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FOCUS
NEWSLETTER

Desjardins
Wealth Management
Securities

# Wealth grows where discipline leads

**BY DAVID LEMIEUX**
Vice-President and General Manager, Desjardins Securities

**Ever made a decision driven by fear or excitement? Or a major purchase without doing much research? You're not alone. Emotions and mental shortcuts often play a powerful role in how we make decisions. They're what experts call cognitive and emotional biases.**

These biases affect everyone, as they are typically unconscious and shaped over time by our upbringing and environment.

Even so, emotional and impulsive decisions can lead to serious consequences, particularly in financial matters. Big wealth management plans—like investing a substantial sum in the stock market or planning the transfer of your wealth to future generations—deserve thoughtful, well-informed decisions.

## The role of bias in wealth management

Current and life events can trigger strong emotional reactions that significantly influence how you manage your finances. Even positive emotions can reinforce certain cognitive biases.

Some of the most common biases include:

**Loss aversion bias** This bias leads investors to focus more on avoiding losses than pursuing equivalent gains. Examples include:

- Selling shares prematurely—despite strong company fundamentals—just to avoid the discomfort of a potential loss
- Holding onto an investment you no longer believe in simply to avoid the feeling that you wasted the funds already committed
- Choosing lower-yield, "safer" investments over potentially higher-return alternatives that are a little riskier.

**Confirmation bias** This bias leads people to favour information that aligns with their beliefs and ignore anything that challenges them. Examples include:

- Giving disproportionate weight to analyses that support their point of view, while downplaying evidence that contradicts it
- Falling into an echo chamber by relying on a narrow range of sources that all share the same perspective.

**Status quo bias** This bias leads people to maintain their current state of affairs and avoid decisions that might lead to change. Examples include:

- Failing to update a will after major life events (such as a birth, separation or death), which can mean their wishes aren't carried out after death
- Delaying the succession planning for a family business to avoid difficult conversations, which could put the business itself at risk and increase the likelihood of conflict among heirs

## Stay ahead of the pitfalls with your wealth manager

As Jonatan Mårtensson wisely put it, **"feelings are much like waves, we can't stop them from coming but we can choose which one to surf."** Think of your wealth manager as a guide that can help you ride the *right* waves.

They remain focused on your wealth management strategy, relying on objective metrics and data-driven decisions. This makes them a valuable partner in helping you manage emotional reactions and cognitive biases. They can also work with legal and tax experts to provide you with comprehensive support that's designed to maximize your potential for lasting results.

This newsletter dives into the human and emotional dimensions of business succession, investing and preparing for life after you retire.

We hope you find the articles insightful!

## In this issue:

RETIREMENT

### Retirement planning: Dispelling the myths for a smoother transition

Stepping into retirement often stirs a complex mix of emotions. That's why the path to a smooth transition begins with careful planning and meaningful support.

**Read Vincent Sigouin-Marquis' article**

INVESTMENT

### Mastering the rhythm of volatility

Volatility is the market's heartbeat—expressing its hopes, fears and sudden impulses in real time. Volatility shouldn't be a source of anxiety. You can learn to understand it, adapt to it and even leverage it to your advantage. Learn to transform uncertainty into opportunity!

**Read Michel Doucet's article**

BUSINESS OWNERS

### Passing the torch: The emotional weight of business succession

Handing over your business is like closing a chapter you wrote with heart, grit and countless sacrifices. It's more than a transaction—it's passing on your vision, sense of purpose and the story that shaped it all. Here's how you can navigate this life-changing transition with clarity, confidence and peace of mind.

**Read Guillaume Lalonde's article**

# Retirement planning: Dispelling the myths for a smoother transition

**BY VINCENT SIGOUIN-MARQUIS, M. FISC., PL. FIN.,**
Financial Planning Senior Advisor

As you step away from professional life, it's only natural to have questions about what comes next. Retirement is also a time when our cognitive biases can cloud our judgment and undermine our ability to make well-informed financial decisions.

Have you ever found yourself avoiding a big decision you knew had to be made? You're not alone—many people experience similar emotions as they prepare for retirement. Such behaviour is linked to omission bias, where individuals opt to do nothing or postpone action, even when doing so may lead to negative outcomes. This helps explain why about 50% of Canadians don't have a will,[1] despite strong recommendations and the serious consequences of not having one.

## Understanding the phases

The path begins with the anticipation phase, a period that begins as retirement approaches. Next comes the decision to retire, which is often made when you feel emotionally ready and financially secure. The day of retirement can be a deeply emotional one, serving as a symbolic turning point that helps us move forward. This usually brings a sense of euphoria—much like the excitement of a vacation—until we gradually settle into a new rhythm as we redefine our daily routines. This experience is common, but tends to be more difficult for individuals whose sense of self is deeply rooted in their work, or who are navigating multiple life changes at once.

## Debunking two common myths

Certain preconceptions remain surprisingly widespread. Here are two examples:

### 1 Your cost of living goes down after retirement.

While some expenses decrease, new or growing costs can take their place. Expenses such as recreation, support for children or grandchildren, healthcare, home care and separate housing for a spouse needing long-term care can significantly impact your retirement budget. The key is to recognize that while some expenses may decline, others will emerge. This will help you plan your budget accordingly.

### 2 Retirement portfolios should favour a conservative approach.

While exercising caution is important when regular income ceases, a portfolio that's too conservative may not provide the growth needed to make your savings last. Conservative retirement portfolios made sense decades ago when retirement used to be a much briefer phase of life. Today, the average Canadian can expect to live 25 years or more after retiring. That's why striking the right balance between security and growth potential is so important.

A solid retirement plan should provide enough income for a comfortable lifestyle while also growing your savings to keep pace with inflation and cushion against market volatility. While finding this balance can be complex, your wealth manager has the expertise to guide you every step of the way. As you navigate this important chapter, what once felt uncertain will become a well-defined path forward.

> "TODAY, THE AVERAGE CANADIAN CAN EXPECT TO LIVE 25 YEARS OR MORE AFTER RETIRING.

1. [Canadians and their Money: Key Findings from the 2019 Canadian Financial Capability Survey – Canada.ca]

# Mastering the rhythm of volatility

**BY MICHEL DOUCET**
Vice-President, Investment Strategist and Portfolio Manager

*Volatility is a part of the journey—it's wiser to manage it than to avoid it.*

## A natural force driving the markets

Volatility is frequently misunderstood as something to fear when it's actually a natural part of how the financial markets work. It's influenced by economic and political developments, corporate earnings and investor sentiment. For instance, fears of a recession or euphoria over emerging technologies can trigger sharp and unpredictable market swings. To track these kinds of turbulence, investors often turn to the Volatility Index (VIX)—a popular index that measures expected volatility in the S&P 500 over the next 30 days. It serves as a widely recognized global benchmark for gauging overall market sentiment. Measuring volatility won't tell you what's coming, but it can offer valuable insight to help you prepare for it.


## The more you understand volatility, the less there is to fear

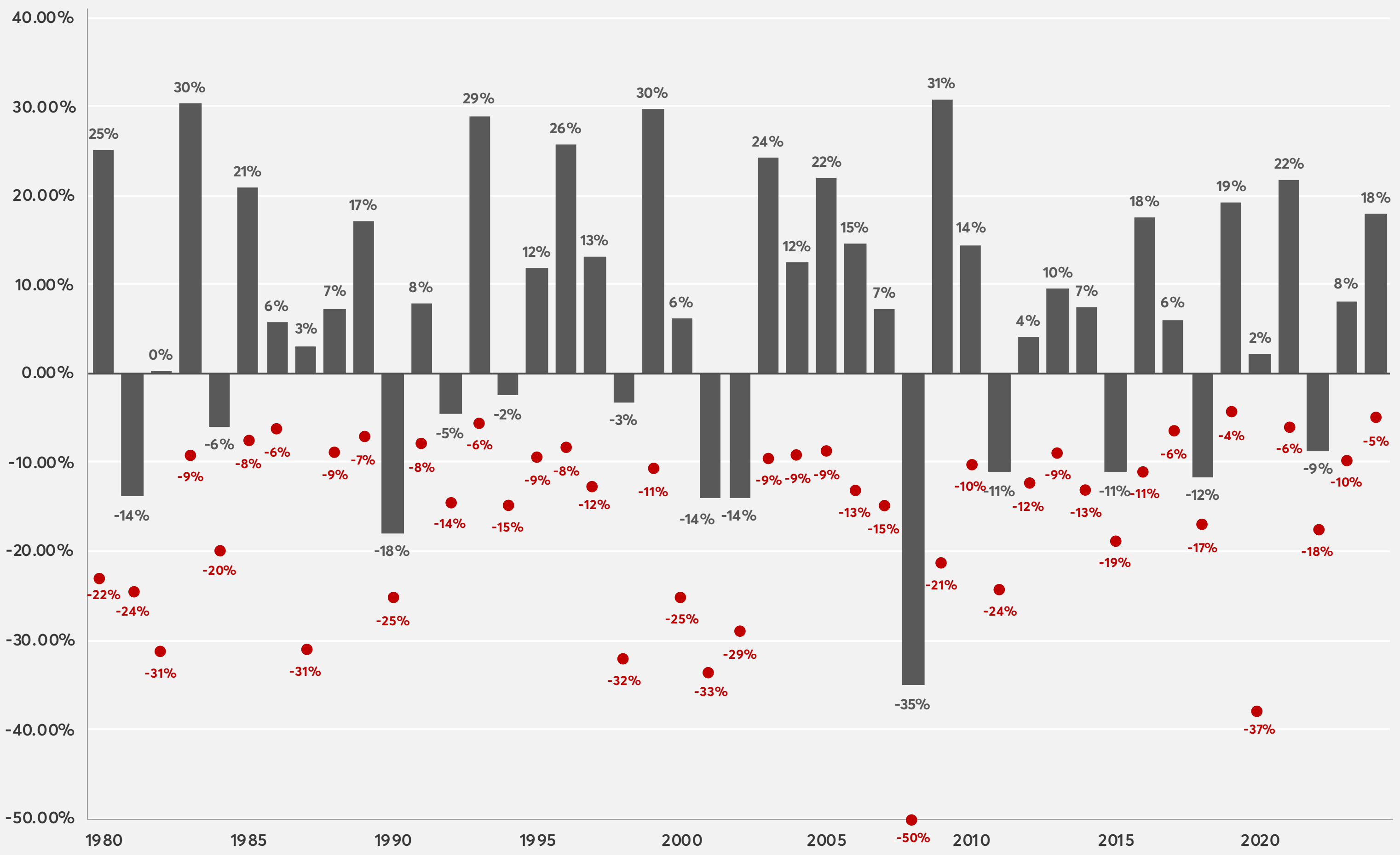
Instead of fearing volatility, why not make it work for you? Let's rewind a bit and look at some data from the past. Since 1980, the S&P 500—the benchmark stock market index in the US—has experienced an average intra-year decline of 14.1%. Yet, despite these downturns, it ended in positive territory in 34 out of the past 45 years.[1] The Canadian market, as represented by the S&P/TSX Index, has shown similar patterns, posting positive annual returns in 32 of the past 45 years (see graph below).

These figures highlight that short-term market volatility doesn't necessarily lead to long-term losses, especially for investors who stay the course.

Understanding that volatility is part of the investment landscape, we can think of market turbulence as a strategic opportunity to strengthen and rebalance our portfolios. Savvy investors view market volatility not as a threat, but as an invitation to uncover new opportunities. The key lies in mastering your emotions, following a clear strategy and having the patience to let time do its work.

### TSX intra-year drawdowns vs. annual returns

**Even with average intra-year declines of 16.1%, the TSX posted positive annual returns in 32 of the past 45 years.**




Source: Desjardins Wealth Management

## Holding steady through the storm

It's not just about understanding volatility—it's about responding wisely. Adapting your behaviour often means resisting impulsive decisions, staying committed to your financial plan and remembering that emotions make poor investment advisors. A wealth manager can help you maintain perspective, stay aligned with your long-term goals and avoid letting emotions drive your financial decisions.

When you combine knowledge, historical insight and professional guidance, volatility becomes less of a threat and more of an opportunity to advance your journey toward financial success.

1. Source: J.P. Morgan, S&P 500 from 1980 to March 31, 2025

# Passing the torch: The emotional weight of business succession

**BY GUILLAUME LALONDE**
Business Transfer Coach

The bond between an owner and their business is both unique and often deeply intricate. It's not uncommon for business owners to define themselves through the company they've built. Being in business involves more than just hard work—it's about time, relentless effort, the courage to face setbacks, the joy of success and the ability to navigate meaningful connections as well as painful ruptures. Entrepreneurship is an emotional journey, and the decision to transfer a business can bring those emotions to the surface in powerful and unexpected ways.

## Why the human side deserves equal focus

A business transfer is a critical milestone that must be thoughtfully planned and executed to secure both immediate success and long-term continuity. In our experience, legal, tax and financial matters represent only about 25% of the work involved in a business transfer. Organizational aspects account for another 25%, while human factors—frequently overlooked at the planning stage—can demand up to 50% of the effort and significantly more energy.

### What planning really involves

Our approach to business transfers focuses on empowering owners with the guidance and tools they need to answer four essential questions: When? To whom? How? Why?

**WHEN?**

### Timing is everything

Business transfers usually take two to five years to complete. So the earlier you start planning, the more options you'll have. Inadequate preparation can lead to compromises that fall short of the best possible outcome. If the business owner's health is declining, for example, they may not have the capacity to fully support their successor during the transition. If a company accumulates excess liquidity or owns assets not used in its operations, it may fail to meet the criteria for a qualified small business corporation, which would mean the business owner wouldn't be able to claim a capital gains exemption when they sell their shares. Since this exemption can shelter up to $1.25 million in capital gains, it can save you around $333,000 in taxes!

**TO WHOM?**

### Choosing the right successor

Have you decided that someone in the company will take over your business or are you planning to sell to a third party? If you're choosing someone from within the company, is that person a family member? Will the business be transferred to an employee or a group of employees? Would it be feasible to sell it to one of your suppliers or clients? Are you willing to make presentations about the company to attract letters of intent from prospective buyers outside your existing network? Could an institutional investor, such as a pension fund, labour-sponsored fund or private investment fund, be a credible buyer? No matter which way you go, each type of successor brings distinct advantages and complexities to the table. Family succession may appear to be a natural and straightforward path, for example, but the next generation may not possess the entrepreneurial drive required to lead the business successfully. Some individuals may also take a more active role than others. Would a decision to appoint a sole successor, or to mandate shared leadership among family members, create conflict within the family? Considering a sale to a supplier or competitor can carry the risk of straining future business relationships, particularly if the deal falls through or if negotiations leave either party with lingering resentment. The choice of successor will also influence how the transfer unfolds.

**WHY?**

### Legal and tax considerations

Depending on the circumstances, the owner may choose to sell their shares, or the business itself may opt to sell all or part of its assets. The legal, tax, and operational implications of selling shares versus assets can differ substantially. That's why it's crucial to consult with qualified professionals to determine the most effective strategy for your business. These professionals can also recommend strategies such as an estate freeze to introduce a successor either gradually or immediately, depending on the party involved. Although an estate freeze is most commonly used in a family transfer, it can also be an effective strategy for introducing a key employee or even a third-party investor into the ownership structure. An estate freeze, as the term suggests, allows the business owner to lock in the current value of their shares, while transferring future appreciation to the successor. Under this scenario, the owner holds redeemable shares in the business, while the successor's performance is responsible for maintaining their value. Are you open to a balance of sale arrangement or do you prefer a definitive transaction that would allow you to step away from the business? Do you envision staying involved as a mentor or technical advisor, or are you looking to make a clean break? No two transfers are the same, and there are multiple pathways to consider.

**HOW?**

### Uncovering the reasons for business succession

Are you looking to enjoy a well-deserved retirement or are you planning to pursue a new venture? Are you stepping back due to burnout, disengagement or health-related concerns? Do you have a partner whose strategic vision is at odds with your own? Is the business going in a direction that doesn't align with your values? Will you need immediate access to all the proceeds from the transaction? Are you able to move forward with the transfer without completely jumping ship? Are you ready to let go and trust others to take the lead? The motivation behind the transfer will shape the advice given to make sure the process is as successful as possible.

There's no shortage of things to consider! The good news is that your wealth manager is well equipped to support you through the process—on your terms and timeline.

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