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We're here for you and ready to help

MARJORIE MINET
Vice-President
Wealth Management Advisory Services

As we embark on a new year, we mustn't ease up on our resilience, that ability we have to overcome hardship. Resilience is what helps us as individuals and as a community look to the future and be confident that things will soon get back to normal after the long pandemic.

While the holidays in 2020 were different from other years in so many ways, I hope you had a chance to rest, recharge and enjoy the season.

We've all learned that when we can't get together with our loved ones and the people we rely on for support, staying in touch with those who matter the most is the key to keeping our focus and finding the comfort we crave.

That's why we want to remind you that we are here for you and your family. You can count on us and our team of experts. The new normal has changed how things work at Desjardins Securities and just like you, we've adapted. Our team is stronger and more motivated than ever, and we're ready to listen to your needs. The personalized support we bring to the table is sure to far exceed your expectations.

We're enthusiastic, committed and proud to be of service. Our goals are to provide guidance and simplify your financial life, whatever the challenge. With this in mind, I invite you to read the articles in this edition of Focus. First, you'll find a report on the economy and the stock markets from Michel Doucet, our top financial markets expert.

Also, Martin Bray, our wealth management expert, chimes in with a reminder about the importance of keeping your financial plan on track. His observations and recommendations might be just what you need to hear at the start of a new year.

Because January is the perfect time to take stock and make resolutions, don't miss what Dominique Renaud, chartered accountant with Desjardins Wealth Management, has to say. To kick off the new year, he's come up with a list of winning taxation strategies for businesses and individuals.

I think we can all agree it's time to turn the page on 2020 and look to the future. At Desjardins Securities, our vision is clear. It's a vision we share with every one of our investment specialists and advisors: **We're always here for you and ready to help, no matter the circumstances.**

In closing, I'd like to send best wishes to you and your loved ones for good health and renewed peace of mind as the recovery continues in 2021.

Farewell, 2020. Hello, 2021!

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

What a year! In 2020 individuals, businesses and the economy as a whole experienced tremendous upheaval. The pandemic led the government to intervene like never before, quickly turned daily life upside down and made us realize the importance of technology. In the wake of an almost unprecedented downturn in the second quarter, economic activity bounced back just as remarkably between July and September when many parts of the world had emerged from lockdown.

In the United States, GDP leapt 33.1% in the third quarter. In Canada, preliminary estimates suggest an increase of around 40%. Why the difference? There are a number of possible explanations, including the impact of the first wave of the pandemic on the Canadian economy, the job market and the natural resources sector. There's also the more substantial and speedier response from governments in Canada through budgetary and monetary mechanisms. According to the Bank of Canada, in the recovery phase the Canadian economy made up about two-thirds of the downturn recorded for the first six months of 2020. Canada's labour market has recovered some 80% of jobs lost (85% in Quebec). Desjardins Group is predicting a 4.5% increase in Canada's GDP for 2021.

The new year will see a new resident in the White House and will mostly likely herald the rollout of a COVID-19 vaccine or treatment. In Washington, Democrats and Republicans will have to work together to unite the strengths of a divided electorate and give people a reason to be confident about the future. A more stable, normal and predictable environment could even encourage businesses to roll up their sleeves and restore the country's greatness and global influence. Between 2000 and 2020, the U.S. slipped from the top of the leaderboard for research and development as a percentage of GDP to eighth place. Desjardins Group is predicting a 3.6% increase in GDP in the United States for 2021.

While we cannot choose the world we live in, we certainly have the power to drive the change we want to see. The pandemic has highlighted our ability to adapt and reinvent ourselves. Government interventionism in 2021 and possibly into 2022 will continue to support the recovery and bolster the confidence of households, businesses and investors. North American households account for almost two-thirds of GDP, and with more money in their pockets they have the power to generate an uptick in economic indicators. Changes in spending patterns will be something to watch. In 2020 households spent more on essential, semidurable and durable goods than on non-essential services (eating out, travel, leisure, culture and transportation). How will household spending change after the pandemic? While the health crisis has been a driving force for certain trends, such as online shopping and telework, Zoom and Teams cannot get people travelling again. But there is every reason to believe that a combination of vaccines and effective treatments will eventually restore normality in a variety of industries, including tourism, entertainment and aviation.

It's full steam ahead on Wall Street! Shored up by a recovering economy, government stimuli and a win in the war against the pandemic, stock markets will continue their upward trend in 2021. What happens to interest rates will depend partly on the recovery, on inflation and eventually on public finances. But an army of central bankers imposing a ceiling on the cost of money could have an even bigger effect. Volatility will also be part of the equation, as it is in each investment cycle.

As long as your financial resources are stable, it's best to keep your investment strategy on track. A well-diversified portfolio is designed to meet your long-term goals. With Desjardins Securities, you have access to a team of dedicated professionals who use their time and expertise to tailor wealth management to your personal circumstances and investment goals and to market performance. If you have questions or concerns about what's happening now, get in touch with your investment advisor.

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Keep your financial plan on track

MARTIN BRAY
Vice-President, Wealth Management
Strategic Development

We finally made it to 2021, and it feels great to be optimistic about the future! It's important to kick off this next phase on a positive note, keeping in mind everything the struggles of the last year have taught us about ourselves and our fellow human beings, both as individuals and as a community.

This is an excellent time to take stock of the lessons we can learn from what happened in 2020. Here's the key takeaway: We need to have and maintain a personalized, long-term financial plan.

Whenever we see a threat, our initial reflex is to take shelter so we feel safe and protected until the danger passes. However, time and time again history has shown that human beings have a knack for adapting in the face of adversity. We make adjustments that often lead to innovations. And these in turn become new business opportunities and options that did not exist before.

That's why during a crisis, investors and finance specialists always seek to identify the consequences and potential opportunities, rather than taking shelter from the storm. For example, we look at how low interest rates will affect economic recovery, company valuations and the merit of switching to alternative types of investments. In the aftermath, we identify the most promising sectors and consider whether we'll still shop local and work from home, still spend as much time in the great outdoors and still depend heavily on technology. We try to predict where governments will focus their efforts to get the economy back on its feet. But we never lose sight of the fact that these are not just opportunities and ways to make money. When we invest in businesses, we're protecting jobs that families depend on.

Every crisis reminds us that the economy, businesses, work, other people and our own happiness are all connected! The trust we have in our fellow human beings is a fine example of that ability to adapt to the situation at hand. Furthermore, now is a great time to re-examine our personal and financial goals, also to appreciate the importance of family, good friends, work and a happy home. All of these things are at the very core of our life plan, and are how we determine financial needs.

The key to a financial plan that is successful in the long term is to stay focused on our goals. How do we do that? We mustn't try to avoid the crisis at any cost. Rather, we must look beyond it so we can better identify the changes it will usher in. As we cross the finish line, what matters is the result and not how we got there or what we noticed along the way. This type of exercise is never easy, but it can quickly help us develop the discipline we need to be successful. Your advisor is there to help you weather the storm and remind you not to lose sight of your long-term goals. And if your plan needs tweaking, they'll do what needs to be done.

Maybe the struggles of 2020 are the key to a brighter future!

The importance of new-year tax planning

DOMINIQUE RENAUD
Senior Tax Advisor and Coach
and Chartered Professional Accountant

At the end of the year, it's always disheartening to hear things like "If you had done such and such a transaction this year, your taxes would have been lower. But it's too late now."

Don't let that happen in 2021! Assess your situation early in the year and identify things you can do in the months ahead to shrink your tax bill.

Employed or retired?

Whether you're employed or retired, these three tax strategies could be to your advantage in 2021.

- Stay true to your investor profile but think about prioritizing tax-efficient investments that generate dividend income or a capital gain, such as growth securities, and scaling back on those that pay interest.
- If you have a high income that includes, among other things, significant revenue from investments and if your spouse's income is lower, consider giving them a loan at the prescribed rate, currently 1%. You'll be taxed on income of 1% and your spouse will be taxed on the difference between the income they receive through the loan and the interest paid to you (1%).
- If you'll be 65 to 71 years old in 2021 and you're planning to take money out of your RRSP to maintain your lifestyle, first convert your RRSP to an RRIF. Unlike RRSP withdrawals, taking money out of an RRIF entitles you to a tax credit for pension income and to pension income splitting with your spouse.

Self-employed?

Whether or not your business is incorporated, you should consider the following in your new-year financial planning.

- If you run a business that is not a corporation or if you own rental property and have personal debt with non-deductible interest, you can use a technique called cash damming. Cash damming lets you gradually convert your personal debt into new debt to cover your business or rental property expenses. Because interest on the new debt is deductible, you'll lower your tax bill.
- If you or your company pay salaries in 2021, keep in mind that as at the time of writing, the Canada Emergency Wage Subsidy is expected to remain in place until June 2021. As long as you meet the eligibility criteria for the program, you could be refunded a significant portion of your wage payments.

Contact your advisor to learn more. That conversation could turn out to be one of the best investments you'll make in 2021.

Desjardins Wealth Management Securities

Head Office
1170 Peel Street, Suite 300
Montreal QC H3B 0A9