

DIRECTION

KEEPING YOU INFORMED ♦ TAX & INVESTMENTS

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WISHING YOU AND YOUR FAMILY HEALTH, WEALTH, AND HAPPINESS IN 2026

MARKETS & ECONOMY - OUTLOOK

Reflecting on 2025 and Positioning for 2026

As we reflect on 2025 and look ahead to 2026, investors are entering a more mature phase of the market cycle. Inflation has eased from prior highs, central banks have begun shifting toward interest-rate cuts, and markets have delivered strong returns. At the same time, leadership has become more concentrated, valuations in certain areas are elevated, and geopolitical and policy risks remain.

The year ahead is likely to reward discipline, diversification, and selectivity rather than broad risk-taking.

Equity Markets: Strong Returns

Equity markets delivered solid gains in 2025, driven by resilient economic activity, strong earnings, and enthusiasm around AI and innovation, though returns were concentrated among a small group of large companies.

Looking ahead, opportunities remain, but future returns are expected to rely more on earnings growth and fundamentals than valuation expansion, with attractive prospects in select global regions and sectors.

Artificial Intelligence: Opportunity with Nuance

Artificial intelligence remains a strong long-term theme, driving major investment and productivity potential. However, high capital requirements and uneven benefits highlight the importance of active management and diversification rather than viewing AI as a single opportunity.

Fixed Income: Income Matters Again

With yields still attractive, fixed income has regained importance as a source of income and portfolio stability. While central banks are expected to ease gradually, longer-term rates may remain supported, making quality and careful security selection essential.

Economic Environment: Cooling Without Breaking

The global economy enters 2026 with moderate momentum. The U.S. remains relatively strong, while Canada is showing signs of stabilization as lower rates take effect. Inflation has eased, though central banks remain cautious given uneven labour market conditions.

Portfolio Construction: A Changing Landscape

With markets driven by fewer dominant forces. As a result, portfolio construction today now focuses on emphasizes deliberate risk allocation, high-quality income sources, and flexibility to adapt as conditions evolve.

Staying Focused on Your Financial Plan

Markets will continue to fluctuate, but a disciplined, long-term approach remains essential. We encourage you to connect with your Shah Financial Planning Inc. advisor to review your portfolio, particularly if your personal circumstances have changed.

Thank you for your continued trust. We look forward to navigating the year ahead together. Stay informed, stay focused, and here's to a prosperous 2026!

By: Dipesh Chauhan, President of SFP

2026 TFSA AND FHSA CONTRIBUTION LIMITS

As we look ahead to the 2026 tax year, two of the most valuable savings tools for Canadian investors are the Tax-Free Savings Account (TFSA) and the First Home Savings Account (FHSA) which continue to offer significant opportunities for tax-efficient saving and investing. Understanding your limits for the coming year can help you plan more effectively and make the most of these registered plans.

Tax-Free Savings Account (TFSA)

The TFSA remains one of the most flexible and powerful vehicles for long-term savings and investing.

- The Canada Revenue Agency (CRA) has set the TFSA annual contribution limit at \$7,000 for 2026, the same level as the prior two years.
- If you have been eligible to contribute to a TFSA every year since the account's introduction in 2009, your total cumulative contribution room in 2026 will be \$109,000.

How Contribution Room Works

- Your TFSA contribution room is based on the annual limits for each year since you turned 18, plus any unused room carried forward, and any withdrawals from previous years (added back at the start of the following year).
- You can hold a range of investments inside a TFSA, including mutual funds, ETFs, stocks, bonds, and GICs.
- All income earned in a TFSA, including interest, dividends, and capital gains are tax-free, even when withdrawn.

Important Consideration

- Over-contributing beyond your available TFSA room may result in a penalty tax of 1% per month on the excess amount until it is withdrawn or new contribution room becomes available.

First Home Savings Account (FHSA)

The FHSA is designed to help Canadians save for their first home with the dual benefits of tax-deductible contributions and tax-free withdrawals for a qualifying first home purchase.

- The FHSA annual contribution limit remains \$8,000. Unused annual contribution room can be carried forward to subsequent years, which can increase the amount you can contribute in a single year.
- The total lifetime contribution limit for an FHSA is \$40,000
- Contributions to an FHSA are tax-deductible
- Withdrawals used to purchase a first home are tax-free, provided they meet the qualifying conditions.
- You can carry forward unused annual contribution room (up to

\$8,000 per year) to increase your contribution capacity in later years if you do not maximize your annual limit.

Both the TFSA and FHSA provide distinct tax advantages and can play complementary roles in a long-term savings strategy. The TFSA is ideal for general tax-free growth and flexible withdrawals, while the FHSA is specifically tailored to first-time homebuyers looking to maximize tax deductions and purchase savings.

By: Ekta Chauhan, CEO of SFP

CUTTING THROUGH THE NOISE: WHY TRUSTED FINANCIAL ADVICE STILL MATTERS

If you scroll through social media today, you will find no shortage of financial “advice.” From short videos promising early retirement to low-cost online courses claiming to unlock the secrets of investing, information is everywhere.

Yet despite the rise of technology and AI tools, most Canadians are not relying on algorithms alone when it comes to their financial future. While digital tools may be helpful for planning a vacation or organizing daily tasks, research continues to show that when money is involved, people value working with a trusted professional who understands their situation and provides personalized guidance.

Financial stress is real and guidance makes a difference

Financial stress affects Canadians across all age groups. According to recent research, more than 70% of Canadians report worrying about their finances while at work, and for younger generations that figure is even higher. This kind of stress can impact productivity, health, and overall well-being.

Having a clear plan and a knowledgeable advisor to help prioritize goals, manage trade-offs, and navigate uncertainty can significantly reduce that stress. Confidence often comes not from having more information, but from having the right guidance.

Younger Canadians are rethinking the DIY approach

While older Canadians are still most likely to work with a financial advisor, younger generations are beginning to recognize the value of professional advice. Many younger investors report feeling overwhelmed by conflicting online information and uncertain that they can fully manage complex financial decisions on their own.

This matters because younger Canadians are often balancing multiple financial pressures at once, such as student debt, rising housing costs, career transitions, and family planning. Without proper guidance, it is easy to make costly mistakes or delay important decisions.

Professional advice helps ensure that financial strategies evolve with life stages, whether that means planning for a first home, managing cash flow, building long-term wealth, or supporting future generations in a tax-efficient way.

Transparency around investment costs

Next year, investors will see greater transparency in how investment costs are reported. Annual statements will clearly outline the dollar amount paid for investment and contract-related expenses over the year.

These costs have always existed, but clearer reporting will make it easier for clients to understand what they are paying for and why. Transparency is a positive step, it supports informed decision making and opens the door to more meaningful conversations about value.

The value that does not show up on a statement

While statements can show costs, they cannot capture the full value

of advice, including:

- A financial plan built around personal goals and priorities
- Ongoing guidance through market uncertainty and life changes
- Thoughtful tax planning and risk management
- Confidence that comes from knowing decisions are aligned with a long-term strategy

Real financial advice goes beyond products and performance. It is about understanding what matters most to you and helping you make informed decisions with clarity and confidence.

A steady voice in a noisy world

In an environment filled with headlines, hot takes, and one-size-fits-all solutions, the real value of advice lies in cutting through the noise. Trusted guidance helps separate hype from reality, focus on what truly matters, and build a plan that fits your life, not just the latest trend.

Professional financial advice remains one of the most valuable investments a person can make, providing not only direction, but peace of mind in an increasingly complex financial world.

By: Dipesh Chauhan, President of SFP

Source: Manulife Investments

INVESTING FOR INCOME AND GROWTH REAL ESTATE VS EQUITY MARKETS

Real estate has long been viewed as a cornerstone of wealthbuilding in Canada. In fact, more than one in four Canadian homeowners are either already landlords or are considering earning rental income from a property. The appeal is understandable: tangible assets, perceived stability, and regular cash flow.

However, when we step back and compare real estate to investing through diversified portfolios of mutual funds and exchange-traded funds (ETFs), many investors are surprised by what the numbers and practical realities reveal.

Cash flow without the complications

Rental income can appear attractive on paper, but it often comes with hidden costs and effort. Vacancies, repairs, insurance, property taxes, and tenant management all reduce net returns and require ongoing involvement.

By contrast, a diversified investment portfolio can generate regular income without the operational burden. Research comparing average Canadian rental income to portfolio-generated cash flow shows that a professionally managed investment portfolio can produce comparable monthly income, without tenants, maintenance calls, or unexpected expenses.

For many investors, the ability to receive income while remaining liquid and hands-off is a significant advantage.

Rental cash flow vs. portfolio cash flow

According to the Canada Mortgage and Housing Corp., the average Canadian rent in the primary rental market is:



The monthly cash flow generated from a \$250,000 investment in the BMO Covered Call U.S. High Dividend ETF Fund (Series F), for example:



For illustrative purposes only. Market rates can fluctuate materially depending on centre, reflecting higher or lower average home prices. Vancouver, for example, is the most expensive rental market (\$2,181 average monthly rent for a 2-bedroom purpose-built apartment), followed by Toronto (\$1,961). The least expensive rental markets are concentrated in Eastern Canada, exemplified by Montreal's relatively low average 2-bedroom rent (\$1,096) when compared to other large centres.⁴

Liquidity and flexibility matter

Real estate is inherently illiquid. Selling a property can take months, involves significant transaction costs, and may force decisions based on market timing rather than personal needs.

Mutual funds on the other hand, offer daily liquidity. Investors can adjust portfolios, access cash, or rebalance holdings far more easily. This flexibility is particularly valuable when life circumstances change, whether that means funding retirement, helping family members, or responding to unexpected expenses.

Diversification reduces risk

Owning a rental property concentrates risk in a single asset, location, and market. Local economic changes, regulatory shifts, or neighbourhood-specific issues can have an outsized impact on returns.

A well-constructed portfolio spreads risk across companies, sectors, and geographies. This diversification helps smooth returns over time and reduces reliance on the performance of any single investment.

Long-term growth has favoured markets

While Canadian real estate prices have risen over time, historical data shows that broad equity markets have delivered stronger long-term growth. Over recent years, Canadian equity markets have outpaced average home price appreciation, highlighting the power of compounding through market-based investing.

This growth potential is especially important for investors with longer time horizons who are focused on building wealth, not just generating income.

Transparency and planning advantages

Investment portfolios offer clear reporting, ongoing oversight, and the ability to integrate tax planning, risk management, and estate planning into one cohesive strategy. While real estate can play a role in certain situations, it is often less flexible and more complex to manage from a planning perspective.

The bigger picture

Real estate is not inherently “bad,” and for some investors it can make sense. However, when comparing effort, risk, liquidity, diversification, and long-term growth potential, mutual funds often provide a more efficient and flexible way to build wealth and generate income.

As always, the right strategy depends on your personal goals, time horizon, and overall financial plan. What matters most is choosing investments that align with your life, not just popular narratives.

*By: Ekta Chauhan, CEO of SFP
Source: BMO Mutual Funds*

- IMPORTANT -

Do You Want to Receive Monthly Tips on Tax & Investments?

Are There any Material Changes in Your Current KYC?

Do You Want 24/7 Online Account Access?

Do You Want Your Financial Advisor to Schedule a Time to Review Your Portfolio?

If your answer is YES to any, please contact us.

PROGRESS IS BUILD ONE STEP AT A TIME

Many years ago, a traveler walked each evening along a quiet road after sunset. The path was uneven and dark, and he carried a small lantern to light his way.

One night, a passerby stopped him and asked, “Why do you carry such a small lantern? It barely lights the road ahead.”

The traveler smiled and replied, “It’s not meant to light the entire road. It only needs to light the next step.”

The passerby laughed and said, “That seems pointless. Wouldn’t it be better to wait until daylight or carry something brighter?”

The traveler continued walking and answered calmly, “If I waited for the whole road to be clear, I would never move forward. This light gives me just enough clarity to keep going.”

As the traveler walked on, the lantern revealed stones he could avoid, turns he could follow, and obstacles he could step around. Step by step, he reached his destination safely.

Moral: You don’t need to see the whole journey to move forward. You only need enough clarity for the next step. Progress is built one step at a time.

Source: Unknown

WELCOME ABOARD!

The following professionals have joined our team at Shah Financial Planning Inc., as Financial Advisors. Please welcome them.



Pravin brings over nine years of experience in Canadian financial services, helping individuals and families build, manage, and protect their wealth. He specializes in personalized investment guidance, diversified portfolio construction, and aligning strategies with each client’s goals and risk comfort.

Holding his Investments Funds in Canada Course (IFIC) and Life Licence Qualification Program (LLQP) designations, Pravin is committed to professionalism, regulatory compliance, and exceptional client service. We are excited to welcome him to our team and look forward to the expertise he will bring to our clients.



Rushang brings a strong background in financial planning, banking, and client service, with experience at leading Canadian financial institutions. Known for his clear communication and client-first approach, he helps individuals understand their investments and overall financial goals.

Rushang holds the Canadian Securities Course (CSC) and Conduct and Practices Handbook (CPH) certifications and is a CFA Level I candidate, reflecting his commitment to ongoing professional development. We are excited to welcome Rushang to our team and look forward to the expertise and insight he will bring to our clients.

<ul style="list-style-type: none"> <input type="checkbox"/> High Yield Savings Account (Non Reg) @ 2.10% <input type="checkbox"/> Tax-free Savings Account (TFSA) @ 3.75% <input type="checkbox"/> RRSP Loan @ 4.95% (Prime + 0.50%) <input type="checkbox"/> TFSA Loan @ 5.20% (Prime + 0.75%) <input type="checkbox"/> Investment Loan @ 5.20% (Prime + 0.75%) <p><i>The lender's Prime Rate is 4.45% and subject to change.</i></p>

VALUE ADDED SERVICE FOR YOU VIEFUND - BACK OFFICE SYSTEM

Take advantage of our advanced back-office system, offering valuable insights into your accounts.

Visit <http://myportfolio.shahfinancial.ca> to request your logon ID for convenient 24/7 online access. Consider signing up for online statements to support our green initiatives. Alternatively, feel free to reach out to your Financial Advisor for further assistance.



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: Our Services :

Shah Financial Planning Inc. ("SFP") is a registered mutual fund dealership that was founded in 1999 by the late Mr. Narendra Shah and Mrs. Hardip (Dipa) Shah. Since its inception, SFP has experienced continuous growth, thanks to the unwavering support and cooperation of its clients, financial advisors, and the Canadian Investment Regulatory Organization ("CIRO").

Our financial advisors offer financial related advice and services to individuals and businesses at the listed branches and Head Office. Our services are primarily focused on clients' objectives and their best interest, with the following plans and products.

: Account Types/Plans :

High Interest Savings Account

Non-Registered/Open Account

RESP • TFSA • RRSP • FHSA

LIRA • RDSP • RRIF • LIF

: Products :

Mutual Funds

Specialty Mutual Funds:

Liquid Alternatives, ESG, Shari'ah Compliant, Regional, & Sector, etc.

High Interest Daily Savings

Exchange Traded Funds (ETFs)

Loans for Registered and Non-Registered Investments

: Value Added Services :

24/7 Account Access

Investment Portfolio Review and Financial Advice

Monthly Email Tips on Tax & Investments

Semi-annual Newsletters "Direction"

Educational Lunch/Dinner Seminars

Small Group Seminars

Complimentary Consultation and

Second Opinion on Investments at Other Institutions

No Inner Peace Without Financial Security

Disclosure: Our financial advisors and employees may have outside business activities (Dual Occupations) and may offer other products and services that are not the businesses and responsibilities of Shah Financial Planning Inc.

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