

Annual letter to clients 2025

Michael Kirkpatrick

In our ninth annual letter to our clients, we will share some of the highs and lows of the past year.

Equities and fixed income finished in positive territory.

From January 1 to December 18, 2025, the Canadian stock market (S&P/TSX Composite Index), was up 27.1%. The world stock market (MSCI World Index) was up 20.2% over the same time, and fixed income, measured by the Canadian Bond Universe (XBB), was up 2.43%.

What an amazing year. What more could we ask for? Just about every asset has gone up in value and we are grateful for that.

We welcome these great returns, and we do our utmost to take profits and rebalance portfolios tax efficiently when it happens. Most of us will have realized capital gains and I apologise for the associated tax bill. I want to make sure we stay in line with our asset mix targets so at times we do have to realize gains. That said paying tax on a gain sure beats the opposite: having no gains and thus no tax to pay at all! [I elaborate on this concept in this video about my Uncle Michael.](#)

Last year I was concerned about the S&P500 being overweight technology, but that sector had another great year, being up 20% in 2025. The only sector that was down in the S&P 500 was real estate which was down 0.9%.

What would we have done differently?

If we could go back to January 1, we would have allocated more money to precious metals. Gold was up 58%, silver was up 116% and platinum was up 112%. All three of these metals are in our BMG Bullion Fund which we have owned for a very long time and at times it has not done much for us. I am thankful that you have been patient with me and this fund because this fund was up 103% year to date which was great.

Market highlights and lowlights

As with every other year, there was lots of noise in 2025. Tariffs, housing, inflation worries, geopolitical turmoil...the list of reasons not to invest goes on and on. As always, there were lots of doomsday headlines and reasons to stay in cash. Our response to which has been to maintain a severely normal balanced portfolio and to try to ignore all the bad news. Protecting our families from the erosion of their purchasing power due to inflation is a central focus of our investment philosophy. Our unglamorous answer to those woes is to own assets and businesses that will keep up or outpace inflation. A balanced portfolio provides exposure to growth which protect us from inflation, and it

provides us fixed income which shields us from stock market pull backs.

Portfolio highlights and lowlights

On the fixed side of the portfolio, our worst performers were:

- VBG Vanguard Global (ex-US) Aggregate Bond Index ETF, which was up 0.25% (but note that last year it was one of our top performers and was up 6.12%); and
- ZRR BMO Real Return ETF, which was up 0.04%.

It is always very nice when our worst performers are in positive territory. Last year was like this as well. If only all years could be like this.

Our best performers on the fixed side were:

- ZPR BMO Laddered Preferred Share Index ETF, which was up 18.48%; and
- XEB iShares JP Morgan USD Emerging Markets bond ETF, which was up 11.61%.

Not bad returns for fixed income. 2025 was very friendly for fixed income holdings. Going forward I like how our fixed income holdings look, and I am happy that the yield on our fixed holdings is over 4%.

On the equity side, our worst performers were:

- CGR iShares Global Real Estate index ETF which was up 2.58% BMO Equal Weight REIT ETF
- IJR iShares Core S&P Small Cap ETF which was up 5.99%

Our best performers on the equity side were:

- BMG Bullion which was up 103%
- FXM CI Morningstar Canada Value Index ETF, which was up 38.55%.

Please do not get used to returns like that. This is not normal. We will continue to rebalance and take profits where it makes sense to ensure we stay in line with our asset mix targets.

What lies ahead for us? Can the momentum keep going throughout 2026? Our Portfolio Advisory Group summarizes their thoughts in their [2026 Global Outlook](#). Meanwhile, we remained focused on ensuring you have the right mix to meet your family's needs and we also make sure we are looking at the big picture by reviewing and making sure your tax plan is sound, your estate plan is in order, and your projections are up to date.

Wealth management highlights and updates

Annual Tax: The Slow Leak

As we all know, our taxable investment accounts have a leak and that leak is taxes. The leak is constant, though not always obvious. Each year, dividends, interest, and realized gains trigger tax slips. But here's what's misleading: our portfolio statement doesn't show the tax. If your investments earn 10%, the report still shows 10%. Yet after the CRA takes its share, your net growth might be closer to 7%. Why the disconnect?

Because the tax isn't de-deducted from the account itself. You receive a T-slip, file your return, and pay the tax from your bank account. This separation creates an illusion. Families don't link the tax payment to the portfolio that generated it. They see the investment account "growing," while the true cost drains silently from another pocket.

Think of it this way: if your investment account actually subtracted the tax right on the statement, you'd see the bite instantly. Every season, a chunk of your orchard's fruit is gone before you could even taste it. Families wouldn't ignore that. They'd ask hard questions: Why is this happening? Is there a smarter way? How do I stop losing so much fruit every year to tax? The outrage would spark action, because once you see the leak, you can't unsee it. But because the money to pay the tax bill comes from a different pocket, most never connect the dots. The orchard keeps producing, but fruit is carried off each year without fanfare. This is the slow leak: not dramatic, but corrosive. Over decades, it quietly strips away enormous amounts of growth.

Walking to the back of the tax line

You or your business earns income. You step into the tax line, wait your turn, and pay your share. With what's left, your net income, you place money into a personal or corporate investment account. But here's the catch: the moment you do, you've walked straight to the back of that same tax line. You'll queue up again, waiting to pay tax on every dollar of investment income those already-taxed dollars generate. Each trip through the line takes more of your money, again and again. The absurd part? You've already paid tax once, but the system keeps sending you back for more. How many times will you keep lining up?

For clients looking to reduce the amount of tax they pay on the above investment income, but also want to retain control of their capital, we have been shifting funds from taxable accounts into carefully designed participating whole life insurance policies. It has been helpful to be able to move funds from a taxable account into a tax-exempt account. This helps to reduce the amount that goes to tax now and in the future. The fact that the policy owner retains control of the cash values and can access cash if needed via a tax-free policy loan provides much flexibility.

In some cases, though, a client may not be insurable. In cases like this, we implement the Cascading Life Insurance strategy which we discuss in this [article](#) and [in these videos](#).

Estate planning:

Helping clients plan their estate is a key part of what we do. We encourage you to use us as sounding boards to discuss your estate plans and to help provide you with resources to aid you in your estate planning journey.

If you have completed your Will and Power of Attorney (POA) we would welcome a copy so that we can keep them on file and ensure the content is consistent with the beneficiary designations made in your accounts and insurance policies. It can be a good idea to communicate your estate plan to your named executor, Power of Attorney, beneficiaries, and family so that everyone knows what to expect.

If you have elderly parents, please make sure they have gone through the estate planning process and make sure you know where your parents' Will and POA documents are stored and who their key contacts are. Encourage your parents to consolidate their assets with one institution as this will make the executor's life much easier when they must step into that role.

Here are our [articles, and guidebooks](#) to help you with the estate planning process. We also are happy to introduce you to our Royal Trust Advisors who can share with you how Royal Trust might be able to

help you in the estate planning process.

Mortgage Considerations

If you are about to finance the purchase of a property or have a mortgage renewing, please reach out and we can share items to keep in mind when making that decision. [This article elaborates on these considerations](#) and [Here are videos that build on these ideas](#).

Elder-care planning

RBC has partnered with industry experts to help provide resources to help our clients plan for a long and healthy retirement. Here is our webpage devoted to strategies and resources to navigate elder care planning issues: [Plan for aging well - RBC Wealth Management](#).

Be cyber-aware

It is critical that we all become more cyber-aware and safeguard our online activities. When sending sensitive information to us we encourage you to use the secure messaging tool in the RBC DS portal or use our [secure file sharing link](#). When you need cash sent to your bank account on file, please call us to verbally confirm the amount and the destination bank account number. These are best practices to keep you safe from cyber-fraud.

Auto-funding TFSA's

We can now fund your Tax-Free Savings Accounts (TFSA's) automatically using cash from your bank account or non-RSP account. This ensures that your TFSA is fully funded on January 1st of each year. Please reach out if you would like to have this set up. The 2026 TFSA dollar limit is \$7,000.

Wealth Management (WM) Online

In your WM Online portal, you can switch from paper statements to eStatements and view your statements and tax packages which is very helpful. WM Online is also where you can view your accounts, move cash into your accounts via real time fund transfers, update your address or contact details, and communicate with us using your secure inbox. I encourage you to get comfortable using it, and we are happy to help you get set up as well. Note that you can log in via the desktop website or via the RBC Mobile app on your phone or handheld device.

2025 Taxes

Your 2025 tax documents will soon be available online, so if you would prefer to receive your tax documents electronically instead of by mail, please let us know, or you can make the switch via WM Online (click on "Settings," then the "Document Delivery" tab and then click on the "delivery type" drop down menu to make the change, followed by "save changes").

Here is the link to our [2025 Tax Reporting Guide](#) which contains all of the key dates for when your tax items will be available.

Education and business operations

Allison's growth in our practice continues as she has mastered many of the key skills in her role as associate. In 2025 Allison completed the Wealth Management Essentials course which is exciting.

We also welcomed Ashley Woods to our team so be sure to give her a warm welcome. Ashley will be helping with all administrative related items, so if you need help with the online portal, updating your contact information, would like to book a call or review, or need cash from your accounts feel free to reach out to Ashley and she can help.

In 2025 I wrote a book call Apple Seed to Apple Orchard. When I am asked how long it took me to write the book, I say, 20 years as that is how long I have been in the business and this book is my life's work up to this point. We will send you a copy to read and if you are able to get through it, your feedback is welcome.

Thank You

Allison, Ashley, and I want to thank you for your trust, and we look forward to serving you in 2026 and beyond.

Here's to the end of 2025 and to the start of a New Year!

Michael Kirkpatrick