The Dream Achiever

DD HUMES

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"No one can whistle a symphony. It takes a whole orchestra to play it."

— H.E. Luccock

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Take a look and let us know what you think!

Investia Financial Services Inc.



Every Instrument Has Its Part

Listen to a symphony and you'll notice that not every instrument plays at full volume in every movement. The strings may carry one passage while the brass waits its turn. The conductor isn't worried when a section goes quiet, because each instrument was chosen for the role it plays across the whole piece.

The third quarter of 2026 was a good reminder that portfolios work the same way. Stocks kept moving forward, though at a gentler pace than in the first half. Bonds, which had quietly supported portfolios earlier in the year, had a difficult quarter. Energy took centre stage as the Strait of Hormuz standoff pushed Brent crude back above US$100 a barrel.

Measured in Canadian dollars, the S&P/TSX Composite Index rose 1.6% in Q3 (13.0% YTD), the S&P 500 gained 2.5% (17.1% YTD) in CAD$ and the MSCI World Index added 2.0% (16.1% YTD) in CAD$. The FTSE Canada Universe Bond Index fell 3.0% in Q3 (-0.8% YTD). The CAD$ finished the quarter at $0.7018 vs. the USD$, down -0.36% in Q3 and -3.56% YTD.*

A big change in thinking about bonds. When 2026 began, bond markets expected the U.S. Federal Reserve to cut rates about twice this year, and most Canadian economists expected the Bank of Canada to hold steady at 2.25%. Bonds looked like a comfortable place to earn income while rates drifted sideways or lower.

Nine months later, the picture has flipped. Higher energy prices have kept inflation above target, and central banks have turned from cutting to raising. In September the Fed raised rates for the first time since 2023, and the European Central Bank and Bank of Japan also moved higher. Here at home, the Bank of Canada held rates in Q3 but all signs were pointing towards an increase in October.

Bond markets adjusted quickly. By the end of September, U.S. 10- and 30-year Treasury yields had reached levels last seen in 2002. When yields rise, the prices of existing bonds fall, which is why bond returns were negative this quarter.

Does that mean bonds have stopped doing their job? We don't think so. Their role was never to rise every quarter. It is to provide income, soften the swings of the stock market, and give us a stable source to draw on when equities stumble.

There is also a silver lining. Higher yields mean new bonds, GICs and reinvested interest now pay more than they did at the start of the year. For clients drawing income from their portfolios, that matters.

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Market Overview Continued

At home in Canada, trade tensions with the U.S. flared again when talks broke off on August 21, followed by new tariff measures on both sides. Economic activity was flat in July, the unemployment rate held at 6.4%, and inflation stood at 3.0% in August. With growth soft but inflation firm, the Bank of Canada now projects inflation to stay around 3% through much of 2027 before returning close to 2% by mid-2028.

In the U.S., the economy stayed resilient. Retail sales jumped 1.2% in August, employers added 162,000 jobs, and strong corporate earnings were again supported by heavy spending on artificial intelligence. Inflation remains the sticking point, at 3.4% over the past 12 months, largely because of energy prices.

What can we expect now? The path of oil prices, the Canada–U.S. trade file and the U.S. midterm elections on November 3 will all shape the months ahead. No one knows how each will play out, and markets rarely wait for clarity.

That is exactly why we build portfolios like an orchestra rather than a solo act. Equities provide long-term growth, bonds provide income and stability, and international holdings broaden where that growth can come from. Some sections will be louder than others in any given quarter. What matters is how they sound together over time.

Throughout the quarter we continued to rebalance where appropriate and to keep each portfolio aligned with your financial plan. As rates have risen, we are also reviewing fixed income holdings to make sure they are positioned to benefit from today's higher yields.

If your goals, income needs or family situation have changed, we'd welcome the chance to review your plan with you. Thank you, as always, for the trust you place in our team.

In Other News – Good News for Surviving Spouses With a TFSA

Since January 1, 2026, a surviving spouse or common-law partner can shelter the growth earned on a TFSA after the holder's death. Before 2026, only the account's value on the date of death could be moved into the survivor's TFSA without using their own contribution room; any growth after that date could not.

Now the full amount at the time of transfer, including gains earned after death, can be rolled into the survivor's TFSA tax-free and without affecting their contribution room. If the account loses value instead, the lower amount is what gets transferred.

This is especially helpful in Quebec. Most Quebec TFSAs cannot name a successor holder, so the account passes through the will and estate, which can take months to settle. The new rule means the growth during that period is no longer lost to the spouse's tax shelter.

Two conditions apply: the transfer must be completed by December 31 of the year after death, and form RC240 must be filed within 30 days of the contribution. Because your TFSA passes through your will in Quebec, we recommend confirming with your notary that it is clearly addressed. We're happy to help coordinate.

Planning items

- **RRSP Contribution Room (2026):** The maximum contribution limit is $33,810. Consider reviewing your automatic savings plans. You may also authorize us as your tax representative to access this information directly from the CRA.
- **Conversion to RRIF/LIF:** Those turning 71 in 2026 (born in 1955) must convert their RRSPs (LIRAs) to RRIFs (LIFs) before year-end. We will contact you if this hasn't been done.
- **RESP Contributions:** Quebec beneficiaries benefit from an additional 10% QESI grant, for a total of 30% in government incentives. Contribute before December 31 to receive this year's grants.
- **TFSA:** As of January 1, 2026, an additional $7,000 of contribution room is available, bringing the total cumulative limit to $109,000 for those eligible since 2009.
- **Annual Review:** Please keep us informed of any changes to your personal or financial situation so we can ensure your plan remains aligned with your goals.
- **$2,000 Pension Credit:** Individuals aged 65 and older may be eligible for the $2,000 pension income tax credit, even if not yet receiving traditional pension income.
- **Estate Planning:** Ensure your will and mandate are up to date and reflect your current wishes.

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Planning Corner – What Higher Rates Mean For Your Retirement Income



This year's shift from expected rate cuts to actual rate increases affects more than bond prices. For retirees and those approaching retirement, it changes several parts of the income picture, and not all of the changes are negative.

Fixed income and GICs. Bonds and GICs that mature now can be reinvested at higher rates than were available earlier in the year. Over time, that higher income can more than offset this quarter's price decline, especially for investors who hold bonds for their income.

Annuities. Annuity payouts are tied to long-term interest rates. When rates rise, the income a given amount can purchase generally improves, which may make an annuity worth revisiting for part of your guaranteed income.

Borrowing. Higher rates also raise the cost of variable-rate debt such as lines of credit and home equity lines. If you carry a balance, this is a good time to review it.

RRIF withdrawals. We keep a Cash Wedge in income portfolios so that withdrawals don't force the sale of bonds or stocks at a poor moment. If your income needs have changed, let us know so we can adjust that reserve accordingly.

As with an orchestra, the goal isn't for every section to play loudly at once. It's for each part of your plan to do its job so the whole works in harmony. Reach out if you'd like to talk through how higher rates affect your own plan.

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