Wealth Management
Dominion Securities

Wealth Management
Review

www.rbcds.com | Winter 2026

Maintaining your lifestyle in retirement and paying less tax

The common question we hear from retirees is, how do I make my life savings last? We're facing rising costs, longer life expectancies, and markets that can change direction overnight. But while many people focus on budgeting or reducing costs, they often overlook the importance of investment returns and one of the biggest drains on retirement income, taxes. The good news is there are many powerful ways to reduce unnecessary tax and keep more money available for your present and future.

Scan the QR code to listen to this episode of Matters Beyond Wealth, the RBC Wealth Management podcast or visit www.rbcwealthmanagement.com/en-ca/matters-beyond-wealth to explore more episodes.

Key dates

- **March 2, 2026**: last day for 2025 RRSP contributions
- **April 30, 2026**: last day to file your 2025 tax return without penalty
- **June 15, 2026:** last day to file your 2025 tax return without penalty if you are self employed

Will market momentum continue in 2026?

By Jim Allworth, Investment Strategist, RBC Dominion Securities
December 19, 2025

Coming off three successive years of above-average equity market performance, a fourth can't be ruled out.

However, for 2026 stock market returns in both Canada and the U.S. to be "merely" positive or above average, will require:

- the U.S. to avoid recession
- the current consensus forecasts for GDP, earnings growth, inflation, and interest rates to be in the right 'ballpark'
- the AI story, particularly the forecast for associated capital spending, to roll on without any serious setback

Turning first to the U.S. economy, the consensus estimate for U.S. GDP growth in 2026 currently sits at 2 percent.

In years where U.S. GDP growth has come in somewhere in the 1.1 percent to 2 percent range, the S&P 500 has typically struggled. It has delivered positive returns only 40 percent of the time, and the average return has been a chilly minus 3.4 percent. But when GDP growth has landed in the 2.1 percent to three percent range, the equity picture has brightened considerably, with the S&P 500 delivering positive returns 71 percent of the time and the average return coming in at a healthy 11.6 percent.

Some factors at play today might help push that U.S. GDP growth rate into the potentially more rewarding zone above 2 percent, including:

- **A rebound from the government shutdown:** The re-opening has lowered policy uncertainty. Furloughed workers are receiving back pay retroactively as will most benefit recipients. We expect consumer resilience will re-emerge in Q1, helped by the expected USD$50 billion increase in tax refunds.

  Meanwhile, surveys reveal a growing proportion of companies, large and small, are planning to hire, raise wages, increase planned capital spending, and raise prices.

- **Lagged effect of monetary easing:** Changes in U.S. monetary policy are thought to act on the economy with a lag of six to 12 months. The 100 basis points of rate cuts back in Q4 2024 likely helped the U.S. economy to reach an above-average Q3 result . We think those

Will market momentum continue in 2026?
Continued from page 1

late 2024 rate cuts will continue to be felt in early 2026, while the Fed's 75 basis points of rate reductions in the final quarter of 2025 should produce better economic activity in the second half.

- **Capital spending to be boosted by tax policy:** New policies in the budget bill that allow for much faster write-off of expenditures on qualified properties (including data centres), as well as extending the provision that allows the immediate full expensing of research & development, as well as equipment costs, could result in a faster rate of capex growth. The most recent CEO survey saw a big surge in those companies planning to increase capital spending.

How does AI fit into the picture?

AI has been making a very large contribution to index earnings and to GDP growth. Recently, the 10 largest capitalization stocks in the S&P 500—eight of which are AI giants—traded at an average price-to-earnings (P/E) ratio near 30x earnings (vs. a long-term average 20x), while the rest of the index trades at 18.7x (long-term average 16.5x). [The TSX, which has very little if any exposure to the AI build-out, is trading at 19.4X versus a long-term average of 17.3x.]

We think investors are willing to pay a premium multiple for the AI leaders because of their superior earnings growth and their perceived capability to deliver more in the future. We note that the rest of the market, as well as the TSX, while much cheaper than the mega-cap AI leaders, are expensive relative to their own historical average.

AI is also very important to GDP growth expectations in 2026 and beyond because of the dramatic growth in associated capital spending. The announced 2026 capex budgets for the biggest players add up to over USD$400 billion, although it remains an open question whether there will be sufficient surplus electric power available to run the fast-proliferating data centres.

Canadian equities are dependent on both economies

Whether or not the Canadian economy can avoid recession has to be looked at in conjunction with how the U.S. economy is faring. Big components of Canada's stock market have a lot riding on the growth trajectory of the U.S. economy. Most Canadian banks and insurers, auto-related businesses, as well as energy, metals, forestry companies and others either have large U.S. operations or sell a significant proportion of their output to U.S.-based customers, or both.

Positive assumptions are not without risks

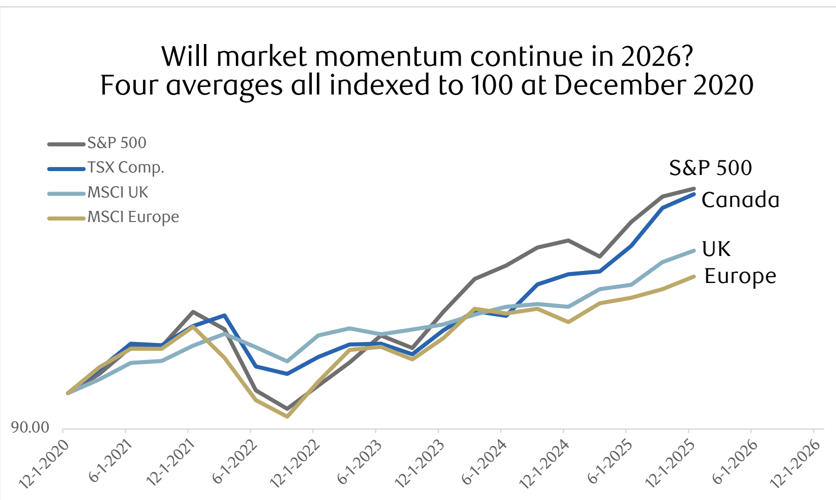
The consensus street estimate for 2026 S&P 500 price level one year out of about 7,700 if the S&P 500 were to appreciate in line with earnings. That would represent a market gain of about 13 percent from the late December level of 6,900.

However, achieving a 13 percent earnings gain in an economy growing at only 2 to 3 percent will be a tall order. We suspect that analysts believe the earnings of the mega-cap AI stocks will continue to grow rapidly no matter what the economy does, skewing the market P/E multiple higher in the process. This underlines what we think is the biggest risk to an optimistic outlook: any significant derailing of the AI juggernaut, were it to occur.

Position for less, be happy with more

In our view, the conditions necessary for the S&P 500 and the TSX to deliver high-single-digit total returns in 2026 (rather than the 13 percent-plus implied in today's consensus forecast), are much less demanding and more likely to occur. They would include some slight further moderation in inflation, allowing another cut or two from the Fed (although perhaps not from the Bank of Canada), leaving S&P 500 earnings able to get close enough to the consensus $311 per share estimated for 2026.

As 2026 gets underway, we think portfolios should be invested up to, but not beyond, a predetermined long-term equity exposure with a plan for becoming more defensive when and if needed.



Source: FactSet; RBC Wealth Management

Parallel purpose

Aligning your goals, wealth plan, and investment portfolio is an important, effective, and efficient way to help smooth your path to financial success. Along with trusted and personalized advice from your Investment Advisor, they create a powerful combination that works in parallel with you to achieve your goals.

Your goals: New year, new page

The closing out of a calendar year and the beginning of the new one can be an ideal time to consider our financial circumstances and where we stand along the path of our life journey. It often helps to consider what is working in our life, what needs to be tweaked to work better, and what we may be missing to achieve the things that matter to you and your family.

One of the most important steps in this process is to consider your goals. They form the very foundation of all plans, whether it's what you are doing today, or how you want to spend your retirement years. A successful wealth plan is built out from the goals that you discuss, and then refine, revise and update regularly with your Investment Advisor (IA).

Taking time to consider your goals – either establishing them, or, if you have them established already, revising them to reflect your life – can help ensure that your plan and your investment portfolio, along with the advice you receive from your IA, are all aligned and working in parallel purpose to achieving your financial success.

Your plan: A living, breathing roadmap of your financial life journey

An old truism states that the difference between a dream and a goal is a plan. Formulated in partnership with your IA, your wealth plan provides you with your unique and personalized roadmap to working towards achieving what matters to you and your family. It lays out what needs to be done to realize on your plan, including anticipating the unique challenges that you may need to overcome along your financial journey.

In addition to your IA's qualifications, they also have access to a deep network of specialists at RBC Wealth Management. From financial planning to tax planning, from insurance advice and solutions to estate planning, the depth and breadth of the RBC Wealth Management team to help ensure your plan is actionable is extensive, and they are ready when and how you and your IA need them.

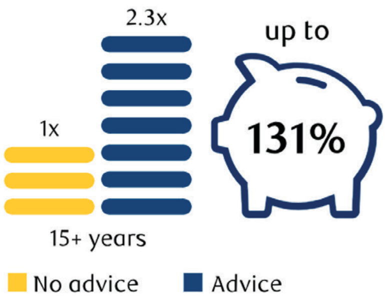
Your portfolio: As markets and solutions evolve, so does your portfolio

Your investment portfolio is designed to help bring your wealth plan to life. As your goals and your plan evolve over time, your portfolio needs may also evolve.

Your IA has built a customized portfolio for you, and continually works to ensure that you have the right mix of assets and investment solutions. As markets and investment solutions evolve over time, your IA may recommend changes to your portfolio and the assets held within it. And if your life stage and/or goals change – for example approaching or entering retirement – you and your IA may choose to alter your portfolio to manage risks in order

Continued on page 4

Parallel purpose
Continued from page 3



Increase in savings the average household saw that worked with a financial advisor for 15 years or more – compared to a similar household without a financial advisor.

Source: Claude Montmarquette & Alexandre Prud'homme, 2020. "More on the Value of Financial Advisors," CIRANO Project Reports 2020rp-04, CIRANO.

to preserve capital and enhance cashflow to meet your existing or future needs. Your IA is ever diligent and ready to work with you to meet those life changes, challenges, and opportunities.

Parallel purpose: Aligned to your success

When your goals, wealth plan and investment portfolio are aligned, your path to financial success and achieving what matters is smoother and more efficient.

At RBC Dominion Securities, your IA works at parallel purpose with you, and strives to ensure your goals are achieved in the smartest way possible, while keeping costs in line, helping to ensure your combined efforts are maximized.

As the investment industry evolves to continually improve such things as fee disclosure and reporting, you can rest assured that RBC Dominion Securities is working in alignment with you and your family, and will continue to work to ensure our clients know the value of what they receive.

When the timing is right for you, contact your Investment Advisor whenever you experience significant life changes or shifts in your financial goals. Working together and in parallel purpose towards your success, it's a great way to feel confident in your financial journey ahead.

Happy New Year!

Wealth Management
Dominion Securities