

Taking care of each other for healthy communities



MARJORIE MINET
Vice-President
Wealth Management Advisory Services

At Desjardins, we demonstrate community engagement all year round. And when it comes to charitable activities, kids and youth have always been at the centre of our priorities.

Every year since 2003, Desjardins Securities has enthusiastically supported the Montreal Canadiens Children's Foundation through a range of fundraising initiatives. The Foundation encourages physical activity and the adoption of healthy lifestyle habits among underprivileged youth from 4 to 17 years old.

This year, despite the pandemic, our investment advisors and many other employees managed to raise the generous sum of \$524,538 for the Foundation, bringing our total contribution to this cause over the past 18 years to \$8.2 million!

By taking care of our children, we have the ability to become influential agents of change in our communities.

On the topic of our children's future, I encourage you to read the article on how to get the most out of a registered education savings plan (RESP) by our financial planner and specialist Sophie Sylvain.

Broadening the focus to family, you may be interested in notary Lucie Lepage's article explaining protection mandates and wills.

If you're an entrepreneur, you want to keep your family's assets protected. In his article, business transfer specialist Alain Chevalier explains how to get your kids interested in taking over your business.

Finally, our investment strategist Michel Doucet offers his usual outlook on the economy and the stock markets.

I wish you and your family a warm, sunny and — most importantly — healthy summer!

Happy reading!

How to get your child interested in taking over your business



ALAIN CHEVALIER, MBA, F.PI., PCC
Senior Advisor and
Business Transfer Coach

Handing over the reins of your business to an adult child is anything but simple. Emotions can get the best of us, creating obstacles in the transition process.

Here are 5 tips to keep in mind to ensure your child is interested and able to successfully take over your business.

1. Communicate

Take the time to sit down with your potential successor and discuss your goals, emotions and expectations so you understand each other better.

2. Don't take anything for granted

Don't assume that your child is ready — or not ready — to take over. Give them the opportunity to demonstrate where they stand regarding the transition of the family business.

3. Give yourself time

Don't rush things. Just because you've started discussing the transition doesn't mean you have to finalize all your plans in a few weeks' time. Go step by step and invest time in transferring knowledge and skills. A key challenge will be establishing a realistic timeline with clearly defined milestones.

4. Manage expectations

Different generations bring different points of view to the table. Be receptive to new ideas and give your child the autonomy to prove themselves.

5. Transfer knowledge and authority

Share what you know while allowing your child to acquire their own knowledge, at their own pace. The hardest thing to transfer is authority over the business. Be prepared to hand over the keys one day!

Education: The best gift you can give



SOPHIE SYLVAIN, BBA, F.PI.
Senior Advisor
Business Strategy

Do you know what the real costs of post-secondary education add up to today? The answer varies significantly depending on the length of the chosen study program and whether or not your child or grandchild stays at home during this important stage in their education journey.

The website Allo Prof¹ gives an approximate estimate of the cost of university studies for a student who doesn't live with their parents. Taking into account items like tuition fees, textbooks, housing, food and internet bills, total annual expenses add up to around \$14,000.

At the end of 2019, the average RESP value amounted to \$14,520.

RESPs: The most popular education savings option

According to Statistics Canada², 66% of Quebec students have savings set aside for post-secondary studies, and 85% of these savings are invested in registered education savings plans (RESPs). At the end of 2019, the average RESP value amounted to \$14,520.

Getting the most out of your RESP

Here are some tips to help you maximize your tax-sheltered savings and take advantage of the generous government grants offered through the plan.

- As a general rule, in order for beneficiaries to get the maximum grants they're entitled to, a total contribution amount of \$36,000³ is required. However, it can also be advantageous to contribute more, up to the lifetime contribution limit of \$50,000 per beneficiary. You'll have the option to split your investment income with the beneficiary at withdrawal.
- Did you know that all withdrawal requests must be made by the subscriber? Once the beneficiary meets the eligibility criteria, if you are the subscriber, you'll be able to withdraw all the contributions made. You'll then have the choice of either retaining the money yourself or transferring all or part of it to the beneficiary.

- If you decide to retain the funds, there are several tax strategies to consider. For example, you could set up an RESP for a younger child and receive new grants, within the prescribed limits. Or you might choose to contribute to your RRSP, if you have unused contribution room. You'll even have the option to give this money to your child so they can put it in a TFSA and continue to accumulate tax-sheltered investment income.



Whether you're a parent, grandparent, godparent, aunt, uncle or other loved one who wants to support a child's future education, consider giving the gift of an RESP.

Speak to your investment advisor if you have any questions regarding RESPs.

1 ALLOPROF. *Les coûts des études*, [Online], April 2021. [<https://www.alloprof.qc.ca/fr/eleves/bv/education-financiere/les-couts-des-etudes-h1817>].

2 STATISTICS CANADA. *Saving for postsecondary education*, [Online], September 2020. <https://www150.statcan.gc.ca/n1/pub/11-627-m/11-627-m2020059-eng.htm>.

3 The lifetime limit that a Quebec resident can receive from government grants is \$10,800: \$7,200 from the Canada Education Savings Grant (CESG) and \$3,600 from the Québec Education Savings Incentive (QESI). (\$36,000 x 20% = \$7,200) (\$36,000 x 10% = \$3,600)

Protect your family with a protection mandate and will



LUCIE LEPAGE, Notary, LLB, DDN
Trust Manager

With just a few simple steps, you can help protect your loved ones in a big way. Before you start putting together the legal paperwork, it's important to sit down with your family and discuss your wishes regarding funeral arrangements. Very often, this information is recorded in the will and stored under lock and key, and the chances that your loved ones know your intentions are slim. To help you along, here is some useful information about the protection mandate and will.

The protection mandate

By preparing a protection mandate, you're protecting your family and yourself. Without this personalized document, if you become incapacitated, the court will have the power to designate a tutor or curator.

With a protection mandate, you choose both a mandatary for the protection of your person (who will look after your well-being and health) and a mandatary for the administration of your property (who will manage your property). You can also designate one person to fill both roles. Your mandatary(ies) will be strictly bound by the provisions stipulated in your mandate.

Besides provisions regarding yourself, you can also set out stipulations regarding persons in your care. For example, there's nothing preventing you from specifying the following in your protection mandate:

- Instructions on using your assets to provide for family members. Otherwise, among other things, the mandatary would not be permitted to continue paying for an adult child's housing during their post-secondary studies, since the law doesn't allow them to "give away" the mandator's assets.
- The mandatary's powers to use RESP assets for an adult child's post-secondary education, in addition to the associated income. Otherwise, only the grant portion would be available to the child.
- A designated tutor for a minor child, when the other parent has predeceased the mandator.
- An advance healthcare directive, also known as a living will, to lift the decision-making burden off your mandatary.



The will

First and foremost, you need to carefully choose your liquidator. This designation is an expression of trust, not a reward, and your decision should be based on the person's abilities, not their position in the family. Here are some of the provisions you should consider including in your will:

- A specific provision stating that a child who is a beneficiary of an RESP is entitled to access the plan's assets.
- Instructions on designating a tutor for a minor child.
- Instructions to set up a trust for children rather than leaving them with full ownership. This is generally a wise choice because it guarantees that the money is distributed equally — if not always equitably — among the family members.
- The creation of a lifetime benefit trust, allowing the tax rollover of registered retirement savings via the purchase of an annuity payable to the trust patrimony for the benefit of a disabled child.

Talk to your loved ones

Preparing the legal paperwork to protect your loved ones requires a lot of reflection and some frank conversations. It's up to you to take the first step.



ECONOMIC AND MARKET TRENDS

The Roaring Twenties all over again?



MICHEL DOUCET
Vice-President and Portfolio Manager
Full-Service Brokerage

Global economic outlooks have improved considerably since the beginning of the year as nations continued rolling out vaccines, additional fiscal stimulus measures were announced in several countries and the big central banks maintained a supportive monetary stance.

In North America, the recovery gained strength in the first quarter and monthly growth indicators point to a dynamic second quarter as well.

Excess household savings — estimated to be around \$2 trillion in the United States and \$175 billion in Canada — are set to turbocharge consumer spending and generate a flurry of economic activity.

A look at annual growth

Desjardins Group now projects annual GDP growth of 7% in the United States and 6.3% in Canada (6.5% in Quebec). At this pace of growth, North America will continue to stand out from the rest of the developed nations. The first half of the year is expected to be particularly robust with growth rates as high as 9% in the United States and 6% in Canada. Excess household savings — estimated to be around \$2 trillion in the United States and \$175 billion in Canada — are set to turbocharge consumer spending and generate a flurry of economic activity.

The Bank of Canada anticipates that Canadians will spend the savings they accumulated during the pandemic on paying down debt, buying a home or investing rather than splurging on consumer goods and services. However, we believe that there will probably be a burst of enthusiasm when life finally returns to normal, which has the potential to boost consumer spending over the next year.

What to expect in the markets

Anticipation of a stronger-than-expected recovery can be seen on the financial and commodities markets. At the same time, yields on long-term government bonds and oil prices have returned to pre-pandemic levels. With the global economy poised for a strong recovery supported by promises of government stimulus and robust consumer spending, our scenario of a return to the Roaring Twenties in 2021 looks increasingly accurate, even though the idea may have seemed bold when we first articulated it at the beginning of the year.

The realignment of the financial markets will occur as a consequence of the improved financial outlooks. In stock markets, this will be seen in a shift to value investing and cyclical sectors. Over the next 12 months, cyclical sectors will continue to outshine their non-cyclical counterparts. Banks, which are less exposed to loan default risk during periods of growth and which benefit from higher financing rates, are also well positioned to take advantage of a dynamic recovery.

The arrival of summer is a great time to set up a virtual meeting with your investment advisor and discuss the issues that are important to you.



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