

THE ELEPHANTS EAR

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2026 Market Outlook: What did he say now?

2026 has delivered another reminder that markets rarely move in a straight line. While equity markets remain positive year-to-date, investors have had to navigate a more volatile and noisy environment driven by inflation concerns, rising bond yields, geopolitical tensions, and continued debate around interest rate policy. Despite these headwinds, corporate earnings (+22%) and ongoing investment in artificial intelligence infrastructure have continued to support market performance.

In the United States, the S&P 500 has remained near record highs through May, supported by stronger-than-expected corporate earnings and continued enthusiasm surrounding AI-related spending. Analysts note that first-quarter earnings growth has been one of the strongest in several years, helping offset concerns about higher interest rates and inflation pressures.

At the same time, volatility has increased as bond markets react to inflation expectations and geopolitical uncertainty. U.S. Treasury yields recently climbed to their highest levels since 2025, reflecting concerns that central banks may need to keep interest rates elevated longer than previously expected. Markets have been particularly sensitive to developments in the Middle East and the impact of higher oil prices on inflation and economic growth. The longer this Iran war/military action drags on the higher the risk oil stays high for longer and thus starts to impact core inflation. If that is the case there is the risk of increasing central bank interest rates and thus downward pressure on the bond market especially in the US.

One of the more notable themes in 2026 has been the narrow leadership within equity markets. Technology and AI-related companies continue to drive a significant portion of index gains, while more cyclical sectors have lagged amid concerns over economic growth and consumer spending. This concentration can create periods where markets appear strong at the index level while individual sectors or holdings experience more mixed performance.

For long-term investors, the current environment reinforces several important principles. First, volatility is normal, even during positive market years. Second, diversification remains essential when market leadership is concentrated in a handful of sectors or companies. Finally, attempting to predict short-term market movements based on headlines or geopolitical events is extremely difficult and often counterproductive. Again active funds have continued to outperform passive funds in 2026 so far showing the value of not just tracking an index.

Remember we want to make financial decisions not emotional decisions when reacting to the news.

While risks remain — particularly surrounding inflation, energy prices, and global economic growth — the broader backdrop for equities remains constructive. Corporate earnings have generally remained resilient, employment levels are still relatively healthy, and innovation-driven investment continues to support longer-term growth expectations.

As always, successful investing is less about reacting to short-term noise and more about maintaining discipline through changing market conditions. Periods of uncertainty can feel uncomfortable in the moment, but history consistently shows that patient, diversified investors are rewarded over time.

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New Team Member

Penny Carew has joined the Red Oak family as an Insurance Advisor. Some of my older clients may recognize Penny as she worked with Don and Dianne Murphy many years ago. Penny was born and raised on PEI and enjoys the Island with her husband and two boys! After graduating from UPEI in 2004 and obtaining a Bachelor in Business with a specialty in tourism. She loves keeping busy with family time, strategy board games and baking.



Lunch and Learn

Stay tuned as we have a new series of lunch and learn seminars coming up this summer/fall. Pay attention to your e-mail as we will be sending out something soon.

We will be covering a number of topics in the series:

- RRSP to RIF and withdrawal strategies
- Estate planning, wills, trusts, life insurance
- Retirement 101
- Insurance basics
- Personal finance for beginners

Come for a free lunch bring a friend, you never know you might learn something too.

RRIF what is it?

A Registered Retirement Income Fund (RRIF), often pronounced “RIF,” is the next stage of a Registered Retirement Savings Plan (RRSP). While an RRSP is designed to help Canadians save for retirement, a RRIF is designed to provide retirement income from those savings.

Think of it this way: during your working years, an RRSP helps you accumulate wealth on a tax-deferred basis. Eventually, the government requires those savings to begin flowing back out as taxable retirement income — and that is where a RRIF comes in.

In Canada, you must convert your RRSP by December 31 of the year you turn 71.

How a RRIF Works

A RRIF continues the tax-deferred growth of your investments, much like an RRSP. The key difference is that with a RRIF, you are required to withdraw a minimum amount each year. These withdrawals are considered taxable income.

The minimum withdrawal percentage is set by the federal government and increases as you age. For example:

- Age 72: approximately 5.40%
- Age 75: approximately 5.82%
- Age 80: approximately 6.82%
- Age 85: approximately 8.51%

You can always withdraw more than the minimum if needed, but excess withdrawals means you will pay more tax. **Continued...**

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Continued.

Why Does the Government Require Conversion at 71?

The RRSP system was designed to encourage Canadians to save for retirement by providing tax deductions on contributions and tax-deferred investment growth. However, the government eventually wants those deferred taxes collected.

Benefits of a RRIF

One of the biggest advantages of a RRIF is flexibility. Unlike some pension products or annuities, you control:

- How your money is invested
- When you take withdrawals
- How much you withdraw above the minimum
- The timing of payments (monthly, quarterly, annually, etc.)

RRIF income can also provide tax planning opportunities. Beginning at age 65, RRIF income qualifies for pension income splitting with a spouse and may also qualify for the federal pension income tax credit.

Tax Management

Large RRIF withdrawals can increase taxable income and potentially trigger Old Age Security (OAS) clawbacks. Proper withdrawal planning can help smooth income over retirement. Some retirees choose to convert part of their RRSP to a RRIF before age 71 in order to access the pension income tax credit or split income with a spouse earlier.

A RRIF is essentially the retirement income phase of an RRSP. While the mandatory conversion at age 71 can sound intimidating, for most retirees it is simply a continuation of their long-term financial plan.

The transition offers flexibility, continued tax-deferred growth, and opportunities for ongoing tax-efficient retirement income planning. With thoughtful management, a RRIF can play a central role in creating sustainable retirement income throughout retirement.

“You can’t print gold or create oil.” — Warren Buffett

“The market is going to go up and it’s going to go down, but our country is going to do very well.” — Donald Trump

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