Advice **Matters**

SUMMER 2016

Best investing advice I ever received

I'll never forget attending my first annual meeting for Berkshire Hathaway in Omaha, Nebraska over a decade ago. For one, it was far too bumpy a landing and lightning hit the plane.

by Jason Gibbs, CFA
Vice President & Portfolio Manager,
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held in Scotia INNOVA Portfolios

MORE IMPORTANTLY, it was the chance to be in the same building as the best investor of all time, Warren Buffett, and to truly focus and learn from him over several hours. There is no course that can ever replace a day like that.

For all his talent – this is, after all, someone worth approximately $66 billion – no one is a better teacher on the art of investing.

So, what can we learn from the best?

Keep your emotions in check and think long term.
This is by far the most important success factor when investing. Many fall into the trap of buying high and selling low with the crowd. Buffett has seen more cycles than anyone, and keeps an even temperament when others do not. In a *New York Times* editorial on October 16, 2008, in the depth of despair and panic selling during the financial crisis, he advised people to follow his lead and buy stocks. "A simple rule dictates my buying: be fearful when others are greedy, and be greedy when others are fearful." In November 1999, at the height of market euphoria when most were buying, he was quoted in *Fortune* magazine as saying: "Investors in stocks these days are expecting far too much."

"A simple rule dictates my buying: be fearful when others are greedy, and be greedy when others are fearful."

Keep it simple and don't try to forecast the impossible.
He invests in companies that are easy to understand, businesses that you and I use on a regular basis because we have little choice, such as utilities. Offence wins games but defence wins championships.

Block out the daily media noise, focus and don't over-trade.
If you own a wonderful business that happens to be private, you're not going to sell it one day in the hopes of buying it back cheaper another day. So why do that with stocks? Buffett maintains a humble life in Omaha, well away from the hyper trading activity of Wall Street.

In all areas of life you have to study those who had the longest track record of success. Warren Buffett has taught any investor willing to listen the path to wealth creation and preservation. ■

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INVESTING INSIGHTS

Start small and finish bigger.

How small increases to your PAC can help you reach your long-term goals faster.

BIG DREAMS can become reality – and it depends on three things: starting the journey, taking small steps to build momentum, and making adjustments along the way. Similarly, one of the simplest ways to plan for your future, retirement in particular, is to make investing automatic using a pre-authorized contribution (PAC) plan.

Don't set it and forget it.

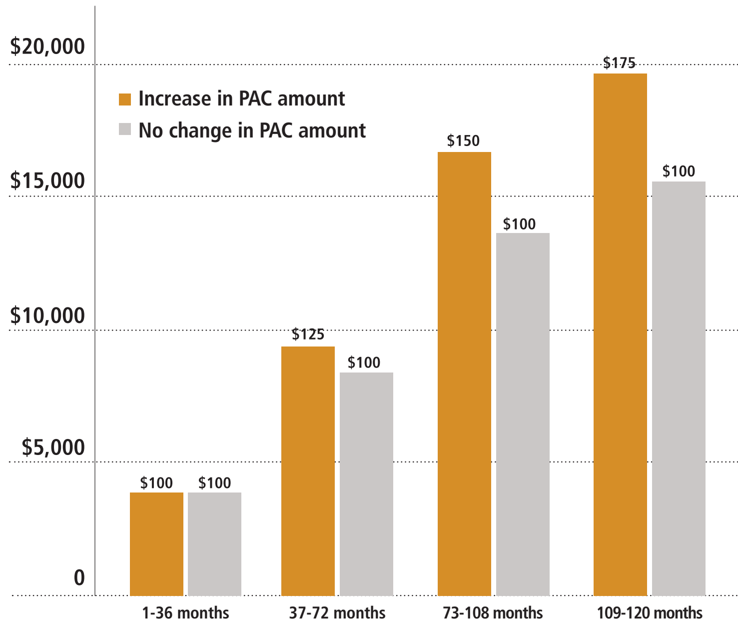
While a third[1] of Canadians "pay themselves first," many fail to adjust their plan as their financial circumstances change.

Over the course of your life, it's likely that you will experience changes in your cash flow as student loans are paid off, child care and extra-curricular expenses decline and mortgages are paid down. At the same time, your income is likely to increase over the course of your career, increasing your disposable income. Think about giving yourself a raise by upping your regular contributions to reach your goals that much faster.

Consider the following example[2] of two investors who each start saving $100 on a monthly basis for 10 years. The first investor faithfully continues saving but doesn't revisit his plan as his income grows and expenses decrease. The second investor also contributes, but increases her monthly contribution by $25 every 3 years. After 10 years, the impact of revisiting the plan really starts to add up – over $4,000 in this example.

While having a plan to automatically invest without thinking about it is a great practice, consider the difference it can make by simply revisiting the plan regularly. Thanks to the power of compounding, this incremental increase is given added legs.

Establishing a financial plan with your needs in mind, investing in solutions that match your goals, and revisiting your plan when your financial circumstances change is a great way to help you reach your long-term goals faster. ■



[2] For illustrative purposes only. The example uses a hypothetical rate of return of 5.0%, assumes reinvestment of all income, and does not include transaction costs, fees or taxes. The example does not reflect actual results or the returns or future value of an actual mutual fund or any other investment.

Benfits of a PAC

- **Makes saving easy**
- **Takes advantage of compound growth**
- **Works with almost any budget**

For more information on PACs, speak with your Scotiabank advisor.

[1] Scotiabank Global Brand & Customer Insights, Canadian Mindset Study, May 2016.

FINANCIAL PLANNING

Financial checklist of dos and don'ts

At one time or another we've all been told it's fine to make mistakes because that's how we'll learn. When it comes to money matters however, it's better to do your research and make informed decisions.

There are a number of common financial missteps and strategies to help you avoid them.

DON'Ts

Spend beyond your means

It's easy to slip into debt, particularly if you misuse credit. Using credit responsibly, however, will make it easier to qualify for a loan in the future and may even earn you a lower interest rate.

Live paycheque to paycheque

For some this is a reality, but for many of us we spend our entire paycheques more out of habit than necessity, leaving no cushion if needed.

Fail to plan

Many people think that having a financial plan is only for those nearing retirement. Others rely on rough estimates to assume that their goals will be met.

Put off growing your nest egg

There always seems to be a good reason to put off saving for retirement – you may be working to pay off a student loan, saving to purchase a home or you may think you can only start when you have a significant amount to contribute.

Avoid talking about the inevitable

Death can be an uncomfortable topic. But we've all heard unfortunate stories about people who work their entire lives to ensure their family will be taken care of when they're gone, then sadly neglect to put a proper estate plan in place.

DOs

Establish a budget

Establishing a budget is an important step in achieving short-term priorities like paying monthly bills and longer-term goals like buying a car or a home. By keeping track of your income and expenses, you'll have greater control of your finances and know where your money is going. To help you get started, visit **www.scotiabank.com** and try the *Scotiabank Money Finder Calculator*

Save for a rainy day

Unexpected expenses are inevitable, so an emergency fund should be part of your budget. Even if you only set aside a small amount every pay, if something does arise, such as major repair to your vehicle, you won't need to access your longer-term savings or borrow from your credit card as is often the case. A rule of thumb is to save the equivalent of three to six months of living expenses to get you through a financial set back or job loss.

Have a financial plan in place

A financial plan is the only way to have a complete picture – it not only encompasses longer-term goals, such as retirement planning, but also includes shorter-term goals such as saving for a car or a home. A sound financial plan focuses on your current needs and future goals and puts strategies in place to help you achieve them.

A Scotiabank advisor can meet with you to get an understanding of your current financial situation and work with you to develop an easy-to-understand plan created just for you that reflects your long-term goals and short-term priorities.

Put growth and compounding to work for you when you stop working

Time is one of your greatest allies when saving for retirement – start a retirement savings plan as early as possible, so you don't have to make up for lost time. Refer to the article on page 2 ***"Start small and finish bigger"*** to learn more.

Plan for your estate

Estate planning includes preparing a will, tax planning, establishing powers of attorney and purchasing life insurance. Working with a knowledgeable team of professionals from across Scotia Wealth Management, your Scotiabank advisor can ease this process and help provide guided access to resources and expertise that can address your needs. ■

INVESTMENT TIPS

Vacation home fever — *tips to consider*

Many of us fantasize about buying a vacation home – whether it is a summer cottage, winter retreat or tropical hideaway – and some of us may be lucky enough to make this dream a reality. If you are considering taking the plunge, here are five tips to help you make an informed decision:

1 Use your head as well as your heart

It's easy to be swept away with idyllic dreams of a holiday home of your own – whether it's sipping cocktails while looking out on the water or relaxing in front of a blazing fire. But sound judgement needs to play a part too. Make a list of pros and cons before you make one of the biggest purchases of your life and talk to those who've already purchased to learn from their mistakes.

2 Try before you buy

You will be setting down roots in a particular area, so make sure you truly love it. Visit the area more than once – and even visit other areas for comparison – to be sure it's the locale for you.

3 Weigh all the costs

The total price of ownership may surprise you, and better to be surprised sooner rather than later. Buying your new home is just the beginning – factor in property taxes, insurance (which tends to be steeper for vacation homes), maintenance and other carrying costs. Financing terms for a second home can be more stringent and if you buy outside of the country you'll need to weigh fluctuating exchange rates and look into taxation for foreign residents. However, if the property has rental income possibilities, this can take a bite out of overall costs.

4 Make it a family affair

Does your family share your dream? Vacation homes can often bring families closer together, but as children grow their interests and commitments may change. Passing the property on to your children is an incredible gift, but they could be subjected to hefty capital gains taxes and other estate planning considerations should be explored.

5 Think outside the box

You may be able to fulfil your dream in ways that may fit better into your lifestyle and financial plan. Time sharing with friends or renting might provide you with greater flexibility. Joining the tiny home movement might be more financially feasible. Camping or RVing might give you the freedom to live the dream for a few years until priorities change. Explore all the options out there.

Buying that vacation home can be a dream come true for you and your family. Talk to your Scotiabank advisor about how to incorporate it into your financial plan and make the dream a reality. ■

MARKET INSIGHTS

Quarterly Recap

Britain votes to leave the EU.

In a historic result, 52% of British voters opted to leave the European Union (EU), catching global markets by suprise and creating an immediate spike in market volatility as investors struggled to determine the long-term impact. The British pound hit a multi-decade low following the results, while the euro also declined.

There were two camps preceding the referendum vote – those that wanted to remain and those that wanted to exit:

The Remain camp argued that pulling out of the EU could negatively impact the British economy. Led by Prime Minister David Cameron and many business leaders, they believed that leaving would cause slower economic growth, job losses, higher prices and a potential recession.

The Leave camp contended that exiting the EU would give the UK greater control over its borders and reduce bureaucracy.

In addition, cutting payments from the EU would save the British government billions of dollars and allow that spending to be allocated to health care and other priorities.

Immediately following the vote to exit the EU, European leaders from Germany, France and other member countries quickly took action to limit any fallout and contain market contagion.

Britain's departure from the EU will likely take a few years to conclude before an official split.

Keep Calm and Carry on.

Market volatility, as measured by the CBOE Volatility Index (VIX), spiked by over 33% immediately following the vote, roiling many markets, but steadied relatively quickly as the initial alarm waned. Once again, investors who maintained a level head and long-term perspective in the midst of this volatility saw the value of staying invested. ■

MARKET PERFORMANCE (YTD Returns in CA$ as at June 30, 2016) Source: Bloomberg

FTSE TMX Canada Universe Bond Index	S&P/TSX Composite Index	S&P 500 Index	MSCI World Index	MSCI Emerging Markets Index
▲4.05%	▲9.84%	▼-2.54%	▼-5.19%	▼-0.02%

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