

CHANGES TO THE DFS GUARANTEED INVESTMENT FUNDS OFFER

Questions and Answers

SEPTEMBER 2023

Questions and Answers

Changes to the DFS Guaranteed Investment Funds offer.

This document contains useful information that will help you answer questions from clients who will be receiving the Advance Notice of Change intended for the owners of the following contracts:

Contract	Advance Notice Item #	Expected mailing date
Helios2 – contract owners with units of DFS GIF – Fixed Income – Desjardins Wise ETF	23157E/F	Week of September 11, 2023

IMPORTANT! On September 29 we will communicate the fund closure and taxable disposition through a letter to clients who hold non-registered contracts that include units of the fund. The letter will indicate the estimated capital loss that will be attributed to the client at the time of the fund closure.

A PDF version of the Advance Notice of Change can be found on Webi in the news item and in the [Helios2 Contract Sales Material](#) section. It will also be available on the [Desjardins Insurance](#) website in the week of September 11.

Section 1: Changes to the Helios2 Contract

1.1 Fund closure

1. Which fund will be closed?

A:

Closed Fund	Replacement Fund	Withdrawal of units
DFS GIF – Fixed Income – Desjardins Wise ETF	DFS GIF – Canadian Bond	Free of charge

2. When are you closing this fund?

A: On November 24, 2023. However, we will cease to accept new deposits and switches into the DFS GIF – Fixed Income – Desjardins Wise ETF on **September 15, 2023, at 4 p.m. (ET).**

3. Why are you closing this fund?

A: Our Fund Monitoring Committee plays a key role in the DFS Guaranteed Investment Funds program. The Committee’s primary mandate is to continually review our offerings in order to recommend the investment options that are most likely to help your clients reach their financial objectives.

4. How did you select the replacement fund?

A: We selected the replacement fund because it has an excellent manager, as well as similar investment objectives and asset classes as the closed fund.

5. Will the closure have an impact on the surrender charge schedules?

A: If clients have units subject to a deferred sales charge schedule, the units that are switched for units of the replacement fund will remain within the same fee option. This schedule will therefore end at the time specified when the units were acquired, and no changes will be made to it.

6. What are my clients’ options?

A:

- a. **If clients are satisfied with the proposed replacement fund:** They do not have to contact us. On the date the fund is closed, we will transfer the market value of their units in the closing fund to the replacement fund.
- b. **If clients are not satisfied with the proposed replacement fund:**
 - i. They can choose another fund (within the same fee option);
 - ii. They can also withdraw free of charge the market value of their units of the closing fund if they are in a fee option with surrender charges. However, if they are in an advisor chargeback option, the withdrawal could generate a chargeback, if applicable;
 - iii. In both cases, we need to receive the client’s instructions by mail, fax, or email **before November 17, 2023, at 4 p.m. (ET).** Our contact information is:

Guaranteed Investment Funds Administration

1150, rue de Claire-Fontaine

Quebec City QC G1R 5G4

Fax: 1-888-926-2987

Email: gifclientservice@DFS.ca

If we do not receive any instructions by November 17, 2023, at 4 p.m. (ET), the value of the units in the closing fund will be transferred to the applicable replacement fund.

7. Until what date will deposits to the closing fund be accepted?

A: Effective **September 15, 2023, at 4 p.m. (ET)**, the Company will stop accepting deposits or transfers from other DFS GIFs to the closing fund.

8. What happens to the pre-authorized debit agreements?

A: If clients who have a pre-authorized debit agreement for the closing fund are not satisfied with the replacement fund, they will have until **November 17, 2023, at 4 p.m. (ET)** to provide DFS with new instructions and request that the money collected under this agreement be invested in another fund. If we have not received any instructions by that date, the money will be invested in the selected replacement fund.

9. What about the systematic withdrawal programs?

A: If clients participating in a systematic withdrawal program for the fund being closed are not satisfied with the replacement fund, they will have until **November 17, 2023, at 4 p.m. (ET)** to provide us with their instructions and request that the money collected under this program be withdrawn from another fund. If we have not received any instructions by that date, the money will be withdrawn from the selected replacement fund.

5. After the deposit deadline, how will the investment instructions for the closed fund be processed?

A: The instructions will be rejected, and we will notify you of the rejection by email or fax. You will then need to ask your client to provide you with new written instructions or inform us that the uncashed cheque must be returned to you, as the case may be.

Desjardins Insurance cannot invest funds in a contract with a guarantee that does not reflect the client's written instructions. The Company cannot be held responsible for any consequences resulting from a delay in obtaining adequate instructions from the client, such as those related to market fluctuations or to the deadline of November 17, 2023, at 4 p.m. (ET).

1.2 Tax consequences

1. Can the closure of the fund have tax consequences?

A: **Non-registered contracts** containing units of the fund being closed will be subject to a taxable disposition. Under current tax laws, it is not possible to transfer the value of the units allocated to the contract from the closing fund to the replacement fund without generating a taxable disposition. The disposition may result in a capital gain or loss. Half of the capital gain (or capital loss) is usually considered in the calculation of your client's income. Capital losses are deductible only against capital gains. Under applicable tax laws, capital losses net of capital gains for the year can be carried forward against taxable capital gains reported in tax returns for the previous three years or indefinitely in the future.

All clients whose contract is subject to a taxable disposition will receive, in addition to the Advance Notice of Change, a letter informing them of the estimated amount of capital loss that will be attributed to them following the fund's closure. The letter will be sent out at the end of September. You will find an example of the capital loss letter in Appendix 1.

However, the actual amount of capital gain or loss in connection with the fund's closure, which will be included on their 2023 tax slips (with any other attributions for the year), will not be known until the fund's closing date.

There won't be any tax consequences for **registered contracts** (including locked-in contracts) when units of the closed fund are transferred to the replacement fund. The capital gains or losses realized when the fund is closed will not be subject to income tax. However, for clients who decide to withdraw the market value of the units attributed to their registered contract (except a contract registered as a TFSA), the amount withdrawn will be considered taxable income unless it is transferred directly to another eligible registered plan.

This is a general summary only, and not an exhaustive account of all the potential tax implications. Clients should review their personal situation with their tax advisor.

2. How can I help my clients?

A: If some of your clients are affected by this taxable disposition, you will receive a list in the week of September 11, 2023, containing the following information:

- Name of the clients
- , Contract name and number, and fund code
- Estimated amount of capital loss

This will give you an opportunity to proactively contact your clients before they receive the letter advising them of their capital loss so you can discuss the best strategy to adopt based on their personal situation.

Section 2: Communications

1. When are you going to inform clients about these changes?

A: The Advance Notice of Change will be mailed out to clients impacted by this fund closure starting September 11, 2023. The Advance Notice of Change will be available on Webi and desjardinslifeinsurance.com in the week of September 11, 2023.

IMPORTANT! Please note that on September 29 we will also send letters to clients with non-registered contracts that include units of the funds that will be closed and subject to a taxable disposition. This letter will inform them of the estimated capital loss that will be attributed to them at the time of the fund closing.

2. When will regulatory and marketing material for the Helios2 Contract be updated?

A: An addendum will be added to the Fund Facts document (13188E01/F01) in the coming weeks. This document will also be available on webi and desjardinslifeinsurance.com.

Marketing material and the information on our websites, including the PDF versions of all documents will also be updated. at the end of November 2023.

3. Who can help me if I need support?

A: If you have any questions or need more information, speak to your Regional Sales Director, Sales Consultant, or GIF Client Service (see contact information below):

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GIF Client Service

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Appendix 1 Example of capital loss letter

[Date]

First name Last Name
Street address
City Prov. Postal Code

Subject: Closure of the DFS GIF – Fixed Income – Desjardins Wise ETF fund

Dear Contract Owner:

Desjardins Financial Security Life Assurance Company (DFS) regularly reviews its investment and insurance products to stay on top of market trends and adapt our products to suit the best interests of our contract owners.

Accordingly, DFS has performed an in-depth analysis and decided to close the DFS GIF – Fixed Income – Desjardins Wise ETF fund. The closure will take effect on November 24, 2023, at 4 p.m. (ET). You recently received an Advance Notice of Change informing you of this.

When the DFS GIF – Fixed Income – Desjardins Wise ETF fund closes, the fund units attributed to your contract will be disposed of at market value, which will affect the amount of capital gains/losses that appears on your tax slips (T3/Relevé 16) for 2023.

As at August 18, 2023, we estimate a capital loss of [\$X,XXX.XX] for the DFS GIF – Fixed Income – Desjardins Wise ETF fund in your HELIOS2 – [Contract number] contract. However, the actual amount that will appear on your 2023 tax slips in connection with the fund's closure won't be known until its closing date.

Please call [representative's area code and phone number] to speak with your representative [First name and Last name], who will help you set up a strategy to report, if applicable, the tax impact while taking your personal situation into consideration.

Reportable capital gains or losses for any units from other funds attributed to your contract have not been included in this letter. This information will appear on your tax slip(s).

Thank you for your continued trust in DFS.

Kindest regards,

The Guaranteed Investment Funds Administration team

