Guarantee Advantage®

MARKET-LINKED TERM INVESTMENTS

FOR ADVISOR USE ONLY

ADVISOR GUIDE

Desjardins Insurance
Life • Health • Retirement

Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company.

Who is Guarantee Advantage for?

Target customers		What Guarantee Advantage offers
Clients who are used to investing in fixed-rate term investments or who want a guaranteed minimum return:	• Are open to investing for a longer term in exchange for a better return; • Want a simple product that potentially offers a better return than a fixed-rate term investment.	• Security with 100% principal guarantee at maturity; • The flexibility of a medium-term investment; • Better return potential than a fixed-rate term investment.[1]
Pre-retirees who no longer want to put their retirement savings at risk:	• Want to protect their portfolio from market volatility; • Are looking for a safer alternative to the stock markets.	• Security with 100% principal guarantee at maturity; • Risk-free access to the return potential of companies with well-established brands, products and services.
Clients who don't want to spend time managing their investments:	• Have a low risk tolerance; • Are open to alternatives to the lower interest rates that term investments offer.	• No management or monitoring required during the entire investment term; • No fees to calculate or deduct from returns; • 100% principal guarantee at maturity; • Better return potential than a fixed-rate term investment.[1]

[1] Based on the average of the interest rates for all five-year fixed-term investments offered by the major banks on the last Wednesday of each month from 2018 to 2023. Source: Bank of Canada, Data & Statistics Office.

Key advantages

Simplicity

Guarantee Advantage is the perfect product for clients who don't want to wade through a sea of complicated products or spend time keeping track of their investments. Once they invest in Guarantee Advantage, they won't have to manage or monitor their holdings until maturity.

The invested principal is 100% guaranteed at maturity and death, giving your clients added **peace of mind**. Plus, the campaigns generally include a guaranteed minimum return[2] and a potential maximum return that has **higher return potential than a fixed-interest term investment[3]** with a similar term.

It's a safe and easy way to make your clients' money work for them!

[2] Some campaigns may have a 0% minimum return. Refer to the Features Table (No. 09014E) for more information about the current campaign, including the available terms, baskets of securities and range of returns.

[3] Based on the average of the interest rates for all five-year fixed-term investments offered by the major banks on the last Wednesday of each month from 2018 to 2023. Source: Bank of Canada, Data & Statistics Office.

Advantages the banks can't offer

Guarantee Advantage is the only Market-linked Term Investment (MLTI) in Canada that is issued by a life and health insurer.

- MLTIs are contracts sold by life insurance companies.
- Market-linked GICs are sold by banks.

The two types of products may be similar, but Guarantee Advantage comes with exclusive advantages that the banks can't offer.

Feature	Guarantee Advantage	Similar bank products
Advantages of a beneficiary designation		
Guaranteed death benefit	**Yes** Deposit is 100% guaranteed upon the annuitant's death	**No**
Beneficiary designation	**Yes** Ensures prompt payment of the death benefit.[4]	**No** The investment is part of the estate.
No fees upon death	**No** No probate[5] or redemption fees upon death	Probate or redemption fees may be payable upon death.
Gradual wealth transfer	**Yes** The contract owner can choose to have the death benefit paid out to the beneficiary as an annuity.[6]	**No**
Protection from creditors and civil lawsuits	**Yes** Certain beneficiary designations allow the contract to be exempt from seizure by creditors.[7]	**No**
Tax benefits		
Retirement tax benefits	**Yes** Eligible for the pension income tax credit and/or pension income splitting.[8]	**No**
Deferred taxation	**Yes** For non-registered contracts, taxation of income can be deferred beyond the deposit maturity date	**No**

[4] Some conditions apply, including receipt of necessary documentation (e.g., death certificate). A named beneficiary must be designated in the contract.

[5] Probate fees vary between provinces and do not apply in Quebec. A named beneficiary must be designated in the contract.

[6] For the death benefit to be paid out as an annuity, the owner must complete form 17-0136_800E, *Beneficiary Designation – Annuity Settlement Option (Endorsement)*, either when they complete their Contract Application or any time thereafter.

[7] Preferred beneficiary designations. Exemption from seizure rules can be complex and vary between provinces. Interested investors should consult a legal expert (lawyer or notary) for an assessment of their specific situation.

[8] Refer to the Canada Revenue Agency website for more information on pension income and eligibility for pension income splitting.

Benefits of a beneficiary designation

1. Prompt payment of the death benefit

Because Guarantee Advantage is sold through a contract issued by a life and health insurance company, it can include a beneficiary designation—which means it doesn't become part of your client's estate. In the event of death, the **guaranteed principal is paid directly to the beneficiary, with no delay and no estate settlement fees.**[9] For your client, that means their spouse (or whoever is designated as their beneficiary) will have access to the cash they need to pay for funeral expenses or to cover any immediate financial obligations.

Calculate what your clients will save on fees

Use the **estate impact calculator** to quickly create a personalized fee comparison for your client. You can use it for Desjardins Insurance investment products as well as other types of investments.

2. Gradual wealth transfer

Because the death benefit **isn't part of the estate**, it's paid out to the person designated as beneficiary in the contract. If they want to make a private donation, Guarantee Advantage can be a valuable estate-planning tool.

Plus, with the **annuity settlement option**, your clients can set the conditions for how their beneficiaries will receive their share of the death benefit.[10]

This option is right for your client if:

- They want to transfer their assets gradually and confidentially;
- They're concerned about a beneficiary's ability to manage a potentially sizeable lump-sum payment;
- They want to provide lifetime care for a dependent beneficiary.

DID YOU KNOW?

2/3 of high-net-worth investors are concerned about their children's ability to manage their estate.[11]

[9] By law, the death benefit will be paid according to the owner's beneficiary designation. As the specifics of a beneficiary designation can vary considerably or be overridden by the owner's will, interested investors should consult a legal advisor (lawyer or notary) for an assessment of their specific situation.

[10] For the death benefit to be paid out as an annuity, the owner must complete form 17-0136_800E, *Beneficiary Designation – Annuity Settlement Option (Endorsement)*, either when they complete their Contract Application or any time thereafter.

[11] The Motley Fool survey, September 2021.

3. Creditor protection

If you have clients who are self-employed or carry on a professional practice, you know they're more vulnerable to the risk of having their savings seized in the event of bankruptcy or legal action. But thanks to the beneficiary designation available with Guarantee Advantage, they can protect their investment from seizure.[12]

Not all beneficiary designations are the same

The person your client chooses as their beneficiary is the key to ensuring that their contract is exempt from seizure. Only the following types of beneficiaries are guaranteed certain creditor protections:

Class of beneficiary designated in an annuity contract established by an insurer	During the owner's lifetime
Protected class (or "preferred") revocable beneficiary: • Married spouse* • Ascendants:* parents (and grandparents in Quebec) • Descendants:* children and grandchildren	Exempt from seizure
Any irrevocable[13] beneficiary	Exempt from seizure

* In Quebec, the relationship must be between the person(s) named in the table and the owner. In the rest of Canada, the relationship must be between the person(s) named in the table and the annuitant.

EXAMPLE

An unmarried man with no children who designates his brother as a revocable beneficiary could have his contract seized by creditors. To protect his investment, he should either make his brother's designation irrevocable[13] or name one of his parents as a revocable beneficiary.

DID YOU KNOW?

More than 100,000 Canadians filed for insolvency in 2022.[14] No one is immune to financial misfortune. Why would your clients risk what they've worked so hard for when features to protect their investment are readily available?

Tax benefits

(non-registered contracts)

1. Retirement tax benefits

If you have clients aged 65 or older, they may be eligible for tax savings on their investment income through pension income splitting and the pension income tax credit.[15] Most non-registered investment income doesn't qualify for these tax benefits—only income from annuity contracts issued by a life and health insurer.

That includes Guarantee Advantage.[16] Because Desjardins Insurance is a life and health insurer, all our term investment products are considered non-prescribed annuity contracts.

2. Deferred taxation

With Guarantee Advantage, your clients can defer tax payments for a number of years, even beyond the deposit maturity date. See **page 14** for more details. Certain conditions apply.

[12] Preferred beneficiary designations. Exemption from seizure rules can be complex and vary from one province to another. Interested investors should consult a legal advisor (lawyer or notary) for an assessment of their specific situation.

[13] The consent of the irrevocable beneficiary is required to make changes or carry out transactions under the contract.

[14] Office of the Superintendent of Bankruptcy Canada, Insolvency Statistics in Canada (December 2022).

[15] Clients interested in taking advantage of these tax savings are subject to certain conditions. Refer to the Canada Revenue Agency website for more information.

[16] The taxable amount under section 12.2 of the *Income Tax Act*. A gain arising from the disposition of a contract is not considered eligible income.

What is Guarantee Advantage?

Guarantee Advantage is a Market-linked Term Investment sold by Desjardins Insurance.

It's a term investment whose returns are tied to a basket of securities from different sectors. It offers a guaranteed minimum return (for some terms and baskets), and the principal is guaranteed at maturity and upon death.

Guarantee Advantage is sold during campaigns that take place multiple times a year. With each campaign, the features (baskets of securities, range of returns and participation rates) may change.

Features

Minimum deposit[17]	$500 Deposits are accepted up to the annuitant's 95th birthday.
Eligibility for registered plans[18, 19]	RRSPs, RRIFs, LIRAs, LIFs and TFSAs
Maturity benefit	100% of the initial deposit. Some options include a guaranteed minimum return.[20]
Death benefit	100% of the initial deposit
Interest on deposits made before an initial date	Interest rate for the special daily Interest Investment: 1.70% (as of November 2023, the rate may vary from one campaign to the next)
Management fees	None
Participation rate	The participation rate is at least 100% on all baskets of securities.[21]
Surrender option	The initial deposit may be surrendered or transferred in full or in part at any time **Surrender value =** Current value – Market value adjustment (compound interest rate on a deposit with similar remaining term + 1.5%) **X** Number of years remaining to maturity **X** Current value The surrender value can't exceed the initial deposit.

Refer to the Features Table (No. 09014E) for more information about the current campaign.

[17] All deposits are initially placed in a special daily interest investment until the next issue date. The sum accumulated on that date, called the initial date, constitutes the initial deposit and will be invested in Guarantee Advantage, provided the minimum deposit requirement is met. If the investor chooses to set up a pre-authorized debit agreement, the term may be longer and the maturity date may occur later than initially stated, depending on the initial date.

[18] Eligible for LIFs under Quebec legislation only.

[19] Periodic payments are not available for RRIFs or LIFs. You can generate RRIF income for your client by allocating funds between Guarantee Advantage and a redeemable term investment.

[20] Some campaigns may have a 0% minimum return. Refer to the Features Table (No. 09014E) for more information about the current campaign, including the available terms, baskets of securities, and range of returns.

[21] Special participation rates over 100% are offered during some campaigns, based on the deposit amount. Refer to the Features Table for more information about the features of the current campaign.

How returns are calculated

Guarantee Advantage has an effective way of dealing with market fluctuations: by using **specific business days**.

The rate of return on the basket of securities is calculated at maturity. But instead of using the price of the securities on the maturity date, we use the securities' average price on three specific business days in the last three months of the term.

The total return is equal to the average of the cumulative returns for each security in the basket on each of these three days. All of the securities in the portfolio have the same weighting.[22]

Participation rate

More importantly, the average return from the three specific business days is multiplied by the participation rate to get the final return. The participation rate shows what proportion of the final return your client will get. See below how it can really make a difference!

Return on the underlying basket of securities	X	Participation rate	=	Rate of return at maturity
30%		20%		6%
30%		**100%**		**30%**
30%		120%		36%

This is for information purposes only and is neither an indication of past performance nor a guarantee of future results.

The participation rate of all Guarantee Advantage campaigns is at least 100%. Special participation rates over 100% are offered during some campaigns, based on the deposit amount.[23]

Final return: effective calculation method

Final return =

Average of 3 Specific business days

X

Participation rate of 100% (or greater)

Specific business days

For each issue, three specific business days in the last three months of the term are used to determine the final price.

Participation rate

The percentage by which the investor participates in the investment's rate of return

Basket of securities

Although each basket of securities tracks the returns of specific securities, the company doesn't actually hold any of these securities or receive any dividends. An options strategy is used instead. (**See Structure behind Guarantee Advantage** on **page 18** for more information.)

[22] For more details, see the DFS Term Investments Contract.

[23] On selected options only. Subject to change without notice. Refer to the Term Investments Contract and the current Features Table for more information.

EXAMPLE

Here is one example of how returns are calculated on the maturity date of a Guarantee Advantage campaign. For the purpose of this example, we've used a deposit of $10,000 in the Consumer Staples basket of the August 10, 2017 campaign.

Calculation of returns on a $10,000 deposit

Minimum return: 2% – Maximum potential return: 15%

Security	Opening price (CP1)	Average price from the three specific business days (CP2)[24]	Cumulative return (CP2/CP1)
Unilever PLC	100	115	1.15
Procter & Gamble	100	142	1.42
Nestlé	100	90	0.90
General Mills Inc.	100	106	1.06
Kimberly-Clark Corporation	100	109	1.09
Reckitt Benckiser Group PLC	100	110	1.10
The Coca-Cola Company	100	111	1.11
Danone SA	100	124	1.24
The Hershey Company	100	132	1.32
L'Oréal SA	100	102	1.02

Average for the 10 securities = 1.141
Cumulative growth = 14.10%
Compound annual return = 2.67%
Interest before issue[25] = $10,000 × (1 + ([1% ÷ 365] × 40)) = $10,010.96

Amount paid to the client at maturity $10,010.96 × 1.141 = $11,422.50

- Initial deposit = $10,000.00

= Total return at maturity = $1,422.50

This example is based on the following assumptions: deposit of $10,000 on July 1, 2017, in the Consumer Staples basket of the August 2017 campaign with a term of 5 years and 2 days. This example is not an indication of past performance or a guarantee of future results.

[24] For the August 2017 campaign, the specific business days are: June 10, 2022, July 11, 2022, and August 10, 2022.

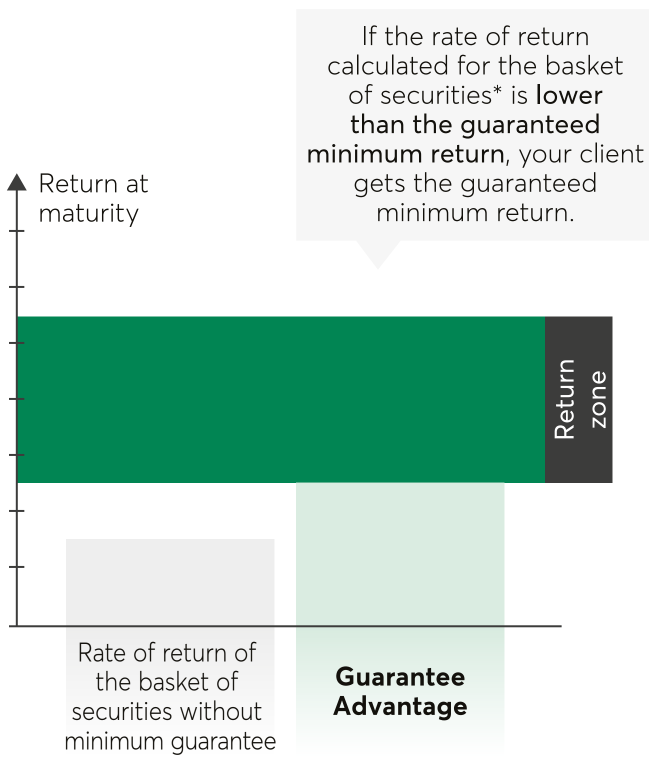
[25] Prior to the initial date for the August 2017 campaign, daily interest is paid at a rate of 1.0%.

Available range of returns

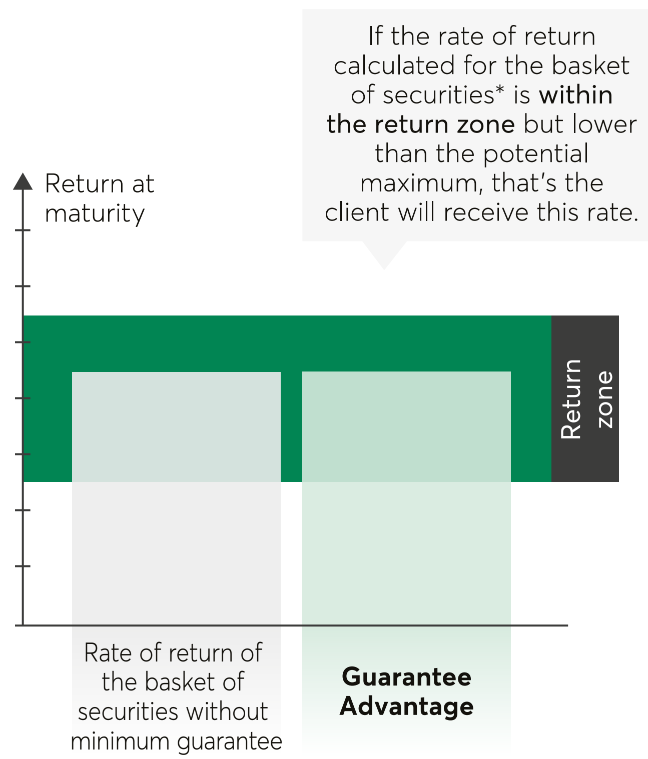
Every Guarantee Advantage campaign has a guaranteed minimum return (which could be 0%) and a potential maximum return. What your client earns at maturity depends on the amount of the actual return and the range between the minimum and maximum returns (called the "return zone").

There are three possible outcomes:

1. The actual return is below the minimum return.



2. The actual return is between the minimum and maximum returns.

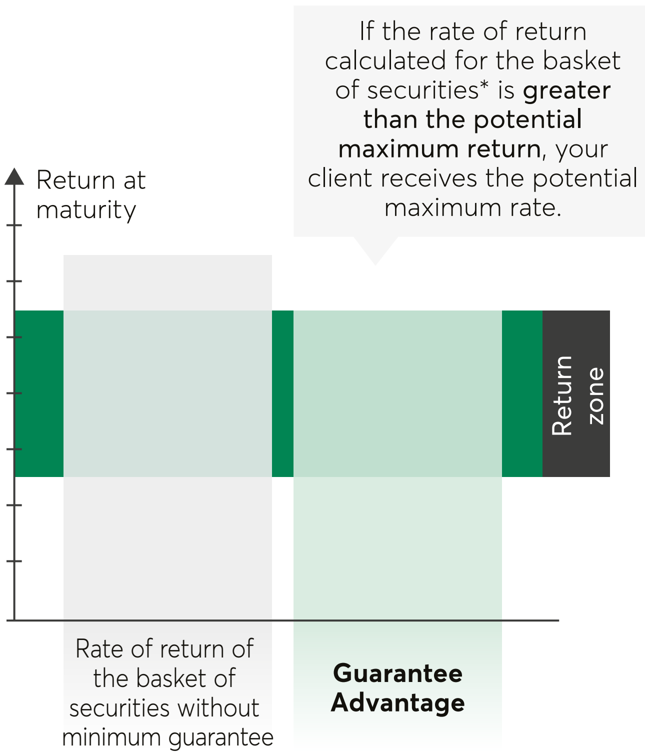


This is for illustration purposes only and is not an indication of past performance or a guarantee of future results. Refer to the Term Investments Contract for more information about how the rate of return is calculated

* Calculation method

The rate of return on the basket of securities is calculated at maturity. For each issue, 3 specific business days within the last 3 months of the term are used to determine the final return. The total return is equal to the average of the cumulative returns for each security in the basket on each of these 3 days. All of the securities in the portfolio have the same weighting. For more details, see the Term Investments Contract.

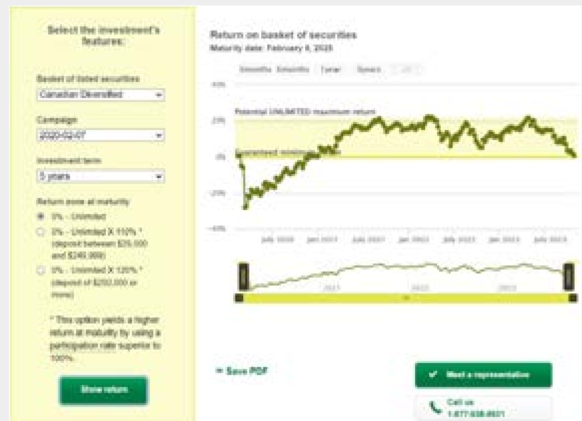
3. The actual return is above the maximum return.



TRACKING THE BASKET'S PERFORMANCE

You can track the basket's performance and compare it to previous campaigns using the **Track Your Returns** calculator.

Give it a try!



This scenario shows the performance of a securities basket for the campaign mentioned above. The total return is equal to the average of the cumulative returns for each security in the basket on each of three business days specific to the campaign. For more information about Guarantee Advantage, refer to the Term Investments Contract and the Features Table for the current campaign. Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company.

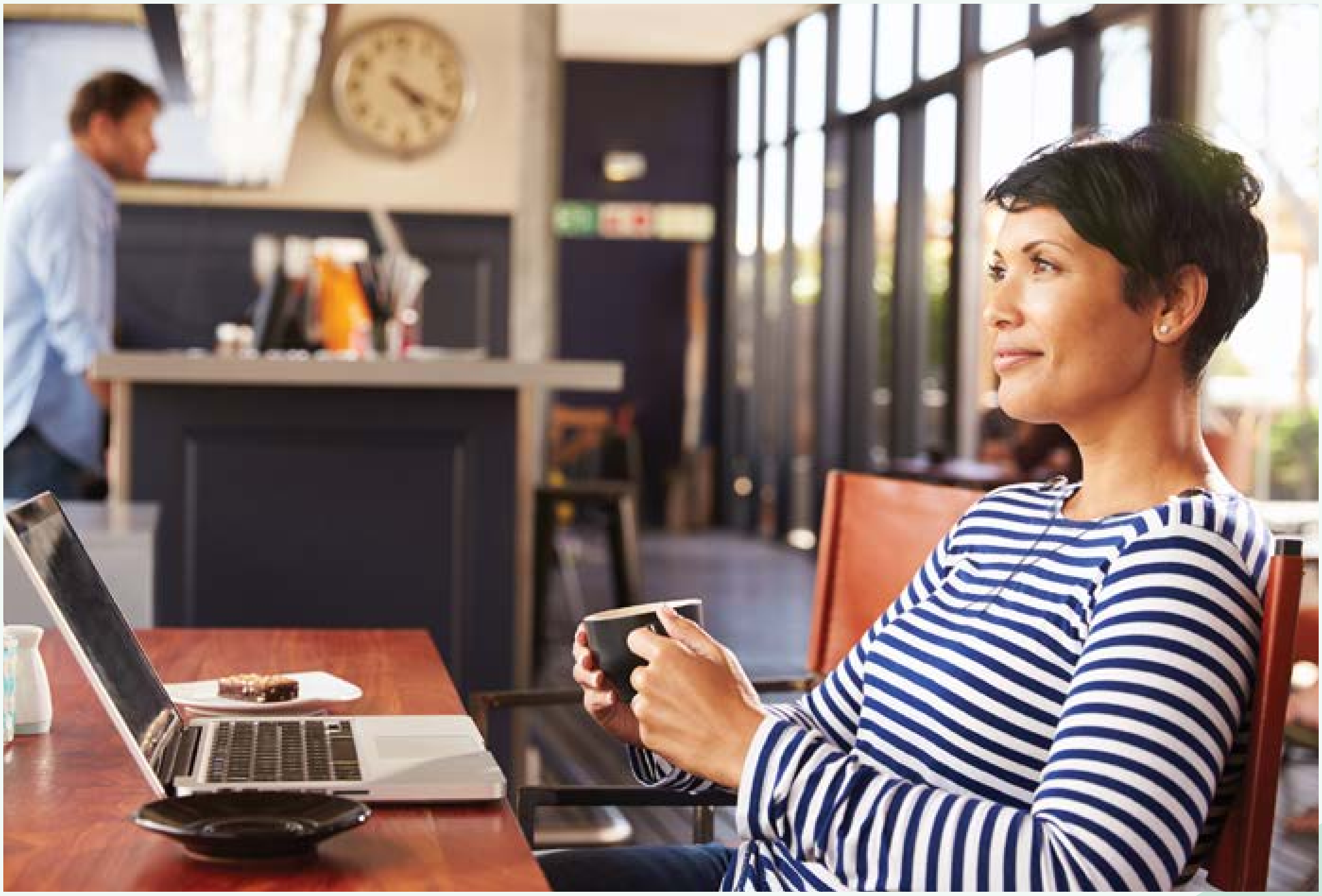
This is for illustration purposes only and is not an indication of past performance or a guarantee of future results. Refer to the Term Investments Contract for more information about how the rate of return is calculated

* Calculation method

The rate of return on the basket of securities is calculated at maturity. For each issue, 3 specific business days within the last 3 months of the term are used to determine the final return. The total return is equal to the average of the cumulative returns for each security in the basket on each of these 3 days. All of the securities in the portfolio have the same weighting. For more details, see the Term Investments Contract.

How to use Guarantee Advantage in your clients' portfolios

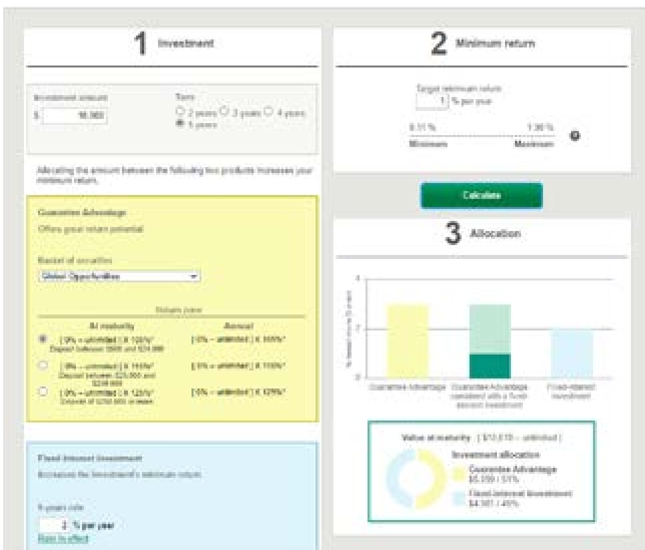
Learn how to incorporate Guarantee Advantage into your clients' portfolios, regardless of their situation.



To provide your client with a higher minimum return than they'd get with a fixed-rate term investment

If you spread your client's investment between Guarantee Advantage and a fixed-rate term investment, your client will get a higher guaranteed minimum return without sacrificing most of their return potential.

Use the Allocation Calculator. **Targeting a higher minimum return** under Sales material / Tools > Calculators (password required).



To generate RRIF or LIF[26] income for your client

How?

By allocating funds between Guarantee Advantage and a redeemable term investment in a RRIF using the **Allocation Simulator for RRIF/LIF income**.

- The term investment provides steady income over the investment period.
- At maturity, Guarantee Advantage offers a higher return potential than a redeemable term investment alone.

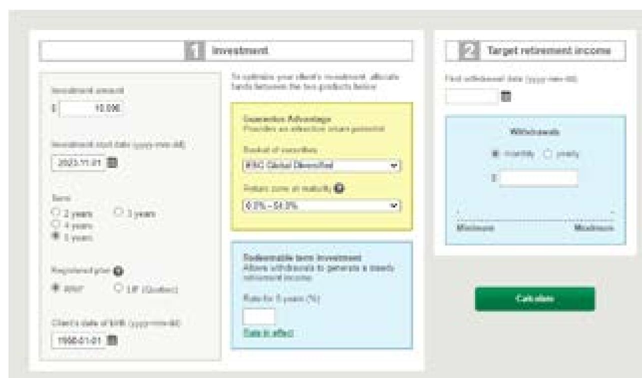
Why use the simulator?

- It's customizable: The simulator uses your client's target income to determine the strategy.
- It's easy: It automatically calculates the optimal allocation.
- It's effective: You'll get an easy-to-read report that you can present to your client.

Why is it only available for RRIF and LIF income?

Desjardins Insurance will allow clients to **withdraw up to 20%** of their money from a Term Investments Contract every year **without any market value adjustment**—but only if it's registered as a RRIF or LIF.

under Sales material / Tools > Calculators (password required).



DID YOU KNOW?

With Desjardins Insurance, Redeemable Term Investments, Daily Interest Investments and Guarantee Advantage are all part of the same contract. That means you only have to fill out one Application (No. 14309E) to use this strategy!

[26] Available for LIFs in Quebec only.

Terms and conditions

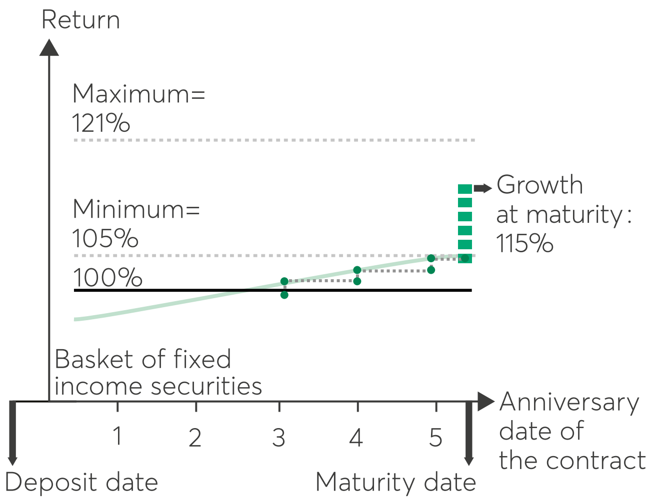
- How is the income from Guarantee Advantage taxed in a non-registered contract?
- Is it possible to surrender Guarantee Advantage before the end of the term?
- What are the possibilities for a beneficiary on the death of the annuitant?

The answers to these and many other questions are found on the following pages.

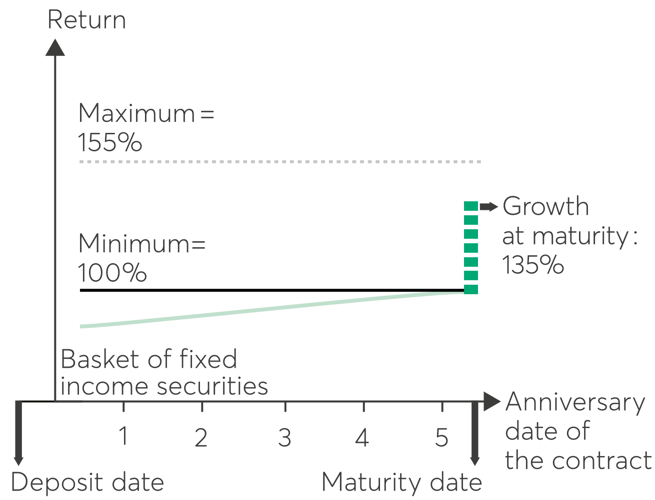
Taxation

In a non-registered contract, the tax treatment of Guarantee Advantage lets your clients defer taxation on their contract income for a few years, even beyond the deposit maturity date.[27] Plus, the accrued income is eligible for the pension income tax credit.[28]

Tax treatment when the minimum return is above 0%



Tax treatment when the minimum return is 0%



Taxable gain

Taxable gain at contract surrender OR deferred gain if contract remains in force

Before the deposit matures

Guarantee Advantage is taxed annually on the contract's anniversary **as income from a non-prescribed annuity**. On each contract anniversary date, the taxable income is calculated based on the "accumulation fund." The value of the fund is equal to the greater of the surrender value[29] or the current value of the minimum guarantee as determined by Desjardins Insurance (based on the value of the basket of fixed income securities). If the client chooses a minimum return above 0%, there is generally no tax to be paid in the first few years of the term. If the client chooses a minimum return of 0%, there is no tax to be paid before maturity.

[27] Clients should always keep an Investment option in force in the contract. That way, they'll maximize the benefits of Guarantee Advantage's tax treatment. Term Investments (including the Daily Interest Investment) and Market-linked Term Investments are offered through the Term Investments Contract.

[28] Conditions apply. At the federal level, the investor must be over 65 before the end of the taxation year to be allowed to include income from Guarantee Advantage in the credit calculation. The gain generated at the contract's surrender (partial or total) is not eligible for the pension income tax credit. Therefore, to use the federal pension income tax credit, when the client is eligible, the Contract should remain in effect until the next Contract anniversary date following the Deposit maturity date.

[29] The surrender value before maturity cannot be greater than the value of the initial deposit.

At the deposit maturity date, your clients have two options:

- Surrender their contract: They will be taxed on any gains over and above what has already been taxed during the term.
- Reinvest: Taxation will apply in the fiscal year that includes the next anniversary date of the contract.

EXAMPLE

Minimum return above 0%:
Deposit of $1,000 in Consumer Staples – 5 years, August 2023. Maturity date: August 10, 2028.
Value at maturity: $1,150.

Minimum return of 0%:
Deposit of $1,000 in Canadian Diversified – 5 years, August 2023. Maturity date: August 10, 2028.
Value at maturity: $1,150.
Contract anniversary date: July 1.

The tax treatment at maturity will depend on whether the client surrenders their contract or decides to reinvest.

1. Contract surrender

a) If the client chooses a minimum return above 0%

The client will be taxed each year, starting in the year the value of the basket of fixed income securities is greater than the value of the Initial deposit.

Year	Taxable gain
2024	$0
2025	$0
2026	$0
2027	$7
2028	$21
Total	**$28**

Total taxable gain:[30] $150 ($1,150 – $1,000)

Because the client has already been taxed on $28 in gains, they will only be taxed on the remaining $122 at maturity in August 2028. Since they will be surrendering the contract at that time, a total of $143 ($122 + $21) will be taxable in 2028.

b) If the client chooses a minimum return of 0%

The client won't be taxed during the term because the value of the basket of fixed income securities will never exceed the value of the initial deposit.

There will be a taxable gain of $150 at maturity in August 2028 when the client surrenders the contract.

2. Reinvestment in the contract[31]

During the term of the investment, the tax treatment will be exactly the same as in example 1 (surrender of the contract).

a) If the client chooses a minimum return above 0%

The client will be taxed each year, starting in the year the value of the accumulated fund is greater than the value of the initial deposit.

Year	Taxable gain
2024	$0
2025	$0
2026	$0
2027	$7
2028	$21
Total	**$28**

Total taxable gain: $150 ($1,150 – $1,000)

Because the client has already been taxed on $28 in gains, they will only be taxed on the remaining $122 at maturity. Since they will be reinvesting the contract, that gain will be taxed in 2029 (the year in which the next contract anniversary date occurs).

b) If the client chooses a minimum return of 0%

The client won't be taxed during the term because the value of the basket of fixed income securities will never exceed the value of the initial deposit.

There will be a taxable gain of $150 at maturity in August 2028. That gain will be taxed in 2029 (the year in which the next anniversary date of the contract occurs).

[30] To make things simpler, we're using the phrase "taxable gain" to describe the income earned over the term of the contract, which is taxable under subsection 12.2(1) of the Income Tax Act, and the gain on the contract's surrender, which is taxable under subsection 148(1). The difference between these two types of income can matter for the purposes of certain deductions or tax credits. However, they are both fully taxable because they are not considered capital gains.

[31] In this example, we assume that the Guarantee Advantage deposit was the first and only deposit in the Term Investments Contract.

Surrender

Both partial and total surrenders are possible with Guarantee Advantage. The surrender value is equal to the current value minus a market value adjustment. The surrender value cannot be greater than the current value or the amount of the initial deposit.

The surrender value is calculated as follows:

Surrender value =

Current value – market value adjustment
(compound interest rate on a deposit with similar remaining term + 1.5%)

X

Number of years remaining to maturity

X

Current value

Example of a partial surrender one year after a deposit in the December 2018 campaign, which has a term of 5 years and 2 days:

December 13, 2018	$10,000	Initial deposit
December 13, 2019	$10,958	Current value after one year
Partial surrender of $2,000		
Number of years remaining to maturity:	four years	

Now let's see how the partial surrender affects the guaranteed value and the current value:

1. Surrender value based on the rate of a four-year GIC at 1.3%

Surrender value
[1 – (1.3% + 1.5%) × 4 years] × $10,958 = $9,730.70

2. Adjustment of the value guaranteed at maturity and death

Prorated adjustment of the surrender value =
$10,000 × (1 – $2,000 ÷ $9,730.70) = $7,944.65

3. New current value

Initial deposit adjusted based on the accumulated growth on the surrender date =
$7,944.65 × ($10,958 ÷ $10,000) = $8,705.75

Options at death

The Term Investments Contract with a deposit in Guarantee Advantage ends upon the death of the annuitant. Ownership of the contract is not transferred to the beneficiary.

The options available upon the annuitant's death vary based on the registration of the contract.

	Non-registered contracts TFSA	RRSP, RRIF, Locked in RRSP, LIRA, LIF
Option 1 – receiving the death benefit	All beneficiaries	
Option 2 – continuing to invest the Guarantee Advantage deposit in a new contract	All beneficiaries	Only the annuitant's spouse
	Authorized beneficiaries may choose to take over the deposits initially made by the annuitant and, consequently, continue investing. If the beneficiary does decide to do so, they will become the owner of a new contract and must comply with the minimum deposit requirements and any other administrative rules.	

For more information, please consult the **Death settlement** section on webi.ca > Investments > Policy services > Accumulation and refund annuities (password required).

FAQ

The mechanisms and structure behind Guarantee Advantage will be clear to you after reading this section!

Structure behind **Guarantee Advantage**

The payment structure behind Guarantee Advantage is commonly referred to as a capped call. We determine the final return based on the average yield of the call option (which simulates the return of the underlying basket of securities), not exceeding the predetermined potential maximum return. **Clients participate fully in the returns—in other words, 100% of the return is passed on to the client.**[32]

Fixed income instruments	The company invests primarily in fixed income to secure the principal and the guaranteed minimum return portion of the investment
Options	The company buys and sells call options (call spread strategy) to generate the additional return needed for the range of rates offered
Commissions	Representatives are paid based on the commission contract in place
Administrative expenses	We need to cover expenses such as: • Customer service • Administration • Marketing

At issue, we use the majority of the investment to purchase the two types of financial instruments used in the structure. The rest is used to cover administrative expenses and commissions.

1. We purchase a basket of fixed income securities to generate a guaranteed amount which covers the principal and, depending on the contract, the minimum return at maturity. These fixed income securities mature on the campaign's maturity date.
2. We use a call spread strategy to generate the additional return needed for the range of rates offered.

- **Buying a call option:** Desjardins Insurance buys a call option linked to the performance of the campaign's basket of securities. The call option is on the basket, not on each individual security. No securities are held directly by the company. Any excess return generated by the basket over and above the campaign's guaranteed minimum return will increase what the client earns.
- **Selling a call option:** To reduce the cost of the transaction, Desjardins Insurance also sells a call option on the same basket of securities, thereby agreeing to pay the holder of the option (another financial institution) the portion of the return that exceeds the campaign's maximum potential return. For unlimited return campaign options, no call option is sold.

[32] The yield on the basket of securities doesn't take into account any dividends or distributions paid on the securities in the basket. Under certain conditions, the participation rate may be higher than 100% for some baskets of securities. See the Features Table for the current campaign for more details.

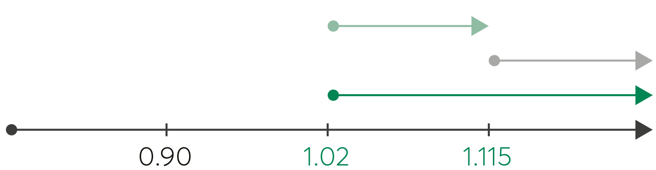
EXAMPLE 1

Sample allocation of a deposit with a guaranteed minimum and a potential maximum return

Deposit	Fixed income instruments	Other expenses	Call options (purchased and sold)
$100	$90	$5	**$5**

Details of the options strategy:

$7 (●)= Buying a call option: basket return > 2%
Less (-)
$2 (●) = Selling a call option: basket return > 11.5%
Equals (=)
$5 (●)= Spread between buying and selling the call option



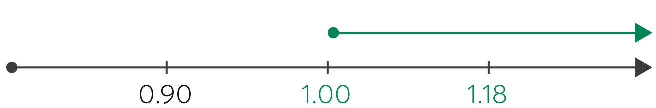
EXAMPLE 2

Sample allocation of a deposit with a guaranteed minimum and an unlimited potential return

Deposit	Fixed income instruments	Other expenses	Call options (purchased)
$100	$90	$5	**$5**

Details of the options strategy:

$5 (●) = Buying a call option: basket return > 0%



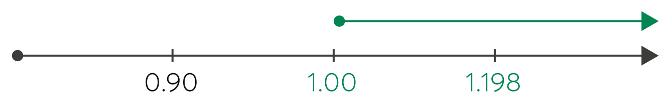
EXAMPLE 3

Sample allocation of a deposit with a guaranteed minimum and an unlimited potential return at a 110% participation rate

Deposit	Fixed income instruments	Other expenses	Call options (purchased)
$100	$90	$4.50	**$5.50**

Details of the options strategy:

$5.50 (●) = Buying a call option: basket return > 0%



WANT TO KNOW MORE ABOUT HOW GUARANTEE ADVANTAGE IS STRUCTURED?

Watch the three-part video series:

Video 1: All about Call Options

Call options are central to how the return zone works. Find out how they help your clients benefit from the potential of the market without being directly exposed to its risks.

Video 2: How Is New Money in Guarantee Advantage Invested?

Learn more about all of the financial instruments that make up Guarantee Advantage and how they work.

Video 3: Let's See How It Works

This video uses concrete examples to show you how Desjardins Insurance uses call options to deliver on its advertised rates, every time, no matter what the market conditions are.

What is the currency hedging policy for a basket with securities in euros, U.S. dollars or other foreign currencies?

- Call options are bought in Canadian dollars.
- The return at maturity will not be affected by exchange rate fluctuations, even if security prices are published in foreign currencies.
- We buy options that track the price of each security in its native currency and calculate its return. We take the average return of all the securities in the basket and apply that rate of return to the initial deposit.

Guarantee Advantage with a 100% participation rate

Return on a basket of securities in local currency	4.79%	4.79%
Appreciation rate of the U.S. dollar against the Canadian dollar	5.00%	-5.00%
WITHOUT exchange rate protection Return on the basket of securities converted into Canadian dollars	**10.03%**	**-0.45%**
WITH exchange rate protection Return on the basket of securities converted into Canadian dollars	**4.79%**	**4.79%**

Security selection

A quantitative factor-based model is used to select the securities for each basket. The objective is to create a basket of securities that is less volatile than the equivalent market index, but with a similar performance outlook. Baskets are reviewed once a year to make sure they continue to meet investment objectives.

Webi.ca: your source for all things **Guarantee Advantage**!

For more information and sales materials, visit **webi.ca/GuaranteeAdvantage**.

Added protection: Assuris

Desjardins Financial Security is a member of Assuris, the not-for-profit organization that protects Canadian policyholders if their life insurance company should fail. Visit **assuris.ca** to learn more.

Desjardins

Desjardins Group is the largest cooperative financial group in North America and the fifth largest cooperative financial group in the world, with assets of $398.6 billion. It was named one of the World's Top Female-Friendly Companies by Forbes magazine. To meet the diverse needs of its members and clients, Desjardins offers a full range of products and services to individuals and businesses through its extensive distribution network, online platforms and subsidiaries across Canada. Ranked among the world's strongest banks according to The Banker magazine, Desjardins has some of the highest capital ratios and credit ratings in the industry.*

Canada's leading financial institution for responsible investments

A pioneer in the responsible investment (RI) field since 1990, Desjardins offers the largest selection of RI solutions and has the most in-depth RI expertise in Canada, thanks to a team of seasoned portfolio managers.*

Add **Guarantee Advantage** to your sales strategy!

Your **Regional Sales Director** can help you sell Guarantee Advantage.

Give them a call today!

Desjardins
Insurance
Life • Health • Retirement

* Desjardins internal research, March 31, 2023

The information in this document is for illustration purposes only and is not an indication of past performance or a guarantee of future results. Refer to the Term Investments Contract and the Features Table of the current campaign for more information. The terminology used in this document has been simplified for illustration purposes. In the event of a discrepancy between the information in this document and the information in the Term Investments Contract or the Features Table of the current campaign, the Contract and Features Table will prevail. Please read them carefully before investing.

Desjardins Insurance refers to Desjardins Financial Security Life Assurance Company.

12092E (2023-10)