Focus newsletter

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New year, new resolutions!

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Happy 2025! On behalf of everyone at Desjardins Securities, I wish you the very best for the new year. May the coming months bring you success, prosperity and peace of mind.

The start of the year is the perfect time to reflect on your commitments and aspirations. Many of you will review your goals and set short- and long-term resolutions, often related to your health or finances. The key to perseverance and success lies partly in the guidance of a wealth management professional, along with the preparation of a well-structured action plan. After all, perseverance is the key to success.

A wealth management plan: Your road map to a prosperous future

When it comes to wealth management, resolutions can take many forms. You could decide to work less to care for an aging parent, start a small side business or develop a plan to pay for your child's studies abroad.

No matter what financial goals you have in mind, your wealth manager can help you make them happen. After reviewing your financial situation, they'll tailor the strategies in place for growing your assets and protecting your financial future. Specifically, they'll make sure your investment portfolio continues to be robust, high-performance and aligned with your values. Your wealth manager will help you make the most of what you have through careful planning and special consideration of tax implications, especially if you own a business. They'll also make sure your assets are adequately protected if you get sick, suffer property damage or become incapacitated.

And lastly, your wealth manager will help you make informed decisions about the legacy you want to leave behind for your heirs or your community.

A good financial plan needs to be reviewed periodically and updated as needed. Your wealth manager will take into account your current ambitions, as well as any needs and opportunities that arise, without losing sight of your long-term goals.

What are your resolutions for 2025?

Be sure to share them with your wealth manager. We'll be happy to help you achieve your goals.

50 billion thanks

Desjardins Securities has been helping our clients become financially empowered for more than 40 years, and our assets under management recently exceeded $50 billion. Reaching this milestone is a major achievement as it underscores our position as a leading securities brokerage firm in Canada. It's also a testament to your confidence in our 300 wealth managers and their teams.

Managing your assets is a privilege that we don't take for granted. That's why we remain committed to offering you outstanding expertise on how to build, protect and grow your wealth.

Is an individual pension plan right for you?

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Are you a major shareholder, senior executive or incorporated professional at a company in good financial health? Do you need an income tax deferral strategy that goes beyond RRSPs? If so, an individual pension plan (IPP) may be right for you.

What is an IPP?

An IPP is a registered defined benefit pension plan. It's a lot like the plans that midsize and large businesses offer, but it's set up for a single person. The IPP is funded by the company and provides a guaranteed lifetime pension at retirement age, in exchange for periodic contributions. The pension payable at retirement, not the amount you can contribute, is predetermined. That's a key difference with RRSPs. But the goal is the same: to maximize your retirement savings and defer taxes.

To collect your pension, you generally need to be at least 45 (but not over 71) and have accumulated enough eligible years of service. You need to have earned a high annual salary from an incorporated business.

What are the advantages of an IPP?

An IPP can make a lot of sense for you and your business. You can generally make higher tax-deductible contributions than with an RRSP. And you also have the chance to purchase additional years of service to account for time worked before the plan was created. Contribution amounts depend on the participant's age and salary. They are fully tax deductible for the employer and aren't considered a taxable benefit for the participant. It's also worth noting that IPP funds can't be seized by creditors.

> "An IPP can make a lot of sense for you and your business. "

Another advantage of IPPs is that they offer some protection from the negative effects of market fluctuations. That's because they're subject to an actuarial valuation every four years to make sure they are sufficiently funded. The administration and management fees can be charged to the company and are tax-deductible.

Make an informed decision

Keep in mind that since an IPP is a pension plan, the pension adjustment will be deducted from your available RRSP contribution room each year. So if you set one up, it will limit how much you can put into your RRSP or your spouse's. It also means that the company will have to pay you a salary instead of dividends. Therefore, the IPP needs to be large enough to guarantee a good retirement income and absorb the cost of establishing and administering the plan. Lastly, since IPPs are defined benefit plans, they're subject to legislative provisions and reporting requirements. Still, IPPs are a very attractive option offering great flexibility, especially with regard to how benefits are paid. With support from a tax specialist, your wealth manager can help you determine if an IPP would make sense for you and your company.

The Focus newsletter is going digital!

This is the last issue going to print. Starting in April 2025, the Focus newsletter will be available on your secure portal at dsia.ca.

Don't have access to the secure portal?
Talk to your wealth manager about how to get it set up. If you like, you can also choose to receive other documents, like portfolio statements and tax slips, via the portal. With tax season just around the corner, it's a great way to get your documents faster.

3 questions on the changing landscape of responsible investments

MICHEL DOUCET
Vice-President, Investment Strategist and Portfolio Manager

Responsible investment (RI) is a rapidly changing field—and one that holds a lot of promise.

1. What is Canada's responsible investment market like today?

Following a phase of rapid growth that started in 2010, the RI market has now reached maturity. Investor interest remains strong.[1] The sector's overall quality has improved and its market share has stabilized thanks to continuous improvements made to the related regulatory requirements. These changes have resulted in a more solid framework for long-term sustainable development.

2. Why do disclosure requirements matter?

Disclosure requirements are central to the principles of responsible investing. They play an essential role in increasing transparency and protecting investors.

The regulations surrounding RI have been changing rapidly over the past few years, with the disclosure requirements on environmental, social and governance (ESG) criteria becoming more stringent. As a result of the stricter rules, there may be greater emphasis on the quality of the approaches used rather than on new product development.

Responsible investments are of high interest to investors, and there are opportunities for growing this market. In particular, improved knowledge and better access to data could lead to faster and broader buy-in.

> "Responsible investments are of high interest to investors, and there are opportunities for growing this market."

By learning more about RI, you'll be able to take advantage of opportunities that make sense for you. Of course, you can always count on your wealth manager for support.

3. What are investors saying and doing?

Most investors act on their convictions. Some want to support companies that promote sustainable development. Others are more concerned about protecting the environment or ensuring that the economy grows in a way that's good for everyone.

Climate change is a top priority. Environmental concerns are becoming more diverse, with attention shifting to areas such as biodiversity.[2] In addition, most Canadians consider human rights issues to be very important.[3] This encompasses social issues such as equity, workers' rights and relations with Indigenous communities.

By choosing responsible investments, you support companies that drive change and stand out for their environmental and social practices. Of course, no company is perfect. But encouraging businesses across all sectors that are trying to improve their ESG practices is a way that investors can contribute to the transition to a sustainable economy.

[1] In the Responsible Investment Association's 2023 RIA Investor Opinion Survey, 65% of all respondents expressed interest in RI.

[2] In the 2022 RIA Investor Opinion Survey, 68% of respondents said they believe companies in their portfolios should be committed to preventing the loss of biodiversity.

[3] Desjardins, *Key Study on Responsible Finance*, 2023.

Optimize your investments to save on taxes

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Investors have a wide variety of investment products to choose from. This allows individuals to structure their portfolios strategically so that they can maximize their after-tax returns while staying true to their investor profiles.

Types of income

Canadian corporate dividends and capital gains are more tax-efficient than interest income or dividends from foreign corporations. More sophisticated products can include other sources, such as rental or business income allocated based on limited partnership units and returns of capital. In addition to being non-taxable, returns of capital will reduce the security's adjusted cost base. There are other products that even allow you to defer taxes until the investment is sold.

Tax-efficient accounts

Certain accounts—like RRSPs, TFSAs, FHSAs, RESPs and RDSPs—allow you to earn tax-free returns on your investments. In most cases, you're better off saving as much as possible in registered plans like these before investing in a non-registered plan. With registered plans, there's no need to differentiate between types of income, unless the plan has income from outside of Canada that is subject to foreign withholding tax. It's true that, for non-registered portfolios, some of this money can be recovered by claiming a foreign tax credit. But for registered accounts, withholding taxes on a distribution of foreign securities could result in a net loss.

Fee and interest deductibility

For non-registered accounts, interest on loans and portfolio management fees may be deductible. In Quebec, you can only deduct the investment income earned during the year. Any additional expenses can be carried back to the 3 previous years or carried forward to subsequent years.

> "A common strategy is to trigger capital losses to offset the impact of realized gains."

End-of-year tax strategies

A common strategy is to trigger capital losses to offset the impact of realized gains. However, you need to take into account the cost averaging rule and avoid creating a deemed zero loss. In a non-registered portfolio, holding the same security at 2 financial institutions means you have to keep track of its average cost. That's because you'll need it to determine the gain or loss when the security is sold. In these cases, the year-end tax slips from your financial institution don't represent the actual impact of the transaction. Plus, in order for a loss to be deductible, the same security or an identical one can't be held in a portfolio belonging to the investor or a person or entity affiliated with them (e.g., their spouse or a company that the investor controls) within 30 days before or after the transaction. Finally, the settlement date, not the transaction date, must fall within the calendar year. There are a lot of rules to take into account. Fortunately, your investment advisor understands them all. And that's why their advice is so valuable.

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