amounts owing are due two months after year-end. For example, a corporation with a December 31 year-end (very common) is required to file by June 30, 2026; however, it must pay amounts owing by February 28, 2026.
- Personal returns must be filed by April 30, 2026, with amounts owing due at the same time.
- If you have sold a primary residence in 2025, don't forget to inform your accountant, as you must report this on Form T2091 (Designation of a Property as a Principal Residence by an Individual).

#### **RRSPs and RRIFs**

- The 2025 RRSP maximum contribution is 18% salary to a maximum of \$32,490. The deadline to make contributions deductible on your 2025 income is March 2, 2026.
- The upcoming 2026 RRSP maximum contribution room will be \$33,810. If you already know your room, the earlier you contribute, the more benefit you will receive from tax-sheltered growth.
- If you are turning 71 this year, this is the last year to make any final RRSP contributions, and we will contact you in December to convert your RRSPs to RRIFs.
- If you have opened a new RRIF in 2025, you will be required to make your first withdrawal by December 31, 2026. The amount is based on your age and the value of the account. Delaying the withdrawal until the end of the year allows the funds to grow tax-deferred as long as possible.
- Young adults may want to make RRSP contributions (or FHSA contributions) but deduct them on their tax returns in years when they are in a higher tax bracket.

#### **TFSA, FHSA and RESP**

- The 2026 maximum annual contribution limit is \$7,000.
- Any prior Tax-Free Savings Account (TFSA) withdrawals can be fully re-contributed the following calendar year.
- New contribution room to First Time Home Savings Accounts (FHSA) remains at \$8,000 annually.
- Registered Education Savings Plan (RESP) contributions and CES grant remain static. The first \$2,500 of contributions attracts \$500 of grant. If accumulated grant room exists, one can catch up with \$5,000 of contributions, attracting the annual grant maximum of \$1,000.
- Contribution room begins at birth. If a new addition has arrived, a grandparent or parent can begin contributing to the education fund immediately.
- If you are winding up an RESP this year, consider directing the surplus to a TFSA or FHSA for the soon-to-be graduate.

## INVESTMENT MANAGEMENT FEATURE:

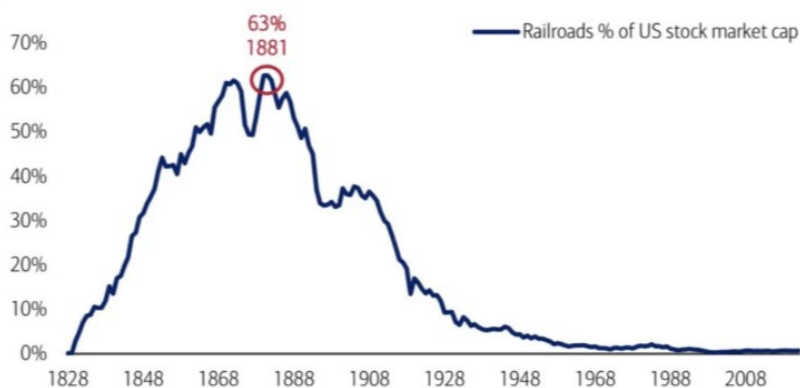
### *Investment Booms: Lessons from History and Today*

Investment cycles often follow a familiar pattern: optimism about transformative technologies drives valuations to extreme levels, followed by periods of correction. Understanding these dynamics can help investors navigate today's market environment and manage the growing risks of the current Supercycle in AI.

#### Historical Precedents

In the 19th century, the railroad industry sparked one of the largest investment booms in history. Railroads were seen as revolutionary, attracting massive speculative capital. Research by Carlson (2025) and the FDIC shows that financing was heavily reliant on long-term debt, which created systemic risk when growth slowed. This episode illustrates how infrastructure-driven booms often hinge on optimism, leading to overvaluation and eventual correction. At its peak, railroads accounted for 63% of the U.S. stock market.

**Chart 2: Railroads = 63% of US stock market in 1881... most dominant innovation sector ever**  
Railroads as % of US stock market cap



Source: BofA Global Investment Strategy, Global Financial Data

BofA GLOBAL RESEARCH

Similarly, in the years leading up to the 1929 crash, valuations reached unprecedented levels. Historical accounts reveal that price-to-earnings ratios soared far beyond sustainable levels, signalling irrational exuberance. The lesson is clear: when valuations rise without proportional earnings growth, markets become vulnerable to sharp reversals. For now, AI profits have been rising despite the labour market weakening; however, this bears watching further as investors appear to be doubling-down on AI technology stocks given the narrative around data-centre buildouts on earth and even in space with the help of Elon Musk's SpaceX.

#### The Modern Parallel: AI Investment Surge

Today, AI is driving a new wave of investment enthusiasm. Bloomberg reports that AI-related equities dominate market capitalization, with the "Magnificent 7" now accounting for ~35% of the S&P 500. If you include companies like Alphabet, Meta, Disney, Amazon and Tesla, technology stocks account for > 55% of the U.S. stock market. Price-to-earnings ratios for leading AI firms far exceed historical averages, echoing patterns seen in previous bubbles.

However, there are crucial differences in funding dynamics. According to Richard W. Paul & Associates (2025), AI companies rely more on equity financing and venture capital than on debt. This reduces systemic credit risk but concentrates exposure in equity markets, creating a different risk profile compared to past booms.

## Railroads vs. AI: Key Similarities and Differences

Both the railroad and AI booms share common themes: transformative technology narratives and rapid capital inflows fueled by expectations of long-term dominance. However, the differences are significant. Railroads required heavy physical infrastructure and debt financing, while AI is relatively asset-light and scales through software and cloud infrastructure on a global basis. Additionally, global diversification today helps mitigate concentration risk compared to the U.S.-centric nature of the 19th-century railroad boom. AI technology companies are also spending free cash flow and operate mostly on the software as a service subscription-based (SAAS) model, which is helping finance the mega boom in datacentres and learning language models (LLMs) development. Compared to railroad investments, which represented about 6% of U.S. GDP back in the 1880s, today's technology companies are spending about 4.5% leading one to believe that the cycle could still wear on for some time yet. Finally, technology companies today have very manageable debt levels, which can further reduce systemic risk for equity market investors.

CHART 10  
IT Capex Has Edged Past Its 2000 Peak



## Is AI a Bubble?

Opinions vary, although there we have no doubt by virtue of U.S. technology dominance that we are closer to the end of the cycle vs. the beginning. Some analysts argue that AI is foundational, akin to electricity or the internet, and therefore justifies premium valuations. Others caution that current multiples and market concentration mirror historical bubbles, suggesting vulnerability if growth falters and profitability starts to decline. Our view is, AI is a bubble in the making, meaning we are not likely at the peak; however could see a blow off top in the U.S. equity market with technology and technology related stocks accounting for more than 60% of the index at peak optimism. From that point onward, we would say the risk vs. reward is not incredibly attractive and therefore would advocate for greater global diversification and some market insurance protection through put options.

As always, thank you for your continued trust. If you have questions about your portfolio or want to discuss strategy in more detail, we're here to help.

Sincerely,



Andrew, Kelly, Justin & the West Oak Team



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