Summer 2025

Financial Focus

International events and your investments

The Trump administration's policy on tariffs has dominated the news in recent months, as tariffs impact the economy in the U.S., Canada and globally. Stock markets have been affected by the fallout from tariffs and their unpredictable nature – whether tariffs are temporary, permanent or negotiable.

As an investor, it's only natural to be concerned when events beyond our borders could affect the markets and your investment portfolio, whether the issue is tariffs or any future financial crisis.

Markets recover

In the past 25 years, we experienced the 2001 dot-com bubble burst, the 2008 global financial crisis and the 2020 COVID-19 pandemic crash. Although past recoveries don't guarantee future trends, it's reassuring to know that each of these crises was followed by a recovery and growth period, with major stock markets ultimately reaching record highs.

The "this time it's different" trap

If a bear market lingers, some people are at risk of falling into the trap of thinking it's different this time – this one's so drastic that the economy and markets will never recover. Legendary investment manager Sir John Templeton once called "this time it's different" the four most dangerous words in investing, as this belief may lead to poor investment decisions. These words can apply equally to a booming market that some optimistic investors believe will always continue.

If a financial crisis – or a bull run – ever has you thinking this time it's different, consider that such a situation would be the first time the economic cycle deviates from its regular path of upswings and downswings.

During a correction or bear market, any anxious investors who sell investments or stop investing in equities miss out on potential gains. Those who continue to invest during a down market and recovery will purchase stocks or fund units at value prices, standing to gain should markets reach and surpass the pre-crisis levels – as they have historically.

Jean-Sébastien Bonneau, M.Sc., CIM®, FCSI®
Wealth Advisor & Portfolio Manager
Telephone: 450-686-5733
jean-sebastien.bonneau@nbc.ca

Harry Jinjinian, CIM®, FCSI®
Wealth Advisor & Portfolio Manager
Telephone: 450-686-7013
harry.jinjinian@nbc.ca

Suzanne Boire
Senior Wealth Associate
Telephone: 450-686-5732
suzanne.boire@nbc.ca

Isabel Ruiz
Associate
Telephone: 450-686-5457
isabel.ruiz@nbc.ca

National Bank Financial
Wealth Management
Team Bonneau Jinjinian
2500 boulevard Daniel-Johnson,
Suite 610
Laval, QC H7T 2P6
Toll-free: 1-888-686-1018
Fax: 450-686-5779
www.equipebonneaujinjinian.com

Summer's here, which often means enjoying a summer vacation. That brings to mind the saying that some people spend more time planning a vacation than they dedicate to planning their retirement. One way to get started is to think about where you'll spend your retirement years, and this issue of our newsletter includes an article on this very topic.

Team Bonneau Jinjinian
From One Generation to the Next

Are you making the most of your TFSA?

You may find that managing your Tax-Free Savings Account (TFSA) has become routine. That's good news, to be comfortably saving for your financial goals. But you might be able to make even more of your TFSA.

Here's a variety of TFSA tips and strategies, and perhaps one or more can benefit you or a family member, now or in the future.

Contributions and withdrawals

Avoiding penalties. Overcontributing to a TFSA triggers a penalty of 1% of the overcontribution amount for every month you exceed the limit. To avoid the penalty, keep a record of your contributions and withdrawals. "My Account," the Canada Revenue Agency (CRA) online portal, isn't always up to date on recent transactions.

An RRSP strategy. An effective way to help build your TFSA is to contribute your Registered Retirement Savings Plan (RRSP) tax refund each year.

Timing a withdrawal. If the end of the year is approaching, and you plan on making a TFSA withdrawal in the initial months of the new year, consider making the withdrawal before the end of December. This way, you can replenish your account in the upcoming year, instead of waiting until the year after.

Retirement planning

Providing for long-term care. In the years before retirement, you can build savings in your TFSA to cover the costs of potential long-term care. If you don't require long-term care, you can leave the assets to your loved ones.

Strategically using withdrawals. During retirement, if you wish to delay your Canada Pension Plan (CPP) or Old Age Security (OAS) benefits to increase future benefit amounts, TFSA savings can help fund your lifestyle until you start your benefits.

Retirees who would otherwise have a level of taxable income that results in an OAS clawback can use TFSA withdrawals to receive non-taxable income, avoiding or minimizing the clawback amount.

If other income sources would put you in a higher tax bracket, you can tap your TFSA for additional retirement income.

Continue investing. If you earn income during retirement, you can contribute some of those funds to your TFSA for tax-free growth.

Estate planning

You might automatically think you'll name a loved one as the beneficiary of your TFSA, and that may be ideal – but not always.

Designating your spouse. If you plan to leave TFSA assets to your spouse, naming them as successor holder can be the better choice. With this designation, your spouse simply takes over your TFSA. If you name your spouse as a beneficiary, they must follow administrative procedures, file a form and potentially face tax consequences.

Tax benefits for your estate. Some individuals may wish to leave their TFSA assets to the estate to help cover the estate's tax liability. If you want to leave money to a charity, naming a charity as the beneficiary enables your estate to claim the charitable donation tax credit.

Note that in Quebec, you can only designate a successor annuitant or beneficiary on a TFSA form when the account is funded by an insurance product, such as segregated funds. You can name TFSA beneficiaries in your will.

Meeting multiple goals

If you ever have reason to meet two or more goals with a TFSA at the same time, you need a method to separate the investments for each objective. Here are three ways to meet multiple goals simultaneously.

Designate specific investments. You can designate specific investments in your TFSA to meet each goal. For example, you could hold high-interest savings as an emergency fund and equity investments to help support your retirement.

Open another TFSA. You can have two or more TFSAs, provided you treat your contribution limits as if the TFSAs were one account. Some investors prefer the clarity and simplicity of using a single TFSA to monitor their progress toward a specific goal, such as dedicating a TFSA to complement a Registered Education Savings Plan (RESP) when funding a child's education.

Use both spouses' TFSAs. A couple can save for two different financial goals by designating each spouse's TFSA for one goal.

A trust can be for anyone

It's a myth that trusts are only for the wealthy and famous. A trust can be useful whenever you have reason to control how your assets are distributed to a beneficiary.

Here are several of the more common situations when a trust may be established.

If your beneficiary is a minor

If you have children or grandchildren who are minors, you can establish a trust to hold their inheritance. You would state the age when each child or grandchild receives the funds and specify whether the beneficiary receives the inheritance in a lump sum or periodically over a number of years.

You're in a blended family

If you're in a second marriage and have children from your first marriage, one way to provide for your children's and spouse's future is to set up a spousal trust. After you pass away, your spouse receives income from the trust for their lifetime. When your spouse passes, your children inherit the trust assets.

When you have a child or grandchild with a disability

If you have a child or grandchild with special needs, you want to feel confident they'll always receive support and care. Establishing and funding a trust can provide for the minor or adult child after their parents have passed away. As with any trust, you name a trustee who manages and distributes the trust assets according to your wishes.

When you prefer not leaving a lump-sum inheritance

Individuals may have different reasons to control how a beneficiary receives their inheritance. For example, you worry that a particular beneficiary might spend a lump sum quickly and unwisely, or you're concerned that leaving a large amount to a self-employed beneficiary may interfere with their work ethic. In such cases, you can instruct the trustee to pay out smaller amounts over time.

Interestingly, a trust is a component of estate planning directly related to your investment program. You fund a trust with registered or non-registered investments, and a trust enables you to control how beneficiaries receive those investments.

Where you retire matters

When it comes to establishing your savings goal and retirement date, a key component is the cost of your desired retirement lifestyle. Estimating that cost can depend on where you'll spend retirement.

Considering the "where" factor is not only helpful in wealth planning. It's also an effective way to get the ball rolling when you start thinking about retirement.

Explore your options

Will you become a snowbird and enjoy the winter months in Puerto Vallarta? Whether you choose Mexico, the U.S. Sun Belt or another sunny destination, you would join hundreds of thousands of Canadians who build this retirement choice into their wealth plan.

Perhaps you want to stay in Canada and purchase a vacation property. Once you retire, you can enjoy cottage, cabin or chalet life for as much time as you wish.

When you think about retirement, you may want to be close to your children and grandchildren. If that means moving, you may consider downsizing.

Italy. Thailand. Cuba. Maybe you're thinking about travelling the world, either once in a while or taking one or more trips every year. Or are you one of the Canadians who dreams of retiring abroad?

Maybe you're comfortable where you are, and your desired lifestyle doesn't involve any excessively high costs.

Factors to consider

When deciding where they'll live, many retirees consider whether they'll have friends or family members nearby. If you want to volunteer or work part time, be sure suitable opportunities are available where you retire. Another consideration is your health. Do you require care from specialists, and can you receive that care at the destination you're considering?

Keep us informed of your retirement plans, including where you wish to retire. These plans and any changes you have in mind can affect your wealth plan.

An overlooked tax credit for some retirees

One of your parents, your spouse – or you – may never have had a disability before, but in their senior years develops a serious physical or cognitive impairment. Depending on the condition's severity, they may be eligible for the disability tax credit.

With this credit, the individual pays less tax each year as long as they remain eligible. That means requiring less income to cover the cost of living, so their Registered Retirement Income Fund (RRIF) savings go further.

Eligibility is determined in one of two ways. The individual has a "severe and prolonged impairment" involving either walking, speaking, hearing, vision, dressing, feeding, eliminating, mental functions or

life-sustaining therapy. Or they have "significant limitations" in two or more of these categories. For example, an individual may be eligible if they have significant hearing loss and need assistance getting dressed because of arthritis.

To apply to the Canada Revenue Agency (CRA) for the credit, you must submit the Disability Tax Credit Certificate, which includes a section to be completed by a medical practitioner prior to submission.

When your child gets a credit card

Your child can have their own credit card at age 18 or 19, depending on the province. They should understand that, while they access their own money with a debit card, they borrow the bank's money with a credit card.

Here are some key do's and don'ts to let your child know about.

Do's. Keep track of your credit card purchases and limit your spending to what you can cover each month. Pay each monthly bill in full and by the due date or you'll be charged interest that's typically a rate of about 20% (annual percentage rate).

Don'ts. Be sure not to view the credit card as found money or the limit as an allowable amount to reach. Don't fall into the trap of

only making the minimum monthly payment – this leads to a growing debt that becomes a challenge to pay off. Don't use the credit card to withdraw cash - because interest charges begin that very date.

Emphasize that building good habits now pays off in the future. Getting into credit card debt can disrupt your financial life.

Safeguarding your RESP

When you look at the years available to grow your Registered Education Savings Plan (RESP), you must consider that your asset mix becomes more conservative over time.

This is especially the case when your child reaches post-secondary school – and for many plan holders, even earlier. Typically, you'll considerably decrease your allocation to growth assets and increase fixed-income investments to safeguard your RESP from the risk of a significant market downturn. If such a downturn did occur, you may lack the time for markets to recover before you need to withdraw funds. By the time secondary school graduation nears, many RESP plan holders will only hold cash-equivalent investments.

What does this mean when building an RESP? The earlier you contribute, the better. You want to give your growth-oriented investments more time to grow and compound. Also, be sure to capitalize on the Canada Education Savings Grant (CESG), which provides $500 on the first $2,500 you contribute each year – up to $7,200 in grant money for each child. That's equal to a 20% return on your investment.

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT