

Investment UPDATE

Fall 2025 edition

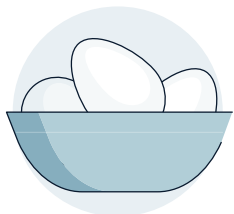
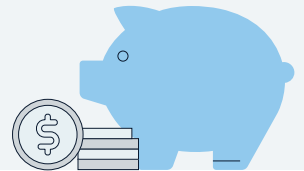


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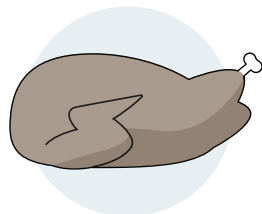
Retirement and investing

One of the most common goals for investors is saving for retirement. Whether you are still saving or already retired, you may be wondering, “How long will my savings last?”

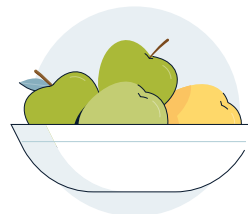
In this **Investment Update**, we'll discuss how your portfolio asset mix can help answer that question.



Eggs (1 dozen)
\$2.22 \rightarrow \$4.94
2005 2025



Chicken (1 kg)
\$5.30 \rightarrow \$14.31
2005 2025



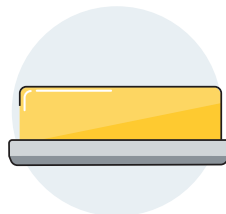
Apples (1 kg)
\$2.86 \rightarrow \$6.19
2005 2025

The bite of inflation

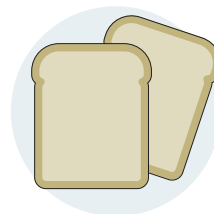
It's important to be aware of inflation risk – that is, the risk that prices will rise over time and eat away at the value of your money over the long term. To stay ahead, you need to invest at a rate that grows your money faster than the rate of inflation over time.



Housing in Canada
\$250,800 \rightarrow \$698,000
2005 2025



Butter (454 g)
\$4.01 \rightarrow \$5.92
2005 2025



Bread (675 g)
\$1.79 \rightarrow \$3.48
2005 2025

Sources: Statistics Canada, Monthly Average Retail Prices for Selected Products. The Canadian Real Estate Association. MLS[®] Home Price Index Composite Benchmark Price. Prices compared are June 2005 vs. June 2025.

How can I make my money last when I retire?

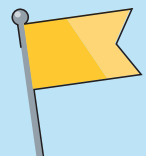


RBC Global Asset Management (RBC GAM) recently conducted a study on retirement investing based on 96 years of market data.

They looked at how different asset mixes for a one-million-dollar retirement portfolio would impact the ability of that portfolio to support an initial 4% annual withdrawal rate adjusted for inflation (a common approach) over a 30-year period. Here are some of the key takeaways from that study.

Cash is not enough

An investor who sold all their investments when they retired and went straight to cash has a high risk of running out of money over longer time horizons. The study showed that a cash portfolio ran out of money in 81% of the 30-year time periods studied.



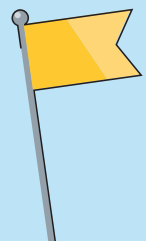
KEY TAKEAWAY:

Cash cannot usually grow as quickly as inflation. Your money may be safe in cash-like investments, but there's the risk rising inflation could put a big dent in your savings over the long term.



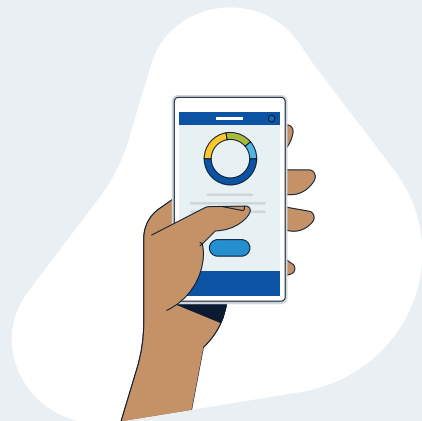
A mix of stocks and bonds is crucial

The study found an allocation to stocks increased the probability of a portfolio lasting 30 years over cash alone. In fact, a balanced portfolio of 60% stocks and 40% bonds, often lasted longer than 30 years, within the time periods analyzed.



KEY TAKEAWAY:

A balanced portfolio may be right for you if you are comfortable with short-term price shifts and moderate growth over time. In some time periods, portfolios with over a 40% allocation to stocks were able to maintain their annual pre-tax \$40,000 inflation adjusted withdrawal, and even grow the portfolio value over time. However, a higher allocation to stocks will often result in higher portfolio volatility.



The impact of asset mix decisions

The table below shows the outcomes of various investor profiles with a \$1,000,000 starting portfolio value, withdrawing \$40,000 per year adjusted for inflation, for thirty years:

Investor profile	Portfolio asset mix	Median portfolio value at end of 30 years	% of periods where the portfolio had a positive value after 30 years
All cash	100% cash	-\$357,047	19%
Very conservative	25% stocks 75% bonds	\$855,619	79%
Conservative	40% stocks 60% bonds	\$2,228,026	90%
Balanced	60% stocks 40% bonds	\$4,539,046	97%
Growth	75% stocks 25% bonds	\$7,001,440	99%
Aggressive growth	100% stocks	\$10,846,817	97%

Source: As of May 13, 2025. Robert J. Shiller, Bloomberg, RBC GAM. Calculated using monthly data from 1946 to 2023 for a simple blend of stocks (S&P 500 Total Return Index) and bonds (U.S. 10-year Treasury bonds). Cash is represented by 3-month U.S. Treasury bills. Median portfolio value represents the middle value of all portfolios analyzed over 30-year periods. An investment cannot be made into an index. The table does not reflect transaction costs, investment management fees or taxes. If such costs and fees were reflected, returns would be lower. Past performance is not a guarantee of future results.

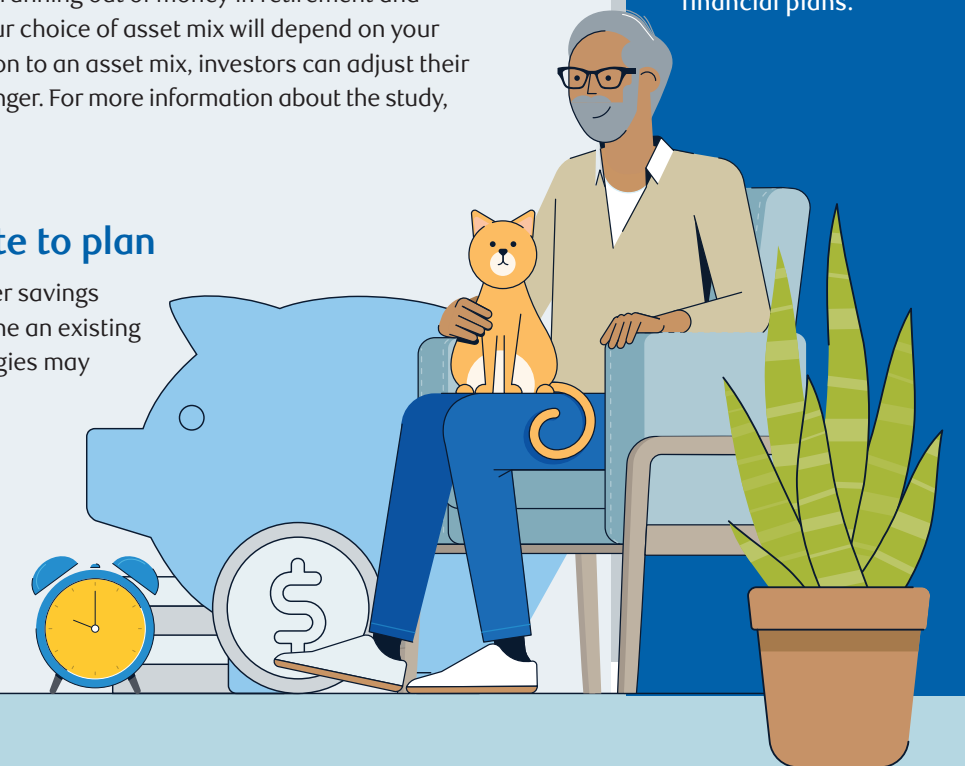
It all comes back to finding the right balance

To find the right approach for you will depend on your personal circumstances. Investors need to carefully weigh the longer run risk of running out of money in retirement and the shorter-run risk of market downturns. Your choice of asset mix will depend on your time horizon and your risk appetite. In addition to an asset mix, investors can adjust their withdrawal rate to make their portfolio last longer. For more information about the study, please visit rbcgam.com/RetirementReport.

It's never too early or too late to plan

Whether you're still working and need a better savings strategy or you're retired and want to fine-tune an existing plan, talk to your RBC advisor on what strategies may work best for you.

For more retirement resources, visit our website at rbc.com/retirement and talk to your RBC advisor today.



Things to consider at year end



Maximize your contributions to your registered plans. (i.e. Registered Retirement Savings Plan, Tax Free Savings Account, Registered Education Savings Plan or First Home Savings Account).



Plan your charitable giving.



Look to take a tax loss to offset any realized capital gains in your non-registered accounts – provided that this fits your long-term investment and financial plans.



Economy

- U.S. public policy remains the dominant macroeconomic theme, with tariffs and tax cuts both attracting close attention.
- The global economy has been resilient in the face of protectionism but some areas of the economy have begun to soften modestly, including the labour market.
- Inflation resulting from President Trump's tariffs is becoming visible although the net effect of tariffs on inflation may be somewhat smaller than initially expected.
- We believe a U.S. recession remains unlikely, and our global growth forecasts are flat to slightly higher than a quarter ago.

Fixed income

- The Fed is on the cusp of resuming interest-rate cuts to support the labour market even as inflation remains slightly above target.
- The U.S. 10-year yield at 4.2% is attractive and situated above modelled equilibrium if inflation does not return with force.
- Our model indicates that the current real yield is about 70 basis points above normal given longer-term structural factors.
- We can expect 10-year Treasury bonds to deliver returns in the mid single digits over the year ahead, with minimal valuation risk, in addition to providing critical ballast against equity-market volatility in the context of a balanced portfolio.

Equity markets

- Global equities soared to records, extending their impressive rebound from earlier this year, with broad participation from international stocks.
- U.S. large-cap stocks, Canadian equities and Japanese equities are fully valued, but stocks in Europe, the UK and emerging markets appear to be attractively priced.
- Although valuations are elevated in the highly concentrated U.S. large-cap equity market, the ultimate driver of a sustained advance in stocks is corporate-profit growth, and earnings have been much better than expected.
- If profits continue to meet or even exceed analysts' expectations, the rally could have further room to go but heightened valuations may limit the magnitude of any future gains.

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