InTouch

Basic Financial Services Inc. | Sterling Mutuals Inc.
(905) 937-0204 | www.basic360.ca

QUARTER 1 – 2026

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Our customized services include:

- Retirement Income Planning
- Investment Management
- Asset Planning
- Wealth Protection
- Risk Management
- Tax Planning

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Welcome to the Q1 edition of In Touch for 2026. We hope this issue provides you with valuable information, which will allow you to make strong financial decisions.

What's Happening

The first few months of the year are always some of our busiest and this year has been no different. From January through April, our days have been filled with client meetings, phone calls, emails, conferences, and ongoing portfolio monitoring, all while working behind the scenes on your financial plans.

This time of year is also a great opportunity for us to connect with you and make meaningful progress on a few key areas:

- TFSA and RRSP contributions
- Investment updates and adjustments, along with insights into what's happening in the markets (more on that in our Market Update below)
- Tax planning and support with slips

As we move into spring, we're looking forward to a bit more sunshine and time outdoors - enjoying our backyards, local trails, and everything the Niagara region has to offer. We hope you're able to do the same!

Market & Economic Update

Q1 2026 Market Update: A Strong Start to 2026 Amidst Turbulent Times

It seems like every year something happens that tests the markets and causes concern. The first quarter of 2026 has been no different with the Iran War and other trouble in the Middle East, inflation worries, tariffs, and trade tensions to name a few. With a lot going on, let's simplify it:

- Tensions in the Middle East push up oil prices
    - The War in Iran closed the Strait of Hormuz, which is a key waterway in the global distribution of roughly 20% of the world's oil.
    - The price of oil moved higher over the quarter as we are sure you've seen at the gas pumps.
    - Rising oil prices has raised concerns about inflation. It could cause short-term bumps in costs (gas, food, etc.). For example, it costs more for airlines to fly (higher gas cost), same for local businesses (a plumber driving to you) or businesses shipping goods via vehicles.

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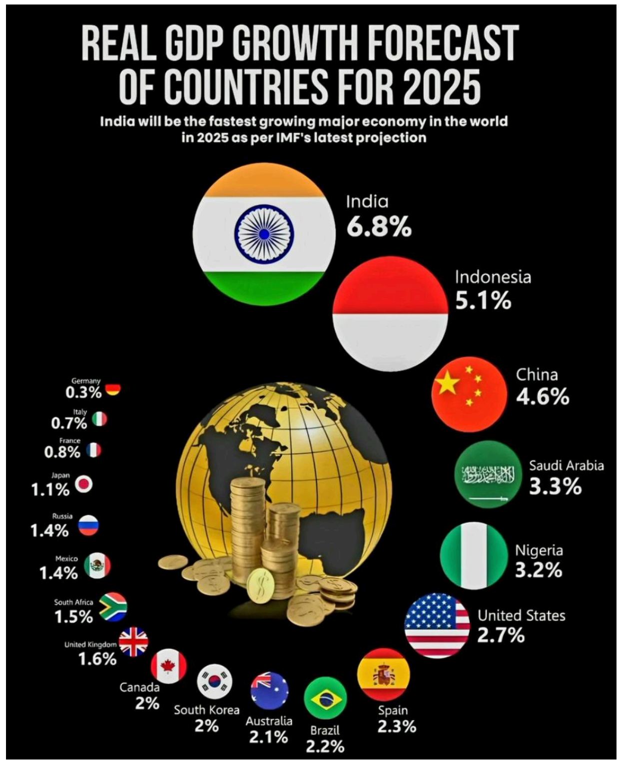
- The U.S. Supreme Court voted against tariffs
  - The U.S. Supreme Court voted against Donald Trump's use of emergency powers to impose tariffs.
  - The U.S. Presidential Administration turned to Section 122 of the 1974 Trade Act to impose a new baseline tariff on all imports.
  - This put many trade deals in question, including with Europe and India.
  - It could mean billions in refunds for businesses which would be a very confusing / difficult process to track.

- Canada's trade activity slows
  - Canadian export and import activity slowed at the beginning of 2026 due to slower activity with the U.S.
  - Despite slower activity in the first quarter, Canada's trade with countries outside of the U.S. has improved, suggesting diversification efforts have been working.
  - Canada reached several trade agreements with India, looking to sign a free trade deal by the end of the year.
  - Canada and the U.S. restarted trade talks with the Canada-United States-Mexico Agreement (CUSMA) coming up for review.

- Interest rates are likely staying steady for now. The Bank of Canada is around 2.25% and is likely to hold steady through 2026 unless something changes like a prolonged War in Iran or something unforeseen.

- How are economies across the world doing?
  - GDP is called Gross Domestic Product = the total monetary (dollar-figure) value of all final goods and services produced within a country's borders.
  - The charts below show several major countries growth in 2025 and in the past decade. You can see who has really grown and who has fallen behind. Every decade will be different hence our approach to spread out risk and invest in many countries across the globe.



Rank	Country	2015 GDP	2025 GDP	% Change
1	U.S.	$23.7T	$30.3T	28%
2	China	$11.2T	$19.5T	74%
3	Germany	$4.5T	$4.9T	10%
4	Japan	$4.1T	$4.4T	6%
5	India	$2.4T	$4.3T	77%
6	UK	$3.3T	$3.7T	14%
7	France	$2.9T	$3.3T	12%
8	Italy	$2.2T	$2.5T	11%
9	Canada	$2.0T	$2.3T	17%
10	Brazil	$2.1T	$2.3T	8%
11	Russia	$1.9T	$2.2T	15%
12	South Korea	$1.5T	$2.0T	29%
13	Australia	$1.5T	$1.9T	25%
14	Spain	$1.5T	$1.8T	23%
15	Mexico	$1.6T	$1.8T	14%
16	Indonesia	$990B	$1.5T	51%
17	Türkiye	$918B	$1.5T	59%
18	Netherlands	$1.1T	$1.3T	21%
19	Saudi Arabia	$925B	$1.1T	23%
20	Switzerland	$841B	$1.0T	19%
	World	$85.2T	$115.3T	35%

Despite all of that and everything going on in the world, markets have been pretty resilient.

- Stocks hit new highs earlier this year.
- Then pulled back a bit with the war in Iran.
- As of time of writing, they have rebounded again and are nearing those record highs.

Volatility is normal. This is what markets do…. they move around, even when the long-term trend is still intact.

So how are we handling all of this? We have been meeting with many of you the past 4 to 6 months to adjust your portfolio. These adjustments have been proactive and made to position you for the markets we are seeing today. We have capitalized on incredible growth the past 3+ years and in many cases have moved that growth to a more defensive portfolio to ensure reduced volatility while still achieving our superior returns. Nothing about this environment changes our core strategy:

- Stay diversified
- Stay invested
- Don't react to short-term headlines
- Focus on your life and what brings you joy, not daily market moves. We watch that for you

What this means for Basic Financial: Our funds view and outlook

We will continue to monitor the markets and our portfolio. We are confident in the new changes we have implemented, which are already paying off.

As always, please feel free to reach out if you have any questions, comments or would like to book some time to review your specific situation. We offer both face-to-ace and virtual meetings via Zoom. If you feel the information above may be helpful to a family member or friend, feel free to share or direct them to our website at www.basic360.ca.

Sincerely, your team!

Sources
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Article of Interest

The Retirement Spending Paradox

By Cody Weber, CFP®, RLP®, RRC®

I've sat across the table from retirees with millions saved… who still hesitate to spend $5,000 on a trip they've dreamed about for years. It's not that they can't do it financially (they clearly have the means to) but they physically, emotionally and psychologically can't pull the trigger.

After decades of saving, it's difficult to spend.

It's engrained in us to save save save for a rainy day. For the what ifs. And after many years of depriving yourself of that dream trip, saying yes to it…. means rejecting the version of you that saved all that money. The habits that helped build savings the discipline, caution, and living below your means don't just go away. It's a concept in our industry called the Retirement Spending Paradox.

Over time this can lead to:

- Delayed travel and experiences
- Missed memories with loved ones
- Constant second-guessing and stress around spending
- And often, leaving behind a larger estate than intended

I've seen cases where people worked and saved for 40 years and never felt fully comfortable to enjoy what they have. They waited for the "rainy day" and it, like their life, passed them by. Regretting the missed opportunity to take their grandchildren to Paris, to see the beautiful Eiffel Tower all lit up at night with a glass of red wine and steak + creamy garlic mashed potatoes on a boat going down the Seine River.

Don't let that be you, live life to it's fullest. Whatever that means to you. That trip to Paris might not be for you but use your savings to make memories and experiences with the people you love and want to spend time with. That is what saving for retirement is all about.

Now, lets talk some more about Why Retirees Struggle to Spend. There are several psychological forces at play. If you feel like this could be you, I invite you to reach out.

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Let's have a chat and see if we can solve the worries on your mind. Here are the forces that may be at play:

1. Fear of the Unknown

Retirement is filled with uncertainty. People worry about:

- Market crashes
- Rising inflation
- Unexpected healthcare costs
- Living longer than expected

All of these are natural and common to worry about. Without a paycheque coming in, many retirees feel like they are slowly draining a reservoir with no way to refill it. So, they default to playing it safe.

2. A Lifetime of Saving Habits

For decades retirees were taught one rule: save as much as possible. They delayed purchases. They prioritized RRSP & TFSA Contributions over family trips. They lived below their means focusing more on the future vs. today. But when retirement arrives, when the new "today" comes…. no one teaches them how to spend confidently. The very habits that built their wealth becomes a psychological barrier to spend and could lead to a less fulfilling retirement. Time gets filled helping others (babysitting grandchildren, driving parents to appointments) vs. their dream retirement.

3. The Desire for Security

As humans we also take comfort in watching account balances stay stable or even grow. Seeing a portfolio decline because of withdrawals can feel unsettling, even when it's part of the plan. As a result, retirees often withdraw less than their plan allows.

A Better Approach: Creating Permission to Spend

The solution isn't simply telling retirees to spend more. We need to give them confidence and reassurance that it's okay to spend. It starts with conversations that centre around understanding and listening. Because when you feel heard and that someone understands why you can't spend… now we can get to those barriers and what you need to change in order to safely spend. That's where thoughtful planning can make a huge difference.

There are a few approaches that can help once the barriers have been identified.

One is using **Guardrail Withdrawal Strategies**, where spending adjusts depending on how markets perform. When portfolios grow, spending can increase. When markets struggle, spending may temporarily adjust. Not my favourite but it is an option.

Creating Reliable Income can also help. When retirees know their core expenses are covered by predictable income sources like the Canada Pension Plan, Old Age Security or a Pension it becomes much easier to spend from investments with confidence.

Another is **Dynamic Spending**. Retirement spending isn't flat. It changes over time, it is higher in early retirement (the go-go years), steadier in mid-retirement (think 75 to 85), and sometimes rises again later due to health care (85+). I like this in conjunction with the **Bucket Strategy**, where assets are divided into short-term spending money, medium-term investments, and long-term growth assets. It can make retirement finances feel less stressful during market volatility.

The Retirement Spending Paradox isn't really about money. It never has been and it never will be. It's about feeling comfortable to spend. That confidence doesn't just come from saving. It comes from conversations with a Financial Planner who specializes in retirement planning. Who can test your portfolio against inflation, market downturns, a long life and the barriers in your way. Who understands your goals and what you're looking for and creates a retirement spending plan around that. So, you can stop worrying about every dollar you spend.

That confidence gives freedom to travel more. To invest in your health and relationships. To say yes to experiences, you might otherwise have delayed or avoided. In other words, start using the money to support the life you worked so hard to build. And in my view, that's what good retirement planning should really be about.