Focus newsletter

Desjardins Wealth Management

SECURITIES

VOLUME 35 | NUMBER 3 | SUMMER 2024

Getting your plans underway

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Summer's finally here! It's a good time to slow down and think about the projects you'd like to accomplish in the short, medium, and long term.

To begin with, what are your goals? Are you considering a major investment or real estate purchase? Financing your children's education? Renovations? Or do you have business projects in mind?

Once you've clarified what your goals are, you can start thinking about how to achieve them. It's much the same as going on a road trip: You need to map out how you'll get to your destination, planning each leg of the trip carefully and looking into the options available to you.

In the driver's seat

If you're anything like me, before you start planning your journey, you probably like to check travel guides or ask other people for recommendations.

When it comes to your financial assets, your wealth manager can make it a lot easier to find information and help you make decisions. That way, you can make the best choices as you elaborate your roadmap.

Your road map is your financial plan. It takes into account the projects you'd like to accomplish and the means you identified with your advisor for achieving them. On the road, if you want to change your path to include new goals, you can readily adjust the journey because your plan is flexible. It changes over time, in sync with you.

Finally, when there's a period of volatility or economic instability, your wealth manager can serve as a navigation assistant, reminding you that economic cycles go through phases, and you should stay focused on your goals. Your wealth manager's wide-ranging vision, objective mindset and seasoned expertise will provide peace of mind and help you stay on track. Have a great summer!

MONTREAL CANADIENS CHILDREN'S FOUNDATION

Builder partner of the Montreal Canadiens Children's Foundation!

Did you know that Desjardins Securities has been a proud partner of the Montreal Canadiens Children's Foundation for 22 years? Thanks to our fundraisers and the generosity of our teams and valued clients, we've donated more than $9 million to the Foundation to date. This contribution has made a difference for future generations by promoting initiatives that support youth, such as establishing sports facilities in underprivileged communities like the 14th BLEU BLANC BOUGE rink, which opened in Saint-Jérôme in January.

Choosing the right space for your business

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Every business needs to start somewhere—and as a business owner, you'll need to decide where exactly that should be. Let's take a look at some factors that may help sway your decision.

Operating a home-based business

There are several things to keep in mind before you make this choice. It's harder to draw a line between your personal and professional life, and if you want to deduct a portion of your expenses, you need to give up at least one room in your house. Another thing to carefully consider: Part of your principal residence exemption may be affected. You also need to check your municipality's zoning and the requirements of some professional orders, like having a commercial entrance that is separate from the home.

Renting commercial space

This is a fairly common choice, although it depends on the specifics set out in the commercial lease. Generally, in addition to the base rent, commercial tenants must pay a share of the building's maintenance costs and municipal and school taxes, as well as the fees for publishing the lease in the land register. You may also need to put money aside to make improvements to the leased property, especially if you operate a franchise. And if you leave the building, any necessary repairs could be expensive. Leases tend to be long term, which increases the risk to you as the business owner, especially if you ever have trouble making payments.

Another option: Buy your own place

Buying a condo for commercial use is a growing trend. More and more real estate projects are combining residential and commercial spaces. What is driving this trend? It's a choice that offers significant advantages over renting, since the business owner owns the condo space, and any improvements they make to it are theirs to keep. The legal rules for condominiums are the same for residential and commercial uses, and they provide for a condominium board to manage the common areas.

> "Nevertheless, you should carefully review the clauses in the condo declaration."

Weighing the pros and cons

Owners have greater responsibilities than renters because the cost of buying a property is usually higher than the cost of renting one. From a tax perspective, only the interest paid on the loan to purchase the property is deductible, meaning the amounts that go towards repaying the principal can't be claimed as an expense for tax purposes. Unless you pay for the purchase in cash, you'll need to negotiate a commercial loan. Finding an insurer can be difficult, as many insurance companies have withdrawn from the condo market. On the other hand, as the property owner, you can't get evicted and you can sell up at any time, whereas a tenant must commit to a set period. However, you must carefully review the clauses in the condo declaration and the building's bylaws.

In the end, deciding whether to rent or buy a space for your business is much the same as buying a home. Beyond the financial considerations, choosing a commercial space is often a matter of personal convictions. A wealth manager, supported by a team of professionals, can help you find the best solution for your situation and needs.

3 questions about compound returns

MICHEL DOUCET
Vice-President, Investment Strategist and Portfolio Manager

They're like a quiet accomplice, working behind the scenes to grow your assets.

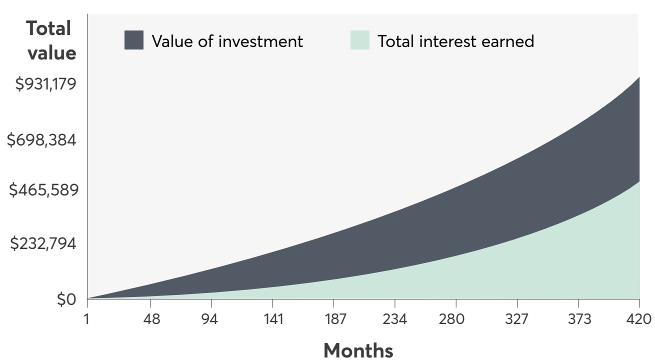
1. What are compound returns?

Simply put, compound returns are money earned not only on the initial investment, but also on the returns that have accumulated over time. In other words, you end up earning interest on your interest. Compound returns are a powerful tool that will help your wealth grow exponentially over the long term.

2. How does it work?

Let's say you invest $10,000 with a 4% compound annual return[1]. After 1 year, you'll collect a return of $400. You decide to reinvest your returns each year. After 2 years, your investment generates a return of $416, and after 3 years, it generates $432.64. That's a total of $1,248.64 in capital gains over just 3 years. Just imagine the returns you could earn over a longer investment horizon—especially if you continue to add to your investments.

Let's take another look at the example. This time, you're making an additional $10,000 investment every year. After 10 years, you'll have $134,863.51, including $24,863.51 in gains. After 35 years, the value of your investment will have grown to $775,983.14, including $415,983.14 in gains, as shown in the chart below.



Source: Ontario Securities Commission, https://www.getsmarteraboutmoney.ca/calculators/compound-interest-calculator/

[1] These examples are for information purposes only. The amounts shown are calculated once a year.

The impact of compound returns may seem modest in the short term. It's over the long term that they work their magic, transforming small amounts into substantial sums of money.

> "Compound returns work their magic over the long term."

3. Why should you consider compound returns when investing?

For starters, your discipline and patience will pay off. Starting early and regularly adding to your investments will allow you to maximize your gains. You're giving your money time to grow exponentially, even if there are setbacks along the way.

Additionally, because inflation is constantly eroding your purchasing power, compound returns are a reliable tool to help protect your wealth.

However, consider adopting a financial planning-based, comprehensive approach. A carefully designed financial plan considers compound returns as well as other important aspects of financial management, such as debt management, retirement planning, wealth protection and more.

In short, you can enjoy compound returns while staying focused on your long-term goals. Your wealth manager will be happy to guide you if things get a little tricky. They'll help you develop an investment strategy tailored to your situation and share their extensive expertise.

Loss of autonomy and residential care — carefully consider your options

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Someday, a health issue could force you—or a loved one—to consider moving to a new home that's better suited to your changing needs.

Ask the right questions

Can you afford in-home care? Is it time to downsize? Will you need to renovate so you can safely move around in your home? Is sharing your space with a caregiver an option? Is your loss of independence permanent? Do you have enough available capital, including the expected proceeds from the sale of your home, to afford the rent in the new place you hope to move to? Do you know what tax credits may be available to you? While most people like to stay in their own home for as long as possible, having a financial plan will help you make an informed decision.

More than purely financial considerations

Another important thing to consider are the local services you currently rely on and whether you'll be able to maintain most of your activities and social habits. Do you dream of returning to the place where you were born when you retire? Before you commit, you should spend some time there during different seasons, not just your usual vacation times. Even a permanent move to the cottage may be less enjoyable than you think. If you plan to move to another province or country, take the time to get an accurate picture of the legal, tax and financial implications of the change in jurisdiction.

Should you sell your assets to save money?

A lot of people believe that the rent you pay to live in a private seniors' residence or long-term care home (CHSLD) is calculated based on how much money you have. Even though this is a common misconception, nothing could be further from the truth!

The rent for a unit in a private seniors' residence is based on a variety of factors, including the unit's square footage and its location in the building, as well as the services you'll require: laundry, meals, housekeeping, care, etc.

The amount for a room in a CHSLD, called the «contribution», is the same for everyone. It only varies based on the number of beds in the room. However, if you think you are unable to pay the full amount, you may be able to get a reduction. When you request a reduction, all your sources of income and assets will be taken into account, even though certain exemptions apply. Are you thinking of signing your assets over to your children so you can qualify for a lower contribution amount? You should know that any gifts made up to 24 months before moving to a CHSLD must be reported when the application is made. This may not be a very practical strategy, and it would leave you without much money.

The decision to gift during your lifetime can be an interesting estate planning strategy—but it should only be considered when the gift won't jeopardize your financial security!

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