JULY 2026
VOLUME 15, ISSUE 7

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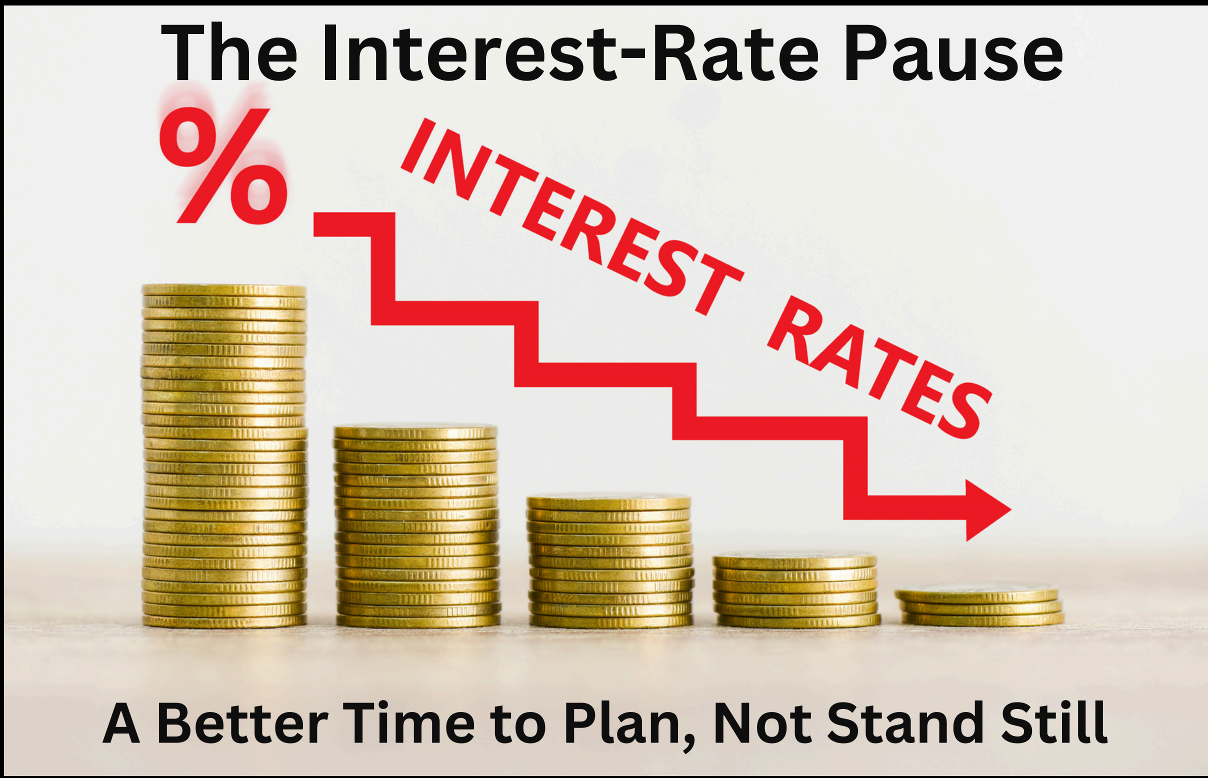
The Way I See It

By Sergio Simone



On July 15, the Bank of Canada maintained its target for the overnight rate at 2.25%, continuing the period of interest-rate stability that has been in place since the Bank's last reduction in October 2025. The decision was widely anticipated. In a Reuters survey conducted shortly before the announcement, all 36 economists expected the Bank to leave its policy rate unchanged, with a majority anticipating that rates could remain at their current level well into 2027.

The decision reflects an economy still working through competing pressures. Economic activity has begun to recover, reducing the urgency for additional rate cuts, while inflation, energy prices, trade policy and geopolitical uncertainty continue to limit the Bank's ability to provide further relief.

For Canadian households and investors, the pause provides a degree of stability after several years of unusually rapid change. Borrowing costs are no longer rising from one meeting to the next, savings continue to earn meaningful interest, and financial decisions can be evaluated against a more predictable short-term backdrop. That stability is useful, but it should not be mistaken for a return to the low-rate environment that existed before 2022.

The Bank of Canada's overnight rate influences variable-rate loans, lines of credit and other forms of short-term borrowing. It also affects savings rates, bond yields, mortgage pricing and the Canadian dollar. The relationship, however, is not always immediate or equal. Financial decisions should rarely be based on a single Bank of Canada announcement. A borrower waiting for one more rate cut, or an investor assuming today's deposit rate will remain available indefinitely, may be allowing a forecast to replace a financial plan.

The interest-rate pause will be welcomed by homeowners, although it does not eliminate the payment pressure facing many Canadians as their mortgages renew. As of January 2026, approximately 3.1 million Canadian mortgages, representing 52% of the total, were scheduled to renew by the end of 2027. About 1.3 million mortgages were approaching their first renewal since being arranged during the exceptionally low-rate period of 2021 and 2022. OSFI expects many of these borrowers to experience material increases in their monthly payments.

For families approaching renewal, the decision extends beyond choosing between a fixed and variable rate. A mortgage renewal should be reviewed within the broader household balance sheet. Families may need to consider whether to make a lump-sum payment, extend the amortization period, reduce other debt, adjust investment contributions or preserve liquidity for future needs. Each choice affects cash flow, flexibility and long-term cost.

Higher interest rates have also restored a meaningful role for cash, high-interest savings accounts, money-market funds and guaranteed investment certificates. Investors can now earn income on funds that previously produced very little. This has been helpful for people holding money for a near-term purchase, tax obligation, business need or emergency reserve. It has also provided retirees with additional income from the conservative portion of their portfolios.

The challenge arises when temporary cash becomes a permanent investment position without a deliberate decision. Investors may remain heavily allocated to cash because the yield feels attractive and the account value appears stable. Over longer periods, taxes, inflation and missed market growth can reduce the real value of that apparent safety. There is also reinvestment risk. A one-year deposit may offer an appealing rate today, while the investor has no assurance that the same rate will be available when it matures.

The change in the interest-rate environment has also made fixed income more relevant to portfolio construction. Bonds can once again provide a combination of income, capital preservation and diversification, although the risks vary considerably across issuers and maturities.

With the Bank now pausing, the outcome may depend less on predicting the next rate decision and more on selecting an appropriate balance of maturity, credit quality and liquidity.

For retirees, the current environment offers both opportunity and risk. More attractive interest rates can improve income from conservative investments and reduce the amount that must be withdrawn from growth assets. At the same time, retirement portfolios must continue to address inflation, longevity and future spending. A portfolio built primarily around current interest rates may produce adequate income today while providing insufficient growth over a 20- or 30-year retirement.

A pause in interest rates can also make the cost of an investment loan or business credit facility easier to estimate. This may improve the ability to model cash flow and compare the potential return on invested capital with the cost of borrowing. Stable borrowing costs, however, do not eliminate leverage risk. Investment values can decline while interest payments continue, and variable borrowing rates can eventually move higher. The tax deductibility of interest may improve the economics of an appropriate strategy, but it should not become the primary reason for borrowing.

For business owners, the interest-rate pause may affect decisions involving operating lines, commercial mortgages, equipment financing and corporate investment portfolios. It may also create an opportunity to revisit how much cash should remain available inside the company. Excess corporate cash can provide security, although holding substantially more liquidity than the business requires may reduce long-term efficiency. Conversely, aggressively investing funds that may be needed for taxes, acquisitions, debt repayment or operating expenses can create unnecessary pressure.

Maintaining the overnight rate at 2.25% does not mean the Bank of Canada has completed its work. A sustained increase in inflation could eventually lead to higher rates. Weaker employment, declining economic activity or a significant deterioration in trade conditions could produce renewed pressure for rate cuts.

The path will be determined by economic information that is not yet available. This is why financial planning should be resilient across several possible outcomes. Borrowers should be able to manage somewhat higher rates.

Investors should avoid positioning an entire portfolio around an expected rate cut. Retirees should maintain enough liquidity to avoid selling long-term assets at an unfavourable time.

The Way I See It

The Bank of Canada's decision to pause should be viewed as a planning window. It gives families, retirees, investors and business owners a chance to review important decisions without the immediate pressure of another rate move. That does not mean decisions should be delayed indefinitely. It means the current environment offers enough stability to think more clearly about debt, liquidity, income and long-term capital.

For borrowers, the pause is an opportunity to prepare before renewal pressure arrives. Mortgage decisions should be reviewed in the context of household cash flow, investment accounts, emergency reserves and family obligations. The lowest available rate is important, but it is not the only issue. A family should also understand how the mortgage decision affects flexibility, retirement savings, tax planning and future liquidity.

For investors, the pause is a reminder that cash now has value, but cash still needs a purpose. Holding cash for taxes, spending needs, business obligations or near-term purchases makes sense. Holding too much cash simply because the yield feels comfortable can create a different kind of risk. Over time, inflation, taxes and missed growth opportunities can reduce the value of capital that was meant to support longer-term goals.

For retirees, today's rates can help improve portfolio income, but retirement planning should never be built around one interest-rate environment. A retiree needs reliable liquidity today and growth potential for the future. The balance between cash, fixed income and equities should reflect spending needs, time horizon, estate objectives and comfort with volatility.

In my view, the greatest mistake investors can make during a pause is to treat stability as a reason to stand still. A pause is useful because it creates room to make better decisions. Families can review mortgage renewals, business owners can evaluate corporate liquidity, retirees can reassess withdrawal plans, and investors can determine whether their portfolios still reflect the world we are actually in rather than the low-rate world many people became accustomed to.

The KPW Integrated Wealth Framework considers these connections before a recommendation is made. Borrowing, investments, tax, retirement income, corporate planning and estate objectives should not be reviewed as isolated decisions. Each one affects the others. The purpose of planning is to ensure that every part of the financial structure supports the client's broader priorities.

The Bank of Canada's pause gives Canadians greater short-term clarity. The greatest value will come from using that clarity to strengthen the decisions that must continue working when rates eventually begin to move again.

Lifestyle Planning Solutions

by Ryan Simone, CFP, CLU, CHS

RRSP Meltdown Strategy

Turning A Tax Challenge into a Retirement Opportunity

For many Canadians, contributing to their Registered Retirement Savings Plan (RRSP) is a crucial part of retirement planning. However, after years of diligent saving, some retirees and pre-retirees discover they have created a new challenge: a large RRSP balance that could result in substantial taxable withdrawals later in life.

A hot topic amongst financial influencers is the idea of an RRSP meltdown. I don't know why, but for some reason a person approaches 60 and their algorithm starts slamming them with RRSP meltdown strategies. But is an RRSP meltdown strategy worth considering?

An RRSP meltdown strategy is a tax-planning approach designed to gradually reduce the size of a large RRSP before mandatory withdrawals begin under a Registered Retirement Income Fund (RRIF). The objective is to smooth taxable income over time and potentially reduce lifetime taxes.

Rather than waiting until age 71 to convert an RRSP into a RRIF and face increasingly larger minimum withdrawals, individuals intentionally withdraw funds earlier, often during years when their marginal tax rate is lower. The idea is to pay some tax today to avoid paying even more tax tomorrow.
When we're creating plans for our clients, we always consider an RRSP meltdown because a large RRSP can create several challenges:

- Higher RRIF minimum withdrawals in retirement.
- Exposure to higher marginal tax rates.
- Potential Old Age Security (OAS) clawbacks.
- Increased taxes upon the death of the surviving spouse, when registered assets are often taxed as income in the estate.

By strategically withdrawing RRSP assets over several years, retirees may:

- Lower future RRIF balances.
- Reduce future mandatory withdrawals.
- Minimize OAS clawbacks.
- Increase tax efficiency for their estate.
- Create greater flexibility in retirement income planning.

Consider Maria, age 62, with a $1.2 million RRSP. She plans to retire next year and expects modest pension income.

If Maria waits until age 72, her RRIF minimum withdrawals could push her into a significantly higher tax bracket and potentially trigger OAS clawbacks.

Instead, she begins withdrawing $40,000 to $60,000 annually from her RRSP between ages 62 and 71. The withdrawals are taxed, but at relatively moderate rates. She invests the after-tax proceeds in a Tax-Free Savings Account (TFSA), where possible, and in a non-registered investment account.

As a result, her RRIF balance is lower at age 72, future minimum withdrawals are reduced, and her lifetime tax burden may be significantly lower.

This strategy may be particularly attractive for individuals who have large RRSP or RRIF balances, expect higher tax rates later in retirement, anticipate substantial pension income, are concerned about OAS recovery tax (clawback), have room in a TFSA for reinvestment, and/or want to improve after-tax estate outcomes. However, it is not a one-size-fits-all solution. Every tax situation is unique.

Next month I will present an in-depth case study that looks at the RRSP meltdown in action. I'll use real numbers and results produced using our state-of-the art life planning software. That case study will show that it is important to integrate the RRSP meltdown into other planning opportunities. For example, TFSA maximization, delaying CPP/OAS, optimal withdrawal order from accounts and so on.

Integration in planning is crucial. I have been sent videos in which so called financial experts present the RRSP meltdown as a blanket solution for nearly every Canadian who has an RRSP/RRIF. But like any strategy, there are potential drawbacks and risks, and in some cases it may not even be worthwhile. Tax can surface earlier than expected, large withdrawals can push income into higher brackets, investment growth may shift from tax-deferred to taxable accounts when TFSA room is unavailable, and poor sequencing can create avoidable tax drag. Careful projections are essential before implementing the strategy.

There are key questions we address before measuring the impact of an RRSP meltdown on a financial plan:

- What will your projected RRIF balance be at age 72?
- Will future RRIF withdrawals push you into a higher tax bracket?
- Are you at risk of OAS clawbacks?
- Do you have TFSA contribution room available?
- How will this affect your estate and beneficiaries?
- What are your projected lifetime tax liabilities under different scenarios?

An RRSP meltdown strategy is not about avoiding taxes, it's about managing them intelligently. By proactively drawing down registered assets during lower-income years, retirees may reduce future tax exposure, enhance retirement income flexibility, and improve overall financial outcomes.

For Canadians approaching retirement with substantial RRSP savings, an RRSP meltdown may be one of the most valuable tax-planning discussions to have with a qualified financial planner or tax professional. The goal is simple: pay taxes on your terms, not the government's timetable.

Ryan's Real-World Insight

The most successful RRSP meltdown strategies are typically implemented gradually over many years. Small, planned withdrawals often produce better long-term results than waiting until large mandatory RRIF withdrawals force higher taxation later in retirement. A detailed lifetime tax projection can reveal opportunities that may save tens of thousands of dollars over the course of retirement.

By Kristina De Souza, CFP, CFDS, RHS

Home Sweet Home: Now Let’s Protect It

Buying your first home is one of the most exciting things you will ever do, and it is also one of the most exhausting. Between inspections, financing paperwork, moving quotes and endless decisions about paint colors and closing dates, most new homeowners are running on fumes by the time they get the keys. So when someone brings up insurance in the middle of all that, it is easy to understand why eyes glaze over. It can feel like one more chore added to an already impossible list. As a financial planner who works with a lot of young families and first time buyers, I have learned that timing and tone matter just as much as the information itself.

The truth is, buying a home is the biggest financial commitment most people will ever make, and with that commitment comes real risk, especially for the people who depend on you. The good news is that insurance does not have to be introduced as a burden. When it is framed around the natural emotional rhythm of the homebuying process, it becomes something that actually brings relief instead of stress.

There are several moments along that journey where it makes sense to gently open the door to this conversation, along with a simple idea of what modest, starter coverage can look like along the way.

That first rush of excitement when an offer is accepted is often followed within days by a quiet wave of panic. Did we offer too much? Can we really afford this? This is not the moment to pile on new financial worries. Instead, I like to describe getting insured using language that mirrors what buyers just went through with the house itself. You put in an offer on a home and waited to see if it was accepted, and getting life insurance works in a similar way. You apply, and the insurance company reviews your application before deciding what they can offer you in return. This small reframe does two helpful things: it normalizes insurance as something you apply for rather than something you simply buy off a shelf, and it gently reminds people that the process takes time, so getting started early matters.

There is a natural pause in every home purchase while the inspection happens, and everyone is waiting to hear whether anything unexpected turned up. Insurance has its own version of this waiting period. Health questionnaires and underwriting can sometimes reveal something a client did not know about their own health. Just like a surprising inspection report rarely kills a home sale outright, an unexpected health finding rarely means the door to coverage is closed. It usually just means the terms might look a little different than expected, and the only way to know for certain is to actually complete the application.

Mortgage approval is a meaningful milestone because it is the moment the actual size of the debt becomes real and official. It is also the natural moment to talk about how much coverage would be needed to protect that debt if something happened to the homeowner. I try to avoid dwelling on the fear behind this idea, because nobody needs to be reminded that they could pass away and leave their family with a mortgage they cannot afford. Instead, I like to focus the conversation on solutions. Something like this usually works well: you do need some protection in place, so let's find a way to get solid value without overextending your budget right now, and coverage can always be adjusted down the road as life changes.

Closing day tends to bring a wave of relief. The interest rate is locked in, the term is set, and for the very first time, clients know exactly what their monthly housing costs will look like. That certainty is actually a great launching point for a broader conversation. Once people know their numbers, they often start thinking about other financial worries hiding underneath the excitement of the new home, like what would happen to their income if they became seriously ill or unable to work. This is a good time to talk through those wider protection needs, not just the ones tied directly to the mortgage.

Once boxes are unpacked and life starts to settle into a new rhythm, it is worth reaching out again. This is often the easiest and most natural time to talk about the bigger financial picture, because the initial chaos has passed. I often compare this stage to unpacking a house, where you take care of the rooms that feel urgent first and leave the rest for later, and that is perfectly fine. The same is true for financial planning, and nobody needs to solve everything in one sitting.

Throughout every stage of buying a home, it is completely normal for clients to feel too overwhelmed for a deep, detailed financial review. In those moments, it often makes more sense to focus on the essentials first, primarily making sure the mortgage itself is protected, and to plan a follow up conversation once the dust has settled. The goal is never to lock someone into a lifetime decision while they are already stretched thin with a major life change. It is to give them a starting point they feel good about, with the reassurance that their coverage can grow and change alongside their life. Good financial planning is not a single transaction, it is an ongoing relationship built one honest, well-timed conversation at a time.

Norbert’s Gambit: An Alternative to Retail Currency Exchange

Most Canadian households eventually need foreign currency. Whether it be a trip to Florida, tuition for a child studying abroad, or a deposit on a vacation property, the approach most take when exchanging currency is largely the same: the household hands Canadian dollars to a bank, a credit union, or a currency app, and in return receives foreign dollars, such as U.S. dollars, at whatever exchange rate the institution is displaying at that moment. While no explicit fees or commissions appear on the receipt, the mark-up paid is often considered an unavoidable cost of currency exchange, and it altogether plays out like a simple fee-for-service transaction.

The exchange rate paid, however, is not the exchange rate at which Canadian dollars and U.S. dollars are actually trading between banks in the wholesale currency market. Instead, the displayed rate contains a margin that the institution retains as its revenue on the conversion.

In Canada, that margin is generally between 1.5% and 2.5% of the amount converted, and it can be wider on smaller amounts or at a physical teller counter. To put those percentages in dollars: on a $5,000 conversion, the exchange costs the household roughly $75 to $125 more than a wholesale conversion would have; on a $50,000 conversion, roughly $750 to $1,250 more; on a $250,000 conversion, several thousand dollars more. None of that cost is disclosed as a fee, because the institution builds the entire amount into the exchange rate itself. The only way to see the size of the margin on a given day is to compare the exchange rate the institution used against the Bank of Canada reference rate published for the same date.

An Alternative Route Through the Stock Exchange

An alternative exists that allows the same household to convert Canadian dollars into those same U.S. dollars at close to the wholesale exchange rate, in exchange for a few small trading fees and a wait of a few business days. Named Norbert's Gambit after Norbert Schlenker, a Canadian investment manager who first described the idea in a MoneySense column in 1986, the underlying idea is fairly straightforward—rather than converting cash directly through a bank's currency desk, the household uses a security that exists in both Canadian dollar and U.S. dollar versions as a bridge between the two currencies. The Canadian dollar version of the security is purchased with the Canadian dollars being converted, and then the underlying shares are transferred (or journalled) to the U.S. dollar version which is then liquidated. The proceeds arrive as U.S. dollars, and as only small trading fees are incurred, the net exchange rate lands closer to the wholesale rate than the retail rate.

In its original form, Schlenker's technique used interlisted stocks: shares of large Canadian companies, such as Royal Bank of Canada, which trade in Canadian dollars on the Toronto Stock Exchange and in U.S. dollars on the New York Stock Exchange. However, the interlisted-stock version of the strategy carries a specific risk that has led most households to move away from it. During the two or three days between the initial purchase of the shares on the Canadian side and the eventual sale on the U.S. side, the shares themselves can move in price for reasons that have nothing to do with the exchange rate. An earnings release, a change in interest-rate expectations, or a broader market move can push the stock in either direction over a couple of days, and any such movement changes how many U.S. dollars come out at the end and thus, whether or not a taxable gain is realized. On a single conversion, the net effects of a stock-price move could exceed the retail margin the household was trying to save in the first place. As such, the exchange-listed version of Norbert's Gambit is now most commonly executed using a security designed to hold nothing but U.S. dollars, which removes stock-price movement from the equation entirely.

The DLR Route

DLR is a publicly listed exchange-traded fund that holds nothing but U.S. dollars. It contains no stocks, no bonds, and no other securities that can rise or fall in price on their own. The fund exists in two versions on the Toronto Stock Exchange, DLR priced in Canadian dollars, and DLR.U priced in U.S. dollars, and both versions represent claims on the same pool of U.S. dollar cash inside the fund. Because the only thing inside the fund is U.S. dollars, buying DLR is functionally the same as buying U.S. dollars themselves.

Consider a household that uses $14,000 Canadian to buy DLR on a day when the exchange rate is 1.40 CAD/USD. That $14,000 Canadian buys enough DLR shares to represent $10,000 U.S. inside the fund. From the moment the trade settles, $10,000 U.S. is what the household owns, regardless of what the exchange rate does over the next few days. If the Canadian dollar weakens over the settlement window, so that one U.S. dollar now costs $1.43 Canadian, the price of DLR on the Canadian side rises to reflect the new exchange rate, but the claim on $10,000 U.S. inside the fund is unchanged. When the shares are journalled over to the U.S. side and sold as DLR.U, the household receives $10,000 U.S. If the Canadian dollar strengthens instead, so that one U.S. dollar costs $1.37 Canadian on the settlement day, the price of DLR on the Canadian side falls, but the household still receives $10,000 U.S. when the DLR.U shares are sold; the number of U.S. dollars that comes out at the end is the number of U.S. dollars purchased at the beginning (in this example, $10,000).

Thus, what the DLR route locks in is the wholesale exchange rate on the day of the initial purchase. Whatever the exchange rate does over the following two or three days affects only what those U.S. dollars are worth in Canadian dollars, not the U.S. dollar amount received. The retail margin that a bank would have charged on that same initial day has been avoided, and the U.S. dollar amount that emerges on the settlement day is much closer to what the wholesale rate on the day of purchase would have delivered.

When Norbert's Gambit Saves Money, and When It Does Not

Because the costs associated with Norbert's Gambit reflect flat trading fees rather than a percentage of the amount being converted, the strategy saves money only above a certain threshold. The rough break-even against a 1.5% retail conversion sits around $1,000. Below that, the flat costs exceed what would have been paid at a bank or currency app, and the direct route is both cheaper and immediate. Above that, the savings grow with the size of the conversion. On a conversion to $10,000 U.S., the savings amount to roughly $130 Canadian to $230 Canadian; on $50,000 U.S., roughly $720 Canadian to $1,220 Canadian; on $200,000 U.S., several thousand Canadian dollars in savings are realized.

An important caveat, however, is the time associated with executing the Gambit. The full sequence, from the initial purchase of DLR to the moment the U.S. dollars are available to spend, can take two to five business days depending on the brokerage used. That timing profile is well suited for a foreign currency payment known some weeks in advance, such as a property closing, a scheduled tuition transfer, or a planned vacation, whereas it is less suited to more time-sensitive or unanticipated exchange requirements.

Two Considerations Before Executing the Gambit

The first consideration is the setup of the brokerage account. The account used for the DLR route must be able to hold both Canadian dollars and U.S. dollars, and its default settlement instructions must be checked, because some accounts automatically convert U.S. dollar proceeds back into Canadian dollars at the retail exchange rate. Leaving that automatic conversion active reverses the entire benefit of the trade.

The second consideration is tax reporting in a non-registered account. Any transaction involving securities on capital account has to be reported to the Canada Revenue Agency in Canadian dollars, using the exchange rates that applied on the day of each transaction. Because the exchange rate on the day the DLR shares are purchased will almost always be slightly different from the exchange rate on the day the DLR.U shares are sold, a small capital gain or loss in Canadian-dollar terms will typically show up on the annual return, even though there was no economic gain on the day the DLR shares were purchased. The reportable amounts are usually modest, but they do need to be tracked. Inside a registered account such as an RRSP, TFSA, or FHSA that supports both currencies, no such reporting arises.

Conclusion

The exchange rate offered at a bank counter or in a currency app is a bundled price. It contains the wholesale exchange rate, at which the currencies actually trade between institutions, and a retail margin that pays for the convenience of an immediate conversion at any hour without paperwork. For small or time-sensitive conversions, the retail margin is a fair price for the speed and simplicity. For larger conversions, or those known of in advance, Norbert's Gambit may be a worthwhile consideration. If you have any questions or would like to explore how this strategy may be of benefit to you, reach out to your advisory team and we will be happy to walk you through it.

The Trust You May Not Know You Have

by Sergio Simone

Most people imagine that a trust begins with a formal legal document prepared by a lawyer. There is usually a named trustee, one or more beneficiaries and a carefully defined purpose. Family trusts, alter ego trusts and testamentary trusts generally fit this familiar description.

A bare trust can be much less obvious. It may arise when one person holds legal title to an asset while another person has the true ownership, use and benefit of that asset. The person named on title generally acts on the instructions of the beneficial owner and has little or no independent authority over the property.

These arrangements are often created for practical reasons. A nominee corporation may hold title to real estate for a developer. An asset used by a corporation may be registered in the name of an individual. A family member may appear on the title to an investment property while another family member supplied the purchase funds, receives the income and bears the economic risk. In each case, the legal ownership shown in the records may differ from the beneficial ownership recognized by the parties.

No one involved may describe the arrangement as a trust. There may be no separate bank account, investment portfolio or income retained within the arrangement. The absence of those features does not necessarily settle the question.

Canada’s enhanced trust-reporting rules created considerable uncertainty when bare trusts were initially brought into the T3 reporting system.

The Canada Revenue Agency subsequently provided filing relief for 2023, and bare trusts were generally excluded from the reporting requirements for taxation years ending in 2024 and 2025.

The position changes for taxation years ending on or after December 31, 2026. Under the revised framework, certain arrangements may be treated as reportable bare trusts, subject to a series of exceptions. Additional administrative guidance is expected before the filing season for trusts with a December 31, 2026 year-end.

An arrangement may fall within the rules where one or more legal owners hold property for the use or benefit of someone else and can reasonably be considered to act as agents for the beneficial owners. The legal owners may be treated as trustees for reporting purposes, while those receiving the benefit of the property may be treated as beneficiaries.

This does not mean that every difference between legal and beneficial ownership will require a T3 return. The particular facts, supporting documents, provincial law and available exceptions will determine whether reporting is required.

Real estate is likely to be one of the most common areas requiring review. An individual or nominee corporation may be registered as the legal owner of a property while another person, corporation or partnership provides the capital, receives the rent, reports the income and directs the important decisions.

Family arrangements can create similar uncertainty. One relative may hold title to a rental property for another. A parent may hold an investment account for an adult child. A cottage, parcel of vacant land or commercial property may be registered in one person's name even though several family members consider themselves the true owners.

Business owners should also review situations in which legal title and economic ownership have been separated. Equipment, real estate, shares or other assets may be registered in the name of a shareholder, related company or nominee corporation while being used and beneficially owned elsewhere within the corporate structure.

Investment and banking arrangements deserve similar attention. Accounts opened for convenience, assets registered in a nominee's name and property held for another person may have trust characteristics. The source of the funds, entitlement to income, exposure to gains and losses, authority over withdrawals and intentions of the parties all help establish who truly owns the property.

The revised rules contain several exclusions intended to prevent routine family arrangements from automatically becoming reportable bare trusts. An arrangement may generally be excluded where every person treated as a beneficiary is also a legal owner and there are no legal owners who do not share in the beneficial ownership. This may provide relief for family members who hold a joint bank account for their collective use and benefit.

There is also an exception for certain arrangements involving related individuals who hold legal title to real property that could be the principal residence of one or more of the legal owners. This may include a parent who is added to the title of a child's home to assist with mortgage financing, as well as some situations involving a family home occupied by spouses or common-law partners.

Other exclusions may apply to certain partnership arrangements, property held under a court order and qualifying arrangements administered by registered securities dealers or regulated trust companies. The value and type of property, the relationship between the parties and the nature of the arrangement may also affect the result.

These exceptions must still be applied carefully. A parent appearing on the title to a child's principal residence may receive different treatment from a parent holding title to a rental property or vacation property. Similarly, a joint account in which every named owner has a genuine beneficial interest may differ from one where a person is included solely to administer money belonging to someone else.

A bare trust filing requirement does not, by itself, transfer income or capital gains to the legal owner. Income, gains and losses associated with the property would generally continue to be reported by the beneficial owner. The T3 return and Schedule 15 are primarily intended to disclose the ownership relationship and the people or entities involved.

Where Schedule 15 is required, information may have to be reported concerning the trustees, settlors, beneficiaries and controlling persons. This can include names, addresses, dates of birth, countries of residence and tax identification numbers, even where the arrangement has no income to report.

The filing deadline for a T3 return is generally 90 days after the trust's taxation year-end. Since most trusts have a December 31 year-end, an arrangement reportable for 2026 would generally have a filing deadline at the end of March 2027. Penalties may apply when a required return or Schedule 15 is filed late or contains incomplete information.

The difficulty with bare trusts is that the arrangement may not appear in a client's traditional estate-planning documents. It may instead be found in a land registry, an old corporate minute book, a bank account, a private agreement or an informal family understanding.

A useful review begins by identifying assets for which the registered owner may differ from the person or entity receiving the economic benefit. The analysis should consider who supplied the purchase money, who receives the income, who bears the risk of loss, who can direct a sale and whether the registered owner is required to follow another person's instructions.

Existing nominee agreements, declarations of trust, corporate records, purchase documents and property registrations should be reviewed with the client's accountant and legal counsel. Professional advice should also be obtained before changing title or transferring an asset, since correcting an ownership structure can create legal, tax, land-transfer-tax, mortgage and estate-planning consequences. The return of bare trust reporting in 2026 should be treated as an opportunity to review how important assets are legally and beneficially owned. Many arrangements will qualify for an exception, while others may require reporting even though they generate no additional tax.

The greater risk lies in assuming that no trust exists because the family never used the word "trust" or because no formal document can be found. Clients who hold property for someone else, use nominee ownership, share title with family members or have assets registered outside their intended corporate structure should raise those arrangements with their tax and legal advisors before December 31, 2026.

Early review provides time to determine whether a reportable bare trust exists, confirm whether an exception applies and collect the information that may eventually be required. A trust that was never formally recognized can still create a reporting responsibility, and identifying it in advance is considerably easier than discovering it after the filing deadline has passed.

The Scam May Sound Like Someone You Trust

by Sergio Simone

For many years, the most obvious warning sign of financial fraud was that something did not look or sound quite right. The email contained spelling errors, the caller's story was inconsistent or the investment promotion appeared amateurish. Those warning signs still exist, but artificial intelligence is making them less dependable.

Fraudsters can now use artificial intelligence to create convincing emails, reproduce a person's voice, generate realistic photographs and alter video footage. They can imitate a family member, company executive, government official, financial professional or public figure. The person appearing on a screen may look familiar, speak naturally and refer to information that makes the communication seem credible.

Canadian authorities have warned that these tools are being used to create false endorsements, impersonate trusted individuals and present fraudulent investment opportunities with greater realism. Artificial intelligence has not replaced traditional fraud. It has made familiar techniques more convincing and easier to deploy on a larger scale.

A family emergency scam provides a useful example. A person may receive a call that appears to come from a child or grandchild claiming to have been injured, arrested or stranded. The voice may sound remarkably accurate because a short audio sample obtained from social media can be used to imitate it. Another caller may then pose as a lawyer, police officer or hospital representative and provide instructions for an immediate payment.

The emotional pressure is deliberate. The recipient is encouraged to act before speaking with anyone else, often under the threat that delay will make the situation worse. The safest response is to end the call and independently contact the family member using a telephone number already known to be genuine. Families may also benefit from establishing a private verification word or question that cannot easily be discovered through social media or public records.

Investment fraud is also becoming more difficult to identify by appearance alone. Fraudsters can create polished websites, counterfeit account statements and professional-looking social-media profiles. Artificial intelligence can produce videos that appear to show respected business leaders, politicians or celebrities endorsing an investment platform.

The initial contact may begin with an online advertisement, followed by a call from someone presenting themselves as an investment specialist. The investor may be directed to a private messaging group where apparent participants discuss their profits and encourage others to invest. A small initial contribution may appear to grow rapidly, and a modest withdrawal may even be permitted to build confidence.

Once a larger amount has been invested, access to the funds may be restricted and additional payments demanded for taxes, insurance, account verification or administrative fees. A professional website and visible account balance do not confirm that an investment exists. Requests for further payments to release money are a serious warning sign.

No investment should be made solely on the strength of an online advertisement, social-media introduction or private messaging group. The firm and individual offering the investment should be verified independently through the appropriate securities regulator, using contact information obtained from reliable public records.

Government and institutional impersonation scams present another growing concern. Fraudsters may use familiar logos, false websites, manipulated caller identification and convincing voices to impersonate government agencies, financial institutions or professional advisors. These schemes are often designed to obtain money, passwords, personal information or access to a victim's computer.

Any unexpected request involving money or confidential information deserves independent confirmation, particularly when it involves secrecy, urgency, cryptocurrency, gift cards, remote computer access or instructions to move money to a supposedly secure account. The institution or advisor should be contacted through a known telephone number or official channel rather than through information contained in the original message.

Families can establish simple rules around significant transactions. No unusual transfer should be completed based solely on an incoming call, email or text message. Requests exceeding an agreed amount can require confirmation from a second family member or trusted professional, while changes to banking instructions can be verified through a direct call to a known contact.

A trusted contact person can provide another layer of protection. This is someone a financial firm may contact when there are concerns about possible exploitation, unusual behaviour or difficulty reaching the client. The trusted contact person does not receive authority over the account and cannot make investment decisions.

Clients should also feel comfortable contacting their advisory office before responding to an unfamiliar investment proposal or unusual request for money. A brief conversation may identify warning signs, confirm whether an opportunity is legitimate or help determine which institution should be contacted.

Anyone who believes they may have been targeted should act promptly. Their financial institution should be contacted immediately, passwords should be changed where appropriate and the incident should be reported to the relevant authorities. Embarrassment should never prevent someone from seeking help, since delaying action may allow further transfers or expose the victim to a second fraudster claiming to offer recovery assistance.

The growing sophistication of fraud requires a change in how financial information is evaluated. Seeing a familiar face or hearing a familiar voice can no longer serve as sufficient confirmation. Verification must occur independently of the communication that created the request.

Technology may continue to make fraud more convincing, but the most effective protective measures remain practical: slow the process down, confirm the identity of the person involved, consult someone you trust and never allow urgency to remove the opportunity for a second opinion.

DISCLAIMER

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An investor proposing to borrow for the purchase of securities should be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only. The extent of that risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

Discuss the risks associated with leveraged mutual fund purchased with an investment funds advisor before investing. Purchases are subject to suitability requirements. Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same if the value of the securities purchased declines.

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