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Dominion Securities

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How will you thrive in retirement?

Retirement isn't what it used to be. Canadians are living longer than ever before and could potentially spend more time in retirement than they did in their working years. So, what does that next phase of your life look like? On this episode of the *Matters Beyond Wealth* podcast, Dr. Shaun Murphy, retired Organizational Psychologist, explores six key ingredients to a happy retirement.

"It's a tremendous opportunity to think through some of the things that you may have left behind. Carl Jung used to say that as we get older, the things we left behind, the desires, the dreams we left behind in our youth, come whispering to us in our later years."

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.

Earnings and markets shake off geopolitics

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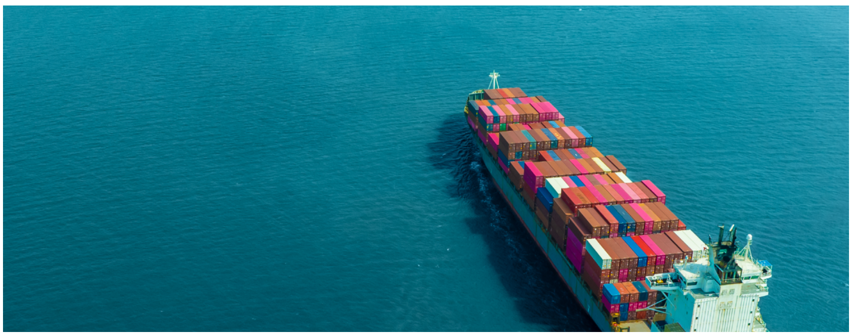

Markets have had plenty to navigate this year – from a sharp geopolitical shock to staggering sums spent on artificial intelligence (AI). But it's earnings that drive equity markets and the outlook for both remains upbeat—for now.

The S&P 500 and Canada's S&P/TSX set new highs recently after brushing off the February-March sell off triggered by the Iran conflict. Most other major markets have followed suit.

The S&P's standout performance—up 9.3% from the beginning of the year—is driven largely by the rapid upward revisions in index earnings. The Bloomberg consensus for 2026 earnings now sits at $341 per share, up 9% from where it started the year. If achieved, that would be a 23% increase from 2025.

Underpinning this forecast, the broad U.S. economy looks to be gaining momentum. Of the companies surveyed by the Business Roundtable, 81% expect their sales to increase in the next six months, up from 74% last quarter. The expectation of improved sales

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has provoked a notable increase in the percentage of surveyed companies looking to increase capital spending and to hire more workers.

This rising U.S. business optimism is coming when productivity is improving, unemployment claims are low, and the Atlanta Fed's GDPNow gauge is tracking a 3.0% gain in GDP for the second quarter. This suggests that the U.S. economy is not holding its breath waiting for the Strait of Hormuz to reopen. To some extent, neither are China or Canada. China spent much of last year making large oil reserve additions at low prices, while Canada is a large net exporter of oil and natural gas.

Canada's TSX performed better than the S&P, gaining 10% through the end of May, driven by strong results in financials and energy. As with the U.S. index, TSX earnings gains were mostly responsible. However, unlike the U.S., Canada's economy has been stagnating as it suffers from pressures such as: job security fears due to trade uncertainty and AI; a sagging real estate market; and high prices for gas and groceries, rent and mortgage costs. Some relief should come over the next 12-18 months, but things could get worse before they get better.

The risk everyone's watching

All economies are paying attention to the Strait of Hormuz. Restoring the free flow of shipping could lower oil and natural gas prices and reduce the risk of shortages—not just of fuels, but also fertilizers and key industrial chemicals. This would substantially reduce operating costs for many businesses and sectors, especially agriculture, where fuel and fertilizer drive impact on global food costs. Lower prices at the pumps and grocery stores would provide welcome relief to household budgets and a boost to consumer confidence everywhere.

The longer the Strait remains closed, the greater the risk of inflation rising further and working its way into the broader economy. A standoff that continues into or through the summer could even push the Fed and perhaps the Bank of Canada to consider rate hikes.

In our opinion, U.S. bond yields would likely move higher before any policy rate hikes were implemented. Higher bond yields could eat into profit margins, squeeze corporate cash flows, and dampen the appetite for capital spending, durables, and new housing—while reducing the value of future earnings in equity valuation calculations.

However, anything short of igniting a multi-hike Fed tightening cycle would be unlikely to push the U.S. economy into recession or derail the prospects for earning gains this year.

That said, a correction in the back half of 2026 can't be ruled out—whether in response to Hormuz complications, an upside breakout in bond yields, or the weight of an unusually heavy IPO calendar building tentatively for this fall.

More momentum for AI

The outlook for the U.S. market will continue to be dominated by the AI juggernaut. The unprecedented spending by the mega-cap hyper-scalers is undeniable, with new commitments leaping to higher-than-forecast levels seemingly every few months.

More non-tech businesses are also reporting that they are engaging with AI. Few, so far, can point to any sustainable return on investment from their AI expenditures. This won't slow down the spending anytime soon, but in our view, returns will be needed to justify the AI expense.

As things stand, 21x estimated forward earnings one year out for the S&P 500 sounds reasonable, given index earnings that are forecast to grow by 23% this year and a further 15% next. That said, anything that knocks those expectations or raises uncertainties could make upside targets for equity markets more difficult to achieve.

Our positioning advice remains the same: portfolios should remain committed to equities up to, but not beyond, an investor's long-term targeted exposure. And having a plan for how to become more defensive if conditions dictate is best done before it's needed.

An integrated approach to wealth planning with myGPS®

Augmenting the client-advisor connection in making wealth planning work for you.

Over the course of life, there can be various changes that any person or family experiences — personally, professionally and financially. Sometimes, the beauty of life is not knowing what adventure may be around the corner. But, when it comes to ensuring the unknowns are accounted for, and objectives are met no matter what the future may hold, appropriate wealth planning often plays a lead role. At RBC Dominion Securities, you can access an integrated approach to help plan and realize your wealth goals — myGPS®.

Streamlining the process

The purpose behind myGPS — short for "Goals, Priorities, Solutions" — is to provide you with personalized direction in your wealth planning. With a back-to-basics approach, you and your advisor can use myGPS to identify your goals, and help manage events and milestones via a detailed and customizable client projection. It zeroes in on overall planning aspects that many typically face at some point, such as home ownership, retirement and estate planning. At the same time, it helps better connect you with your advisor to make meaningful decisions and work together to customize your wealth plan as your priorities and circumstances change over time.

As part of wealth planning, myGPS can help answer some key questions, such as:

- What is my current financial picture?
- How can I ensure that my life after retirement is well-funded?
- How can I protect my family financially should the unexpected happen?
- How do certain changes affect my future finances?

Your advisor can input information about these questions, and create a personalized client report, providing a high-level overview of your financial picture, and how you're tracking towards your short- and long-term goals.

Building the client-advisor relationship

Your Investment Advisor is your partner in wealth planning. With myGPS, you and your advisor — and their access to RBC's team of planning professionals — can stay informed of your circumstances and generate potential opportunities and planning considerations.

This is where the integrated approach of myGPS truly shines. It's a tool that works alongside you and your advisor, providing an up-to-date snapshot of your situation, while also looking ahead to help you navigate opportunities and work towards your long-term goals.

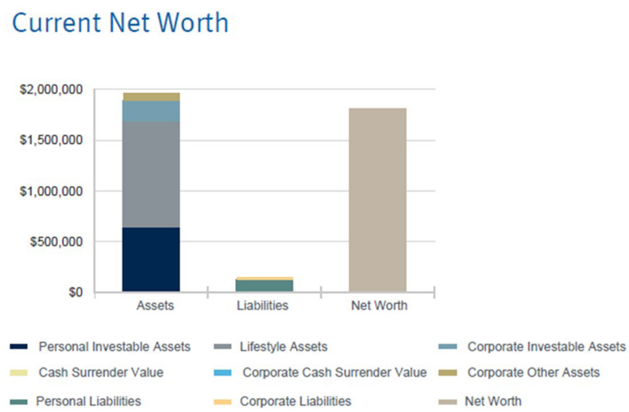
Providing relevance through various stages of life

myGPS can help provide a simplified and effective wealth-planning projection across multiple stages of life. From young adults who are taking on more financial responsibility to those who are nearing or into their retirement years, the capabilities of myGPS have been built with your goals and needs in mind. There are also features and functionality specifically for business owners.

Have you ever wondered...

What does my current and future financial situation look like?

With the help of your advisor, myGPS can provide you and your family with a more holistic view of your current and potential future financial situation. It can produce summaries showing your incomes, savings, expenses, investments, real estate and debt; it can also project this financial information into the future, providing insights for your long-term goals and needs.



All projections are for hypothetical illustration purposes only for the myGPS tool. The illustrations do not reflect actual client account information and are not guarantees of income levels or investment returns.

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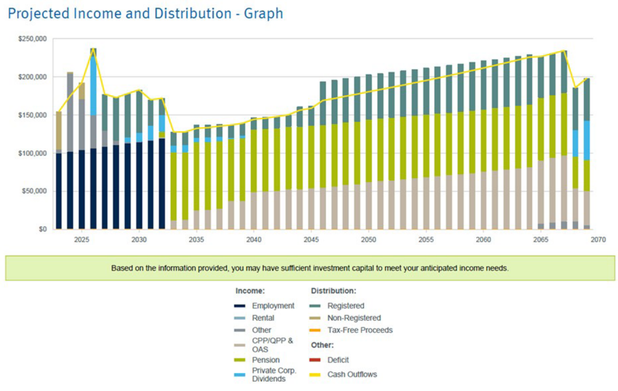

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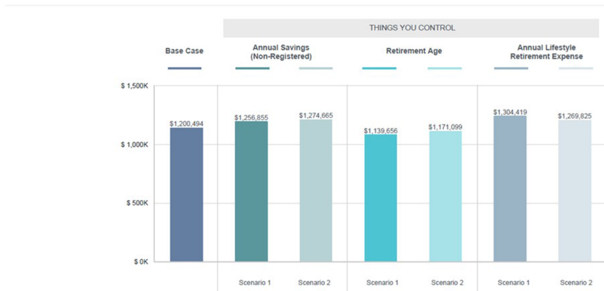
Retirement Analysis



		Scenario 1	Scenario 2	Scenario 1	Scenario 2	Scenario 1	Scenario 2
Sensitivity		$25,000	$49,000	4	-2	-$21,250	-$12,750
Annual Savings	$0	$25,000	$49,000				
Retirement Age - Chad / Maria	60 / 58			64 / 62	58 / 56		
Annual Retirement Expenses	$80,000					$58,750	$67,250
Total Investable Assets at Death	**$1,200,494**	**$1,256,855**	**$1,274,665**	**$1,139,656**	**$1,171,099**	**$1,304,419**	**$1,269,825**
Present Value	$482,783	$505,449	$512,611	$458,317	$470,962	$524,577	$510,665
Age when First Deficit Occurs							

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Will my family be sufficiently provided for financially if the unexpected happened?

Anticipating your future financial needs is a difficult task. Anticipating your family's future financial needs should the unexpected happen is an even more difficult task. The myGPS Estate Impact Analysis can help identify any potential financial shortfalls if you or your family were faced with an unexpected tragedy.

How does changing my financial assumptions impact my future financial situation?

It is impossible to know for certain what will happen tomorrow. To provide a financial projection, however, certain assumptions about what will happen in the economy have to be made. But what if some of those assumptions prove to be wrong? What if, for example, you were forced to retire early? Or perhaps you spend more in retirement. myGPS allows changes to assumptions made about the future to see how that change will affect your overall finances.

What can I do to ensure my financial goals and priorities become reality?

Along with working with your Investment Advisor, another feature of myGPS reports on key financial products, solutions and strategies, which are tailored to your unique financial situation and priorities.

How can my business assets help me achieve my retirement goals?

For business owners, the line separating work and personal life is often blurred. Capabilities in myGPS can help identify solutions and strategies that can be pursued from the business side of your finances. These tailored opportunities are designed to keep you in control of your financial future and to meet your retirement goals.

Talk to your Investment Advisor if you have any questions.

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