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Personal Newsletter from Nicole Deters, Harbourfront Wealth Management – Gilman Deters Private Wealth

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Nicole M. Deters
Senior Investment Advisor

Wealth Team Members

David J. Gilman
Senior Portfolio Manager

Thomas A. Gilman
Portfolio Manager

John McCracken
Investment Advisor

Ona Thorington
Administrative Associate

Melanie Oldale
Receptionist

Gilman Deters Private Wealth Courtenay Office

100 – 1978 Cliffe Avenue
Courtenay, BC V9N 2L1

✉ reception@nicoledeterswealth.com

🌐 gilmandetersprivatewealth.com

in Nicole M. Deters

f Gilman Deters Private Wealth

Navigating a Changing World

Volatility returned to start the year, not only to financial markets but also to shifting U.S. policy stances driving new geopolitical uncertainty amid widening global conflict. Even before recent events, precious metals saw notable swings, with gold and silver posting sharp gains and reversals, while the U.S. dollar weakened. These moves reflect a broader trend as nations increasingly focus on sovereign resource security. Technology stocks were penalized for elevated capital expenditures despite solid earnings, even though returns can take years to materialize. Concerns over the impact of artificial intelligence (AI) also spread beyond the tech sector: Is AI set to disrupt the world around us?

For now, equity market indices have largely held their ground. Perhaps investors have learned from the policy-driven disruptions of 2025 to better focus on the longer-term picture despite near-term uncertainty. In this environment, maintaining a longer-term perspective can be a prudent strategy.

Trade policy has been no less volatile. Though a U.S. Supreme Court ruling against U.S. tariffs is unlikely to change the current administration's approach, it has intensified debate over the broader effects on U.S. households and businesses. Attention is now turning to the U.S.-Mexico-Canada Agreement (USMCA) as renegotiations approach. With Canadian exports to the U.S. accounting for roughly 20 percent of Canada's GDP, investors are watching closely to see whether political threats translate into policy change.

While many economists expect the agreement to survive in some form, a complete collapse would not be catastrophic. Oxford Economics estimates that such an outcome would lower Canada's GDP by about 1.8 percent below baseline and reduce private investment by 6 to 7 percent.¹ The impact would be significant, but Canada has endured far more severe shocks and recovered. In the early 1980s recession, output fell by around 5 percent, and unemployment climbed to 12 percent. Elevated Canada-U.S. trade barriers are also not unprecedented, having persisted for long stretches during the 19th and 20th centuries.

More broadly, the renegotiation of USMCA serves as a reminder that we must navigate a changed world. Prime Minister Carney captured this shift at the World Economic Forum in January: *"The old order is not coming back. We shouldn't mourn it. Nostalgia is not a strategy."* In response, the government has been focused on reorienting the economy, doubling defence spending, signing new trade and security agreements and deepening ties with global partners.² There's significant work to be done, but even as a middle power, Canada's foundational advantages shouldn't be overlooked: vast energy and resources, abundant fresh water, three coastlines, the world's most educated population and political stability.

The broader lessons translate into investing. Conditions that appear stable can shift quickly; markets are inherently volatile. No economic cycle, policy regime or market trend is permanent. In that context, diversification is a necessity for managing risk. At a time of amplified uncertainty from increasingly reactive global policymaking, discipline matters more than ever, particularly when the range of possible outcomes is wide. Conviction, paired with flexibility, allows investors to remain positioned through short-term volatility while adjusting to fundamental shifts. In a world where change continues to feel persistent rather than episodic, this balance will ultimately support long-term investment success.

1. www.oxfordeconomics.com/resource/usmca-scenarios-north-american-trade-at-a-crossroads/; 2. <https://www.cbc.ca/news/politics/carney-davos-speech-9.7052725>

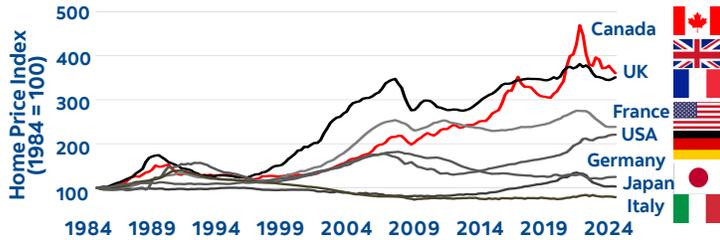
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Spring Perspectives: A Brief Look at the Housing Market

Spring marks the start of the home-buying season. While price growth has slowed, and even reversed in some markets, Canadian home prices have risen faster than those in any other G7 country (Group of Seven advanced economies), nearly quadrupling over 40 years. As a result, many view Canadian real estate as one of the best-performing long-term asset classes.

Home Prices, G7 Countries, 1984 to Start of 2025 (Inflation Adjusted)



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

While housing has delivered attractive returns, an interesting comparison emerges since the start of the millennium: Despite a more volatile return path, the S&P/TSX Composite has generated higher annualized total returns than many real estate markets. The chart (top) shows performance through the start of 2025, as real estate prices moderated in major markets, in part due to higher interest rates.

Without a doubt, various factors make a direct comparison between real estate and stocks difficult. Investing in real estate comes with various challenges, including limited liquidity, significant capital outlay (partially offset through leverage, such as a mortgage), transaction costs (commissions, legal fees and land transfer tax) and ongoing maintenance (property taxes and repairs). Stock market participation is generally more accessible in terms of initial capital, transaction costs and liquidity, while offering greater diversification. Yet, the stock

market can be more volatile, making downturns difficult for many investors. Different tax treatments and risk profiles further complicate direct comparisons.

The recent moderation in housing markets serves as a reminder that even long-standing trends can shift. Yet, Canadians have been fortunate that both real estate and equities have offered substantial wealth-building opportunities over recent decades.

S&P/TSX Composite vs. Select Housing Markets 1999 to 2025, Hypothetical \$300,000 Investment

Market	End Value	Annualized Return
1. S&P/TSX Composite	\$2,385,049	8.3%
2. Vancouver	\$1,673,943	6.8%
3. Toronto	\$1,547,687	6.5%
4. Montreal	\$1,504,716	6.4%
5. Halifax	\$1,420,609	6.2%
6. Ottawa/Gatineau	\$1,304,786	5.8%
7. Calgary	\$1,092,897	5.1%

Sources: 1. S&P/TSX Composite Total Return Index (dividends reinvested); 2. to 7. Teranet-National Bank House Price Index, <https://housepriceindex.ca/>; 02/99 to 02/25, based on Bloomberg/RBC Wealth Management analysis.

Be Aware: FHSA Contribution Room May Be Incorrect

If you've helped a young family member open a First Home Savings Account (FHSA), be aware that the Canada Revenue Agency (CRA) may have inaccurate contribution data. The consequence? The one percent per month penalty on excess contributions, which quickly adds up. A recent Globe & Mail article highlighted the issue: "Schedule 15—FHSA Contributions, Transfers and Activities" must be attached to a tax return whenever a contribution or withdrawal is made.¹ This form was introduced in 2023 and some tax software did not automatically include it, leading certain 2023 contributions to be misclassified as 2024 overcontributions. To fix this, it is advised to contact the CRA and amend the 2023 return using Schedule 15.

1. "How we fixed a \$1,000 FHSA tax penalty," B. Leung, Globe & Mail, 01/30/26, B11.

Happy 130th Birthday, Dow: Does the Dow Still Matter?

The Dow Jones Industrial Average (DJIA, or "Dow") crossed the 50,000 threshold at the start of the year. Since November, it outperformed the S&P 500 and NASDAQ, prompting one headline to read: "The Dow, the Uncool Index, Has Its Moment in the Sun."

Celebrating its 130th birthday this spring, the Dow was launched in 1896 by Charles Dow, then-editor of The Wall Street Journal. It originally tracked 12 heavy-industry companies, hence the name "Industrial Average." Today, it comprises 30 companies, updated periodically to reflect leaders of the modern economy.

What distinguishes the Dow is its "price-weighted" methodology. The index is calculated by adding component share prices and dividing them by a divisor that accounts for stock splits or other structural changes. By contrast, indices such as the S&P/TSX Composite, S&P 500 and NASDAQ are weighted based on share of total market capitalization (share price multiplied by outstanding shares).

Is the Dow a good gauge of the U.S. economy? Throughout its history, it has faced criticism. Some argue that 30 companies provide too narrow a representation of the market. Others

suggest its price-weighted methodology is flawed because higher-priced stocks tend to have greater influence over lower-priced counterparts.



What is particularly notable today is that the Dow's rise may signal stronger

market breadth beyond technology, which makes up 62 percent of the NASDAQ, 33 percent of the S&P 500, but only 19 percent of the Dow. Taking a broader perspective, while all indices have limitations, they remain useful barometers. The Dow's long history and continued growth highlight the enduring trajectory of economic progress.

Composition & Size of Select Major Indices

Index	# of Constituents	Market Cap ¹	% Tech Sector
DJIA (Dow)	30	\$22.1T	18.6%
S&P/TSX Composite	218	\$3.7T	7.9%
S&P 500	503	\$61.9T	33.4%
NASDAQ	3,324	\$39.3T	62.3%

1. Market capitalization of components, USD, as of 01/31/26, except for NASDAQ, at 12/31/25.

Tax Season Reminders: Planning for Instalment Payments

Most individuals pay a significant amount of their income tax through source deductions, which are amounts withheld from their income. Employers deduct and remit income tax on a taxpayer's behalf throughout the year with each paycheque. However, many newly retired or self-employed individuals are surprised to learn that they must make quarterly instalment payments, since retirement or self-employed income is often received without tax withheld at source.

If your net tax owing is more than \$3,000 (\$1,800 for Quebec) in the current year and in either of the two preceding years, you generally must make instalment payments by March 15, June 15, September 15 and December 15 (with exceptions for farmers and fishers).

Planning Ahead Is Important

Planning ensures you have sufficient cash flow to meet each quarterly payment and avoid interest or penalties. Interest on late or insufficient instalments compounds daily (for Q2 2026, the prescribed rate is 7 percent federally), and penalties may apply if total instalment interest exceeds \$1,000.

If your income varies from year to year, planning allows you to adjust instalments to avoid overpaying, which is effectively giving the government an interest-free loan. For example, a large one-time capital gain, such as from selling a vacation home, might cause government-suggested instalments (based on your most recent assessed tax return) to exceed what your expected income would warrant in the following year.

Three Practical Tips

Here are three practical tips to consider if you are managing instalment payments:



1. Overpay when needed. If you've forgotten an instalment payment, you can reduce or eliminate accrued interest by overpaying subsequent instalments or making payments early. Early instalment payments earn instalment credit interest, which is not refundable but can offset interest charged on late instalments in the same year.

2. Choose your calculation method. Instalments may be based on government-calculated amounts, your prior-year tax return or your current-year income estimates. Selecting the appropriate method is particularly important if your income fluctuates, ensuring you pay enough without overpaying (providing a tax-free loan).

3. Adjust withholdings, if possible. Instalments can sometimes be reduced or eliminated by having tax withheld at source, or by increasing the amount withheld from OAS, CPP/QPP benefits, EI or employer-sponsored pension income. Requests must be made through Service Canada or Retraite Québec (QC). Note: tax cannot be withheld from certain types of income, including self-employment, investment and rental income or capital gains.

How Has Purchasing Power Changed? Reflecting on 30 Years of Inflation

Canada has recently earned the title of “food inflation capital” of the G7, after food prices rose 6.2 percent in 2025 alone. In response, Prime Minister Carney recently introduced the Canada Groceries and Essentials Benefit (CGEB) rebate (an expansion of the existing GST/HST rebate) targeted at low-income earners.

Many of us have noticed how quickly grocery bills have risen in recent years. It's hard to believe a kilogram of chicken once cost \$3.75 and a carton of eggs just \$1.60...but that was 1995. While the Consumer Price Index (CPI), the federal government's official measure of inflation, shows average prices have risen roughly 88 percent over three decades, your grocery bills probably tell a very different story (chart).

Inflation becomes especially troubling when incomes fail to keep up. For a growing portion of the population, this is the reality. When expenses, especially those like education and housing, become harder to afford, the impact is not just financial; it can influence confidence in economic opportunity and heighten social divides.

While household affordability has come under increasing pressure, long-term investment performance tells a different story. Throughout the same period, investors have seen the S&P/TSX Composite Index rise more than 573 percent, even before accounting for reinvested dividends. That growth has outpaced the price increases across every category on the chart, including average home prices during a prolonged housing boom.

Changes in (Nominal) Prices of Select Items: 1995 & 2025

	1995	2025	Change
Ground Beef (1 kg)¹	\$3.80	\$15.54	+309%
Chicken (1 kg, breast)¹	\$3.75	\$15.19	+305%
Eggs (1 dozen)¹	\$1.64	\$4.74	+189%
Coffee, Roasted (300g)¹	\$3.86	\$8.25	+114%
Oranges (1 kg)¹	\$2.30	\$4.46	+94%
Unleaded Gas (Reg, c/L)²	52.4	137.0	+161%
Consumer Price Index³	88.01	165.4	+88%
University Tuition (Undergrad)⁴	\$2,384	\$7,734	+224%
Cdn. Family Income (Median)⁵	\$41,343	\$130,120	+215%
CMHC Median Home Price⁶	\$170,000	\$740,000	+335%
S&P/TSX Composite Index⁷	4,661.18	31,382.80	+573%

1. Statistics Canada, Table: 18-10-0002-01 (November 1995 data); Table: 18-10-0245-02 (November 2025 data); 2. Table: 18-10-0001-01, November 1995 & 2025; 3. <https://www.bankofcanada.ca/rates/price-indexes/cpi/>; 4. <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710004501>; 5. <https://open.canada.ca/data/en/dataset/cf5a0c30-8893-11e0-b0f5-6c049291510>; Stat Can T-1110019101 for 2025, \$121,000 (2023) with 3.6% (2024) & 3.8% (2025) wage growth assumptions; 6. CMHC New Build Median Price; <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research>; 7. At close 11/30/95 and 11/28/25.

Of course, this growth did not come without volatility, including four bear markets spanning a combined 40 months, two of which saw declines of more than 45 percent. Still, for those who stayed the course, equities have proven to be one of the most effective tools for building wealth and offsetting inflation over the long run. If history is any guide, that's encouraging news for long-term investors looking ahead to the next 30 years.

Spring Cleaning? Start With Your Estate Plan

Spring has sprung! If improving your financial well-being is part of your spring cleaning, a great place to start is with your estate plan. A comprehensive plan ensures your assets are distributed according to your wishes, while helping to maximize the legacy you leave behind.

If you already have an estate plan in place, here are five questions to ask that may prompt a review:

1. Does my plan promote efficient administration and limit unnecessary expenses, such as taxes and fees?
2. Will my plan minimize family effort—or even potential conflict?
3. Are my assets protected from potential liabilities, such as former spouses or creditors?
4. Do I have safeguards in place to allow my family to make financial and healthcare decisions if I am unable?
5. Can my family maintain their current lifestyle if I am no longer able to contribute?

Minimizing Taxes & Fees

A key goal of many estate plans is to reduce taxes and other fees. For Canadian income tax purposes, most assets, including real property and shares, are deemed to be disposed of immediately prior to death and may be subject to tax, except where certain exceptions, such as spousal rollovers, apply. Some provinces also charge probate fees, which can vary significantly.

Additionally, Canadians holding significant U.S. situs assets, such as shares of U.S. corporations or U.S. real estate, may need to plan for potential future U.S. estate tax. For now, there is good news: the U.S. estate tax was scheduled to “sunset” as of January 1, 2026, reverting to between US\$5 million and US\$6 million per person, indexed for inflation. However, under the One Big Beautiful Bill Act, the U.S. estate tax exemption was “permanently” increased to US\$15 million per person (US\$30 million for married couples) as of January 1, 2026, with future indexing for inflation. Of course, no tax-related legislation can truly be considered permanent, but the increased exemption provides near-term planning certainty for high-net-



worth Canadians with significant U.S. situs assets.

While taxes and fees can create a substantial obligation for many estates, careful planning can help reduce or defer them. This may be as simple as arranging bequests differently, using life insurance to help cover tax liabilities or, for business owners, leveraging tools such as an estate freeze or the Lifetime Capital Gains Exemption to ease succession planning.

It's More Than Just Finances

A comprehensive estate plan goes beyond maximizing the estate value passed to beneficiaries. It can also ensure fairness among heirs or protect those who may need guidance in managing assets. Trusts, for example, can help preserve assets for beneficiaries who cannot manage them independently or prevent access by creditors. By planning ahead, you can create a lasting foundation that reflects your values and helps your legacy endure across generations.

Why Not Make Estate Planning a Priority?

Like many things in life, estate planning can easily fall down the priority list. For some, the subject feels unsettling, perhaps a reminder of our own mortality. For others, it simply gets lost in the bustle of daily life. Yet establishing a basic plan, and keeping it updated as circumstances change, is one of the greatest gifts you can give to your loved ones.

Being familiar with the many aspects of your financial situation, I can provide guidance, counsel or recommendations for experts in the field to assist with your estate plan.



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With the Compliments of...

Nicole M. Deters
Senior Investment Advisor
ndeters@harbourfrontwealth.com

Gilman Deters Private Wealth
Harbourfront Wealth Management
Courtenay Office
100 – 1978 Cliffe Avenue
Courtenay, BC V9N 2L1
Phone: 250.338.0726 Toll Free: 1.877.338.6066

✉ reception@nicoleeterswealth.com

🌐 gilmandetersprivatewealth.com

in Nicole M. Deters

f Gilman Deters Private Wealth

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