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QUARTERLY REVIEW

Q3 2026

Markets • Economy • Tax • Estate • Retirement • Insurance • Philanthropy • Planning • Healthcare



HeritageMD Quarterly Review - Q3 2026

As we close the third quarter of 2026, the financial and planning landscape has become more selective. Major equity markets remained positive, but market leadership narrowed and fixed income came under pressure as long-term yields rose. In Canada, inflation remained above the Bank of Canada's target, economic growth was essentially flat in July, and the policy rate remained unchanged at 2.25%. At the same time, several tax, trust, retirement, insurance, philanthropy and healthcare developments have become increasingly relevant as year-end approaches. At HeritageMD, our objective is not simply to summarize the headlines, but to interpret what they may mean in practical terms and help clients make informed, coordinated decisions. The observations below reflect key developments through September 30, 2026.

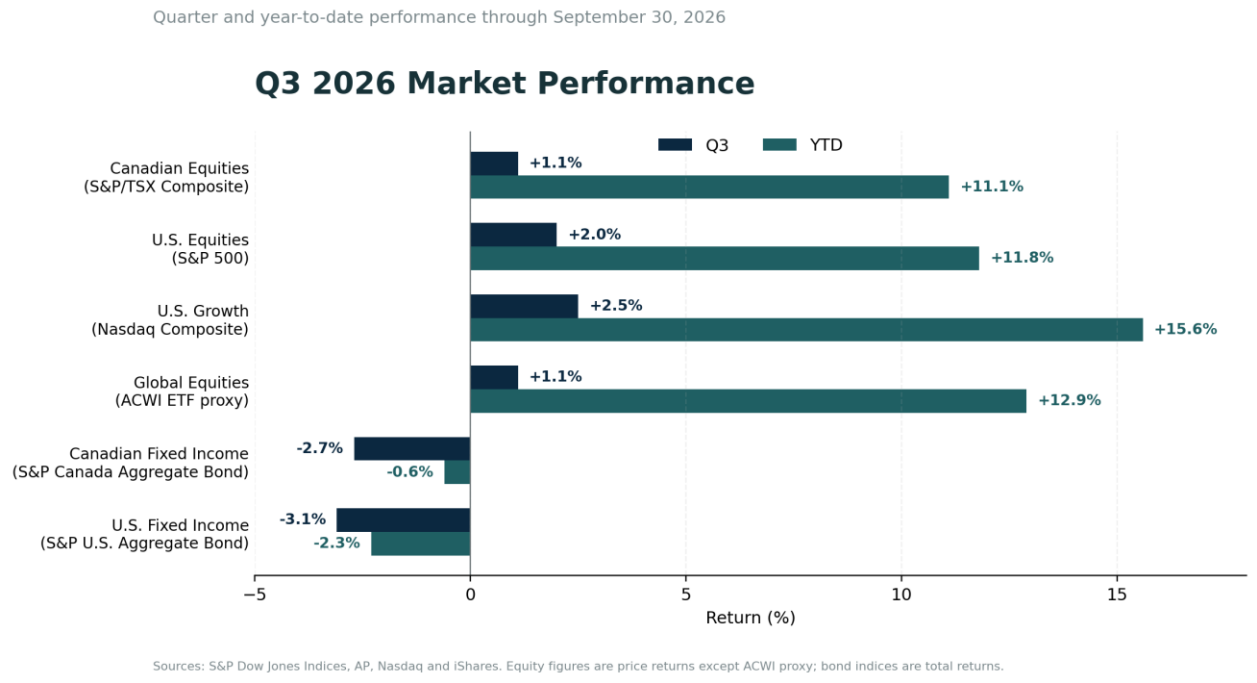
Financial Markets

Q3 was a more selective quarter than the broad-based rally seen in Q2. The S&P 500 gained approximately 2.0% during the quarter and finished September up 11.8% year to date, while the Nasdaq Composite advanced about 2.5% in Q3 and 15.6% year to date. Technology and AI-related companies remained important sources of market strength, but performance beneath the major indexes was less uniform as higher long-term interest rates created renewed pressure on valuations.

Canadian equities also remained positive. The S&P/TSX Composite closed the quarter at 35,235.87, representing an increase of roughly 1.1% during Q3 and about 11.1% year to date. Energy provided support late in September as oil prices rose, while weakness in several mining names weighed on the index at quarter-end.

Fixed income told a very different story. The S&P Canada Aggregate Bond Index declined 2.7% during Q3 and was down 0.6% year to date, while the S&P U.S. Aggregate Bond Index fell 3.1% in the quarter and 2.3% year to date. Rising long-term government bond yields were a major factor: the U.S. 10-year Treasury yield reached about 5.3% late in September. Global equities remained positive overall, with broad world-stock measures still up more than 12% year to date at quarter-end.

For investors, the quarter reinforced an important distinction between headline index performance and the experience across asset classes. Equity markets remained resilient, but higher yields, narrower leadership and persistent geopolitical risks increased the value of diversification, disciplined rebalancing and a clear understanding of the role each asset class plays in a long-term portfolio.



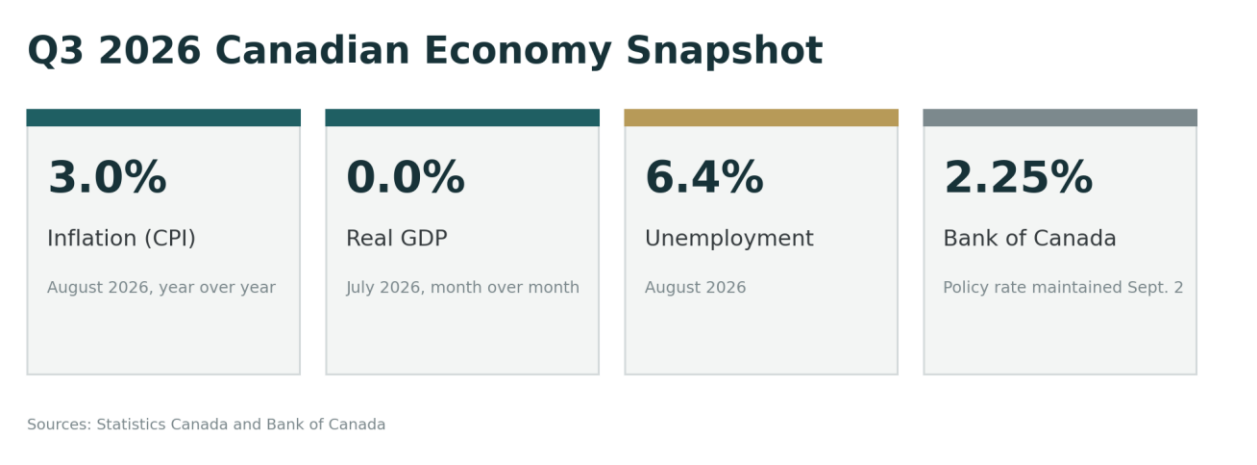
Domestic and Global Economy

Canada's economic picture remained mixed during Q3. Statistics Canada reported that real GDP by industry was essentially unchanged in July, with 10 of 20 sectors expanding. Construction grew 1.3% for a fourth consecutive month, but gains in several sectors were offset by weakness elsewhere in the economy.

The labour market softened in August. Employment declined by 42,000, the employment rate fell to 60.8%, and the unemployment rate remained at 6.4%. The unemployment rate was unchanged from July after declining for three consecutive months, while average hourly wages were up 2.0% from a year earlier.

Inflation remained a central consideration. The Consumer Price Index rose 3.0% year over year in August, matching July. Excluding gasoline, CPI increased 2.4%, while transportation costs rose 7.5% and food purchased from stores increased 2.8%. The Bank of Canada held its target for the overnight rate at 2.25% at both of its Q3 decisions, including September 2, citing continuing uncertainty around energy prices, trade and the global outlook.

Globally, the IMF's July update projected economic growth of 3.0% in 2026 and 3.4% in 2027. The IMF described the outlook as uneven, with AI-related demand supporting countries integrated into global technology value chains while conflict, energy costs and stalled disinflation remained important risks.



Tax

One of the most significant Canadian tax developments in Q3 was the federal government's proposed Productivity Mega Deduction, announced on September 15, 2026. The measure would permanently allow businesses to immediately deduct the full cost of a much broader range of depreciable capital property in the year the asset becomes available for use, rather than claiming capital cost allowance over a number of years. The proposal would generally apply to eligible property acquired on or after September 15, 2026, and the Department of Finance estimates that approximately two-thirds of capital investment would qualify. For incorporated professionals and business owners, this could materially affect the timing of investments in equipment, technology and other depreciable assets by accelerating the associated tax deduction. Certain property would remain excluded, including buildings and additions to buildings in Classes 1 and 3, property in Classes 14 and 14.1, including certain franchises, licences and goodwill, Class 51 property, certain vehicles in Classes 10 and 10.1, and certain other prescribed property. Importantly, this remains a proposed measure supported by draft legislation, so major investment decisions should consider the final enacted rules before relying on the deduction.

Earlier in the quarter, the Department of Finance also released a broad package of draft tax legislation on July 23. Among the proposed changes are measures intended to streamline access to the Disability Tax Credit for individuals with certain long-lasting medical conditions and to expand the list of medical practitioners who can certify eligibility for the Disability Tax Credit. The package also contains numerous technical amendments to the Income Tax Act and related legislation. The consultation period closed on September 4, but many of these measures remain proposals and should not yet be treated as enacted law.

From an administrative perspective, the CRA also announced that, beginning with the 2026 tax-return filing season on February 22, 2027, individuals, authorized representatives and tax preparers will have the option of authenticating through their CRA account before submitting an electronic return. The step is initially optional, but the CRA is encouraging taxpayers to ensure their online account access and multi-factor authentication information are current before filing season.

Estate Planning

The most important near-term estate administration development is the transition to the new bare-trust reporting framework. Bare trusts are generally not subject to the enhanced T3 reporting rules for taxation years ending on or after December 31, 2024 and before December 31, 2026. However, under the amendments enacted through Bill C-15, certain bare trusts will be required to file for taxation years ending on or after December 31, 2026.

For a calendar-year trust, the 2026 filing deadline will generally fall 90 days after year-end, on March 31, 2027. Not every bare-trust arrangement will be reportable, and specific exceptions apply. Nevertheless, nominee arrangements, in-trust-for accounts, joint ownership structures and other situations where legal title and beneficial ownership may differ should be reviewed before year-end so that documentation and filing responsibilities are understood in advance.

For families with private corporations, real estate, family trusts or intergenerational ownership arrangements, this is a useful reminder that estate planning is not only about wills and tax outcomes. Recordkeeping, ownership documentation, beneficiary designations, protection mandates and the practical ability of executors, liquidators, trustees and attorneys to act remain equally important.

Retirement Planning

Retirement planning during Q3 was shaped by the combination of positive equity markets, weaker bond performance and inflation that remained above target. For retirees and those approaching retirement, this mix reinforces the need to evaluate portfolio withdrawals, cash reserves, sequence-of-return risk and the role of fixed income based on the portfolio's purpose rather than on short-term performance alone.

Old Age Security benefits were adjusted upward for the October to December 2026 quarter. The maximum monthly OAS pension is now $762.50 for individuals aged 65 to 74 and $838.75 for those aged 75 and over. This represents a 1.4% increase from the prior quarter and a 3.0% increase from a year earlier.

For 2026 income, the OAS recovery-tax threshold is $95,323. The final upper recovery thresholds are $155,320 for individuals aged 65 to 74 and $161,320 for those aged 75 and over. For higher-income retirees, year-end coordination of RRIF or RRSP withdrawals, pension income splitting, capital gains, corporate distributions and charitable gifts can therefore have implications beyond the immediate income-tax result.

Insurance

Q3 did not produce a single dominant policyholder-facing insurance development, but the regulatory framework continued to evolve. In Quebec, the Autorité des marchés financiers updated the administrative version of the Regulation respecting the issuance and renewal of representatives' certificates, with the latest amendments in force as of September 16, 2026. These changes primarily affect the distribution and representative framework rather than the terms of clients' existing insurance contracts.

For clients, the practical message remains to review coverage as circumstances change. Disability insurance, critical illness protection, personal and corporate-owned life insurance, key-person coverage and buy-sell funding should evolve alongside professional income, business value, debt, retained earnings, family obligations and estate objectives. Ownership and beneficiary structures should also be reviewed when corporate or family circumstances change.

Philanthropy

Q3 is also an appropriate time to begin year-end philanthropic planning. For clients with charitable intentions and appreciated eligible publicly traded securities, a zero inclusion rate can generally apply to the capital gain realized when those securities are donated in kind to a qualified donee, subject to the applicable rules, while the donation may also generate an official donation receipt. Starting the process before December can help avoid administrative delays, particularly where securities must be transferred between institutions.

The charitable sector is also continuing its administrative modernization. The CRA stated in September that, beginning in 2027, it aims to have all T3010 Registered Charity Information Returns filed online. This will be particularly relevant for families involved with private foundations or other registered charities, where governance, books and records, annual filings and documentation should be treated as part of the broader family-office process.

Philanthropic planning is most effective when the charitable objective comes first and the tax structure supports it. The choice between cash, securities, corporate giving, donor-advised structures, private foundations and testamentary gifts should be considered in the context of the family's broader liquidity, tax and legacy objectives.

Financial Planning

The third quarter reinforced the value of integrated planning. Equities remained positive, but bonds weakened; inflation held at 3.0%; the Bank of Canada maintained its policy rate; and several tax and trust rules are moving toward important year-end dates. These developments should not be considered in isolation.

For investors, Q4 is a natural point to review portfolio concentration, rebalancing, realized gains and losses, liquidity reserves and the purpose of each account. For incorporated professionals, year-end discussions may also include salary versus dividends, corporate investment policy, passive investment income, insurance funding, retirement income design and how much capital should remain inside the corporation.

For families with trusts, philanthropic objectives or more complex ownership structures, the final months of 2026 are particularly useful for confirming documentation and implementation well before filing deadlines. The central question remains whether investment, tax, estate, retirement, insurance, philanthropic and corporate decisions are working together toward one coordinated plan.



Healthcare Community

Several Q3 developments were directly relevant to Canada's healthcare community. The Canadian Dental Care Plan continued to expand. As of August 31, 2026, 4.76 million people were enrolled for the 2026-2027 benefit period and more than 7.53 million unique members had been enrolled in the plan since launch. A total of 29,293 oral-health providers were participating nationally, including 5,811 in Quebec.

In Quebec, implementation of the revised family-physician compensation and access framework continued to be a major planning issue. Government materials describe first-line remuneration as combining capitation, payments tied to patient interactions or procedures, hourly compensation, collective and additional supplements, the GMF program and a technical component. Existing agreements with physician organizations are extended to March 31, 2028, while the 2026-2027 GMF program modalities are expected to be published in December. For physicians and clinics, income mix, patient attachment, staffing, practice capacity and operating structure therefore remain important variables as implementation continues.

Health Canada also introduced a Ministerial Reliance Order that came into force July 15. The framework allows Health Canada, for defined classes of drugs, to rely on certain decisions or documents produced by comparable foreign regulators when reviewing submissions. The first phase applies to defined classes of human and veterinary drugs. The objective is to reduce duplication in the review process while maintaining Canadian requirements for safety, efficacy and quality, making the development particularly relevant to veterinarians, pharmacists and other healthcare professionals involved in access to medications.

Workforce data released by the Canadian Institute for Health Information during Q3 also showed continued growth in nursing supply. In 2025, 238,162 registered nurses were employed in direct patient care in Canada, an increase of 2.0% from 2024, while the overall supply of registered nurses grew 4.7%. Internationally educated nurses represented 16.8% of total RN supply, up from 14.4% a year earlier. The data underscore the continued importance of workforce planning across the healthcare system.

Closing Thoughts

The third quarter of 2026 demonstrated that positive markets and a complicated planning environment can coexist. Equity indexes remained resilient, yet higher bond yields, persistent inflation, geopolitical uncertainty and changing administrative rules continued to create important planning considerations.

As year-end approaches, the most valuable response is rarely to react to any single headline. It is to make sure that investment, tax, corporate, retirement, estate, insurance and philanthropic decisions remain coordinated around the family's long-term objectives.

If you would like to review how these developments may affect your personal planning, your family, your corporation or your long-term legacy objectives, we would be pleased to connect. HeritageMD is here to help you navigate complexity with clear, thoughtful and coordinated advice.

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