Autumn 2026

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NEWSLETTER

Desjardins
Wealth Management
Securities

Financial planning: A process that grows with you

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Financial planning is an ongoing cycle, not a one-time exercise. You never truly reach a point where it can be considered complete. Although regular reviews and updates are the final step in the process, they also mark the starting point for the next cycle.

Life is full of twists and turns, and personal circumstances can change over time. That's why it's important to review your financial plan regularly and make sure it reflects the needs of you and your family. Without regular updates, sticking to yesterday's plan may no longer support tomorrow's goals.

The silent transitions that can affect your financial balance

Contrary to popular belief, it's not just major life events, such as getting married, starting a family or receiving an inheritance, that can affect a financial plan.

Many life changes fly under the radar because they occur gradually or aren't immediately recognized as having financial implications.

Here are a few examples:

Family changes

- **Providing support for an aging parent,** which may lead to unexpected expenses, a reallocation of financial resources and additional cashflow pressures
- **Remarriage or the formation of a blended family,** which can add complexity to estate planning and beneficiary designations

Health-related events

- **A non-critical but prolonged health condition,** which may reduce income, increase expenses and require lifestyle adjustments
- **A gradual loss of independence,** which can result in significant care costs and require long-term planning

New priorities

- **Changes in work arrangements (semi-retirement, a leave of absence or a career change),** which may affect liquidity needs and investment time horizons
- **Greater philanthropic involvement,** which may create a need to structure charitable giving to minimize taxes and maximize impact

Economic environment

- **Rising inflation or higher interest rates,** which can erode purchasing power and create additional cash flow pressure
- **Prolonged market volatility,** which can lead to decision fatigue and emotionally driven investment decisions

These situations highlight why it's important to get advice from a professional who truly listens to your needs. With in-depth knowledge of your personal history and family dynamics, they can help identify factors that could gradually affect your financial security or wealth accumulation. Your wealth manager and financial plan serve as valuable guides, and as an antidote to uncertainty.

These final months of 2026 are an ideal time to review your financial plan and make any necessary adjustments. More specifically, they provide an opportunity to:

- **Optimize** your tax planning and take advantage of any available strategies before year-end
- **Make sure** your investments are aligned with your objectives, taking into account changes in the markets and your personal situation
- **Confirm** that you have sufficient liquidity to meet your short- and medium-term needs
- **Start** the new year with a clear strategy

Taking the time to assess your progress and prepare for future decisions is key to keeping your financial plan on track. Be sure to reach out to your wealth manager for assistance.

In this issue:

On November 18 at 7 p.m., we're giving a presentation on how to get the conversation started about estate planning. The event will be held in French only, under the title: **La succession sans tabou : en parler, c'est se préparer.** Our professionals will discuss the key aspects of estate planning, including real estate transfers, tax implications and best practices for ensuring your assets are distributed according to your wishes.

Join us to learn how to prepare for the future with confidence and gain peace of mind.

Interested in learning more? Let your wealth manager know and they'll send you an invitation.

Are you the same investor you were five years ago?

BY ANGELA IERMIERI,
Senior Business Strategy Advisor

Before building an investment portfolio, you need to establish your investor profile. By assessing your financial situation, goals, investment time horizon and risk tolerance, your wealth manager can recommend a personalized approach aligned with your needs.

This exercise is crucial, but the results shouldn't be considered set in stone. Over time, your plans may evolve, your investment time horizon may become shorter and you may gain experience that helps you better understand how you react to changing market conditions.

Your investment strategy should reflect who you are today, not who you were in the past.

Changing goals

The first question to ask isn't necessarily **"What is my risk tolerance?"** but rather, **"What will this money be used for?"**.

For some people, it's about preparing for a comfortable retirement. For others, it can be saving for a home, selling a business, supporting their children or leaving something behind for their heirs. Naturally, these priorities can change over time.

That's why your strategy should evolve as well. The approach for someone who wants to grow their wealth isn't the same as for someone who is starting to draw income from their portfolio. Financial planning should always start with defining your goals.

Decisions based on your financial situation

As time passes, your income and assets may grow while your debts decrease—but the opposite can also occur. You may also experience circumstances that increase your need for liquidity. Changes like these can directly impact your ability to take on financial risk.

It's also important to distinguish between your risk tolerance and your financial capacity to absorb the consequences of risk. You might be comfortable with market fluctuations but lack the financial cushion to withstand short-term losses. Conversely, some people have a strong financial foundation but feel more comfortable taking a conservative investment approach.

A sound investment strategy should reflect both your goals and your capacity to achieve them.

The real test: your reactions

When markets are rising, it's easy to feel comfortable taking on risk. But during periods of volatility or market declines, the possibility of losing money can suddenly feel much more real, and even seasoned investors may become uneasy.

Research in behavioural finance shows that people tend to feel the impact of a loss more intensely than the satisfaction of an equivalent gain. This reaction is normal and reflects a well-documented aspect of human behaviour.

It's often during these periods that an investor's true risk tolerance becomes apparent. A well-designed investment strategy will allow you to contend with market volatility without experiencing emotional distress.

Ultimately, the best portfolio isn't necessarily the one that aims for the highest returns. It's the one that strikes the right balance between expected returns, the level of risk you're willing to accept and the liquidity you need to achieve the things that matter most to you.

An exercise to be repeated regularly

Your investor profile isn't static. It evolves as your life, goals and experience change.

It's important to meet with your wealth manager to review your investor profile regularly, or whenever your personal, professional or financial situation changes. Your discussion should focus on your assets, risk tolerance and priorities.

Regularly revisiting your investor profile helps ensure that your investment strategy remains aligned with your circumstances and ambitions.

Reviewing your insurance: A winning strategy for business owners approaching retirement

BY MARC-ANDRÉ FOURNIER

Senior Advisor and Financial Planning CoachFive to 10 years before stepping away from their business, many entrepreneurs begin planning for the next chapter. Will they sell the business or transfer it to a family member, partner or employee? Will they gradually step back or continue working on pet projects? One thing is certain: their financial and estate needs will continue to evolve.

Needs change over time, whether it's because your commercial loan has been paid off, your children have become financially independent or your business has grown significantly. As a result, insurance coverage that once met your needs may no longer align with today's reality and your current goals.

Align your insurance coverage with your business's reality

A review of your insurance portfolio should take several factors into account, including the features, owners and beneficiaries of current policies, the needs they are intended to address and the related tax implications.

The analysis should be based on your current situation, not the circumstances that existed when the policies were purchased.

For example, insurance purchased to secure a commercial loan may become less relevant once the debt has been repaid. Conversely, other insurance needs may increase as you start planning for retirement, other changes in your personal circumstances or the sale of the business. You may need access to liquidity to finance a share buyback, meet significant tax obligations or facilitate the efficient transfer of your assets.

That's why it's important to review your insurance coverage with a professional. With the right guidance, this review can help protect the wealth you've built, optimize your estate planning and support your retirement goals.

Is your insurance portfolio still aligned with your goals?

As retirement approaches, your priorities may shift. Concerns related to business growth and financing often give way to considerations such as wealth transfer, business succession, estate planning and the financial security of loved ones.

At this stage, an in-depth review of your insurance portfolio is essential. Beyond confirming that your coverage is adequate, the review should ensure it continues to support your retirement and business transfer goals. Life insurance can be a key component of this planning process.

Several questions should be considered:

- ✓ Are the policies owned by the appropriate individuals or entities?
- ✓ Will there be enough liquidity at death to pay estate tax liabilities while preserving the value of the estate and the business?
- ✓ Is there a mechanism in place to provide the liquidity required for a share buyback or business transfer following a significant health-related event?
- ✓ Will your spouse and heirs have the financial protection they need?

An opportunity to take stock of the situation

Retirement planning is an opportune time to review your insurance needs with your wealth manager. At this stage, the focus shifts from meeting short- or medium-term needs to ensuring that your strategies continue to support your retirement plans, business succession objectives and family wealth preservation goals.

Year-end tax planning

JOANIE LUSIGNAN, CPA, M. FISC.
Senior Tax Advisor

Your financial plan is your roadmap, a guide developed by your wealth manager to help you achieve your goals. But while the plan may follow a clear direction, life rarely unfolds in a straight line.

That's why it's important to periodically stop and make sure you're still on track. As the year draws to a close, take a moment to take stock of your situation.

Significant capital gains

If your savings capacity exceeds the contribution limits of your registered plans, your annual investment income is taxable. While interest and dividend income is paid on a regular basis, capital gains are different because the increase in value may remain unrealized for many years.

If you realized significant capital gains this year, you may wish to discuss with your wealth manager whether it would be beneficial to sell investments that have declined in value and realize capital losses to offset those gains.

This tax strategy can be simple and effective, **but it is not without risks.**

The decision to sell a security should be based first and foremost on your investment strategy. Tax considerations are secondary, especially when capital losses are involved. Repurchasing the same security too soon, either directly or through an *affiliated person*, may result in it being considered a superficial loss[1] which can't be deducted.

In addition, if the stock price increases substantially during the 30-day period after you sell the security, you could lose more than just a tax benefit.

Significant capital losses

Allowable capital losses, which are equal to 50% of realized capital losses, can be used only to offset taxable capital gains, which are equal to 50% of realized capital gains. If your allowable capital losses exceed your taxable capital gains, the unused amount can be applied against taxable capital gains realized in any of the three previous years or carried forward indefinitely for use in a future year.

This explains why investors are rarely eager to realize a capital gain simply to offset a capital loss. However, capital loss carryforwards do not affect tax credits or other income-tested benefits.

For example, Old Age Security (OAS) pension are reduced when net income exceeds $95,323 (2026). However, a net capital loss carryforward reduces your taxable income. Only a capital loss claimed in the year it is realized affects net income.

As a result, it may be advantageous to realize a capital gain to make use of a capital loss realized earlier in the year. **The financial risk is lower than when realizing capital losses, as there is no restriction on repurchasing the security as early as the next day.** The security would be repurchased at a higher price, thereby reducing the capital gain that will eventually be realized.

One consideration among many

Capital gains management is often discussed at year-end. However, your conversations with your wealth manager should not be limited to this aspect alone, as it is only one of many factors to consider.

1. *Superficial loss* rules apply in a wide range of situations. That's why it's important to consult your wealth manager before selling a security for tax reasons.

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