Focus newsletter

Desjardins Wealth Management

SECURITIES

VOLUME 35 | NUMBER 2 | SPRING 2024

Planning your retirement savings withdrawals pays off

DAVID LEMIEUX
Vice-President and General Manager,
Desjardins Securities

You've been saving up for a comfortable retirement for decades. You want to be able to do the things you've been dreaming of and enjoy time with your loved ones. But how do you make sure your money keeps growing and lasts as long as you need it to? What you need is a good withdrawal strategy.

Making strategic withdrawals is just as important as saving because it helps make sure your money is used as effectively as possible. It's not something you can play by ear. It takes careful planning to maximize the benefits. What's the best asset withdrawal order for you, and what are the rates? What tax strategy should you choose? Should you income split with your spouse? Your wealth manager can explain your options and answer all these questions and more. Since setting up a withdrawal strategy is complex and requires a holistic view of your assets, it may be a good idea to consolidate everything in one place.

Over the course of my 27-year career as a wealth manager, I've helped a lot of people with this process. People are often surprised by how many topics we touch on, from selling your home, buying a cottage or moving to Florida to estate planning, insurance, real estate investments and business transfers. Every strategy is unique and designed to fit a specific person's situation. A good plan is versatile: with periodic reviews, it can evolve and adapt to the ups and downs of the market or unexpected life events.

Don't underestimate the value of planning for this time in your life or how much it could pay off!

Are you familiar with the Desjardins Securities – DSIA app?

The app makes it easy to check your accounts from your smartphone or tablet.

- See an overview of your assets and how they're allocated
- View your returns
- Check your watch lists
- Get information like stock prices and market news

Download the app for free today!

Disability insurance: You are your biggest asset

CÉDRIK CAPPELLI
Senior Financial Planning Advisor

Basically, life and health insurance is a way to transfer risk to an insurer in return for a premium. Is there any risk more costly than losing your ability to earn income?

If we're talking about the best ways to spend your money, getting the right insurance is a top priority. Not many people are lucky enough to have enough savings to self-insure. It's better to transfer the risk and enjoy peace of mind.

Whether you're a professional, an entrepreneur or an employee, an accident or illness that prevents you from working can have disastrous consequences on your finances.

Disability coverage

You can get individual or group disability insurance. Individual insurance is useful for people who aren't covered by group insurance or who want to supplement existing coverage. Self-employed workers and entrepreneurs can get additional coverage for business expenses, such as rent or salaries.

In group insurance, the insurance company covers a group of people. Through financial institutions, insurers also offer group coverage for monthly loan payments.

Disability insurance is designed to replace your monthly income for a set period (2 years, 5 years, etc.) or until retirement. Premiums can be level for the duration of the contract or increase every 10 years.

Check the elimination period and the definition of total disability

Terminology is key in contracts! The elimination period is the amount of time a person needs to wait before they start receiving benefits after a claim. The longer the elimination period, the lower the premiums. But to be able to wait longer, you need to have a well-stocked emergency fund.

Total disability may be defined as an inability to perform any activity or an inability to perform any major tasks related to your profession. In the second case, the coverage is broader. It's important to pay attention to these definitions.

What this means for your taxes

Type of coverage	Deductible premium (Payer)	Taxable benefits (Payee)
Group insurance (employer)		
100% of premiums paid by employee	✗	✗
Some or all of premiums paid by employer*	✓	✓
Group insurance (lender)	✗	✗
Loss of income (individual)	✗	✗
Business expenses	✓	✓

* Employer-paid premiums are not taxable benefits for employees. Employee-paid premiums, if any, will be deductible against fully taxable benefits.

2 things to keep in mind

1. It might be frustrating to pay for something you might never use, but the peace of mind is priceless.
2. Your disability coverage isn't complete without a protection mandate and a shareholder, partner or co-owner agreement. Talk to your wealth manager about these important documents.

3 questions about responsible investment

MICHEL DOUCET
Vice-President, Investment Strategist and Portfolio Manager

Like a compass, it can help steer you toward ethical, resilient investment choices.

1. What's your definition of responsible investment?

We tend to associate responsible investment (RI) with portfolios that only focus on «green» solutions. But in reality, RI is a much broader approach that incorporates environmental, social and governance (ESG) factors.

The goal of this approach is to create portfolios that generate returns while making a positive contribution to society and the planet. How? By promoting the adoption of sustainable practices. That might mean investing in companies that promote diversity, manage natural resources responsibly, or provide transparent governance, just to name a few.

> " RI is a powerful way to grow your wealth and help build a sustainable future. "

2. How can these practices positively contribute to business performance?

Let's take transparent governance and promoting diversity as an example:

- With transparent governance, you get a more accurate assessment of risks and opportunities, and that means investors can make more informed decisions. Transparent governance reduces the risk of fraud and corruption, strengthens the company's reputation and attracts more investors. It's an ethical imperative, but it also creates an environment that fosters trust and stability, which are essential to an organization's performance.
- By fostering diversity, companies can fuel innovation within their teams because diverse perspectives mean different approaches to problem solving and anticipating market needs. This ability to innovate strengthens a company's competitive edge by helping them adapt to market changes and prepare to seize new business opportunities.

All in all, sustainable practices make companies better equipped and more resilient.

3. Is RI still relevant when the markets are volatile?

Of course! First and foremost, responsible investment is investment. It looks beyond the traditional financial analysis and considers extra-financial information that could affect a company's ability to create value sustainably.

These factors will increase confidence in the company and attract new investors and customers. Ultimately, reputation becomes a strategic asset that plays a key role in a company's financial stability and share value in uncertain times.

RI is a powerful way to grow your wealth and help build a sustainable future. Your advisor can help you build a portfolio that reflects your values. Reach out today!

What if you could make money on your tax refund?

CAROLINE MARION
Senior Advisor, Business Development and Outreach
2023 Fellow of the Institute of Financial Planning

Think you're in for a big tax refund this year? What should you do with it? Head south? Invest it? It's a great problem to have!

Here are a few ideas to discuss with your wealth manager:

- **Contribute to your RRSP (or your spouse's RRSP)** if that fits with your tax strategy. If you invest the refund, you'll save even more in tax!

- **Pay down debts** where you can't deduct the interest for tax purposes, like your mortgage or personal car loan. Better yet, pay off your personal line of credit or credit card balances if they're still hanging around. As a general rule, pay your biggest debts first. Or make additional payments on your mortgage principal. You're usually allowed to repay a certain percentage per year without a penalty.

- **Contribute to your TFSA** and continue to grow your money tax-free. For 2024, you can contribute up to $7,000 (in addition to any unused TFSA contribution room). The earlier in the year you contribute, the better your compound returns will be.

- **Give your adult children money to contribute to a TFSA or FHSA:**
  Teaching them how to save is one of the greatest gifts you can give. Take the opportunity to help build a relationship between your children and your advisor, who can explain basic financial concepts to them. It's better for your kids to speak to someone they can trust than relying on advice from some TikToker on steroids taking selfies in front of a Lamborghini.

- **Contribute to your children's or grandchildren's RESP.** This is also a great gift for their future!

- **Take the time to review** any extra amounts you earned during the year, such as BONUSDOLLARS on Desjardins credit cards. You can combine them and use them to invest. The small amounts you can pull together could have a major impact on your path to financial empowerment.

No tax refund = good news!

Why? Because money that stays in your pocket grows. Ideally, you should be paying the correct amount throughout the year. How? You can adjust your withholding tax based on tax credits and deductions. Talk to your wealth manager and your tax advisor.

Desjardins
Wealth Management
Securities

Head Office
300–1170 Rue Peel
Montreal QC H3B 0A9