Advice **Matters**

SPRING 2018

Keep calm and *invest on*

Staying invested during market ups and downs is simple – but not always easy.

WHILE THE UPS AND DOWNS of equity markets are largely unpredictable, their effect on investor behaviour very often is predictable. Recent market volatility provides you the opportunity to do a "gut check" on your comfort level with risk.

Spikes in market volatility, while unsettling, may prompt you to abandon your long-term plan for the short-term reprieve that cash and other liquid investments offer. If the temptation to retreat to the sidelines takes hold, ask yourself if the market or economic events fuelling the downturn changes your long-term goals.

As you ponder your options, keep the following in mind:

Manage risk, don't avoid it

Taking on investment risk doesn't need to be an all or nothing approach. Consider finding a middle ground with an investment solution that offers a balanced approach to risk and return. Not surprisingly, reducing your exposure to riskier investments will help to lower the overall risk of your portfolio, but taken too far, you could increase your exposure to other risks, such as longevity risk – the risk that you'll outlive your retirement savings. The key to long-term investment success is balancing growing your savings in line with your needs and expectations with a mix of investments that will let you sleep at night.

Put diversification to work

Often equated to not putting all your eggs in one basket, diversification is a technique that combines different types of investments – stocks, bonds, cash, for instance – in a portfolio to help reduce risk. By including investments that have different reactions to economic trends and events – as one type of security falls the other should rise – can help buffer the negative effects.

Invest automatically and take advantage of market ups and downs

Instead of fearing a market correction, consider viewing it as a buying opportunity. Although there's always the potential for prices to move lower, you could even think of it as purchasing your investments on sale. Offering even greater benefits, investing small amounts in regular increments through a Pre-Authorized Contribution (PAC) plan not only helps to eliminate the guess work of when to buy, it's a convenient and simple way to save without even thinking about it.

2/3 of Canadians **prefer little to no risk** when investing their money

1/3 are comfortable with **some risk taking** when it comes to investing

Source: Scotiabank: Global Brand & Customer Insights, The Canadian Saving and Investment Mindset – "The Highlights, April 2017.

61% of Canadians believe if they stick to their financial plan, they will be able to weather any economic downturn

Source: Ipsos Syndicated – Canadians and Financial Advice 2017.

Focus on the big picture

Be realistic and measured. When looking at historical rates of returns, don't focus solely on the upside. Although it's practically impossible to forecast when the next upward or downward spike in the market will take place, having a well thought out investment plan can help provide a sense of confidence that you can ride out the volatility.

Working through some of your concerns, either on your own or with an advisor, can allow you to make reasoned investment choices, view your portfolio with less unease, and ultimately help keep you on track to meet your financial goals. Keeping an eye on the long-term strategy will ultimately help keep you on the road during the short-term bumps and turns. Contact your Scotiabank advisor today to review your current plan or develop a plan that makes sense for you. ■

SPOTLIGHT PART 5 IN OUR SERIES

How to plan for your financial future in your *sixties*

Whether you plan to retire right at 65 or work a little longer, you're likely eager to ensure your retirement dreams can soon become a reality. Here are some tips on helping prepare for this significant milestone.

Steps to take at age 60 and beyond:

The dos:

✔ **Take stock of income sources.** Canadians have been accumulating savings their entire life; in retirement, the tables turn. It's important to determine what your income sources for retirement will be, such as government pensions, workplace pensions, registered and non-registered accounts, and Tax-Free Savings Accounts (TFSA). Speak with a professional to discuss the order in which to access them.

✔ **Factor in all the phases of retirement.** It's helpful to think of retirement in three stages. In the early stage, spending tends to be higher, as more time may be spent travelling and crossing items off your 'bucket list' that may have been put off while working. In the middle stage, time spent with family and friends often takes priority, as routines are established. In the later stage, the spotlight is typically on estate planning; health care, and all the associated costs, may become a greater focus.

✔ **Consolidate your investments.** Holding investments at a variety of financial institutions may seem like an effective way to diversify investments, but it could hold you back from reaching long-term financial goals. Combining investments at a single institution can have many benefits including greater clarity to achieving your financial goals. Consolidating can make investing more convenient by reducing the number of tax slips and statements you receive, helps reduce fees, helps diversify effectively and maximize tax efficiency. By simplifying your investments, and through a fully integrated plan, you can stay on track.

The don'ts:

✘ **Rush into downsizing a home.** More than half of surveyed Canadians between 55 and 64 are considering selling their homes to help fund their retirement.[1] But while it may seem like a great idea to downsize given significant gains in home prices over the last decade, you may find there's less of a boost to your nest egg than expected – especially after paying the added costs (including any applicable land transfer tax and legal fees).

✘ **Keep mum about your estate plan.** Though it can be an emotional conversation, speaking with family about an estate plan now can help avoid conflicts between loved ones down the road. It's not necessary to provide all the details, but an understanding of your wishes can go a long way. It is common to choose a family member to be the executor. However, choose the family member carefully as this is a role with significant responsibilities and both parties should be comfortable with the decision.

✘ **Draw too quickly from retirement savings.** Saving enough for retirement is important, but so is drawing from it at an appropriate pace for the two decades or more spent in retirement. According to a recent study, individuals aged 50 and over reported saving an appropriate amount of income (an average of 20% annually) but planned to withdraw 15% of their retirement savings annually – three to four times the rate that is typically recommended.[2] ■

1 in 4 of Canadians say they expect to retire from the workforce between the ages **65 and 69**

19% between the ages of **60 and 64**

10% between the ages of **55 and 59**

Source: Scotiabank: Global Brand & Customer Insights, 2017 Investment Poll.

[1] 2016 RE/MAX poll conducted by Leger, RE/MAX Spring Market Trends Report.
[2] Survey: Canadians nearing retirement need help for the future; Morneau Shepell, July 2016.

The years in your sixties and beyond can bring greater freedom to do what you want, when you want. To make sure you are financially prepared for this exciting new chapter, contact a Scotiabank advisor today.

PENSION PLANNING

Determining when to collect public pensions

Alongside personal savings and private pensions, government pension plans – the Canada Pension Plan (CPP) and Old Age Security (OAS) – are a cornerstone of regular income for retirees in Canada.

The decision on when to start collecting CPP and OAS is a personal one and should be carefully thought through. Canadians may choose to receive the CPP as early as age 60 or as late as age 70. OAS can be deferred up to age 70. When to elect to receive CPP and OAS benefits will have a direct bearing on the monthly income received. Health and financial implications should all be considered.

Here are a few questions to get you started:

1. When do you plan on retiring?
2. Have you considered how your age could affect your monthly payment?
3. Does your financial plan factor in government benefits and the options available to you?
4. Are you managing your income sources to minimize a potential OAS 'clawback'?
5. If you take the CPP early, should you stop working?
6. Should your health and/or life expectancy factor in to when you collect?

FINANCIAL PLANNING

A roadmap to your *financial* well-being

Travelling can be an exciting, fun adventure. But sometimes when you're in new, unfamiliar surroundings, you can get lost or disoriented. A roadmap can point you towards your destination.

Financial planning, like a roadmap, can assist in dealing with bumps in the road, avoiding wrong turns and reaching dead ends. It can also help keep your financial journey pointed in the right direction.

Ideally, a financial plan focuses on your current needs and future goals. It establishes the best routes to get there (on time) as well as identifies important landmarks so you know you're on the right track.

Since no two people's situations are the same, and life can certainly take a detour or two, your plan can be as simple or as robust as you need it to be to fit your circumstances.

There are many different areas of financial planning, and while some may not be relevant to you now, over time that may change. A financial advisor can help you determine what may impact your situation.

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A Roadmap to your Financial Well-being – Cont'd...

Here are some areas to consider on your roadmap.

It's not just about how much you make. It's also about how much you spend.

Figuring out how much money you have and where it goes doesn't necessarily mean penny-pinching or giving up your daily Frappuccino, weekly dinners out, annual vacations or cutting out other life's pleasures. In fact, it's about realizing the best ways to allocate money to things most important to you. A good way to kick start your plan is to list all your income and expenses side by side to shine a light on potential potholes on your financial journey. This exercise may help uncover some hidden cash flow opportunities that might free up more money to go towards other financial goals. It can also provide a clearer picture to help you determine if you can afford to maintain your current lifestyle.

Keeping your eggs in one basket

Encountering a rough ride on your financial journey is always a possibility. Diversifying your savings across a wide range of investments can help manage long-term risk and keep you focused on your investment objectives. It also can help you avoid the temptation and pitfalls of trying to time the market.

Death and taxes – you can't avoid either.

A healthy lifestyle may prolong your life, and a sound financial plan can identify ways to reduce or defer the taxes you're paying now and in the future. There are many potential strategies to consider, including capital gains deferral, retirement income splitting, Canada Pension Plan (CPP) sharing, cash gifting to your minor children, testamentary trusts and tax-efficient investments such as corporate class mutual funds.

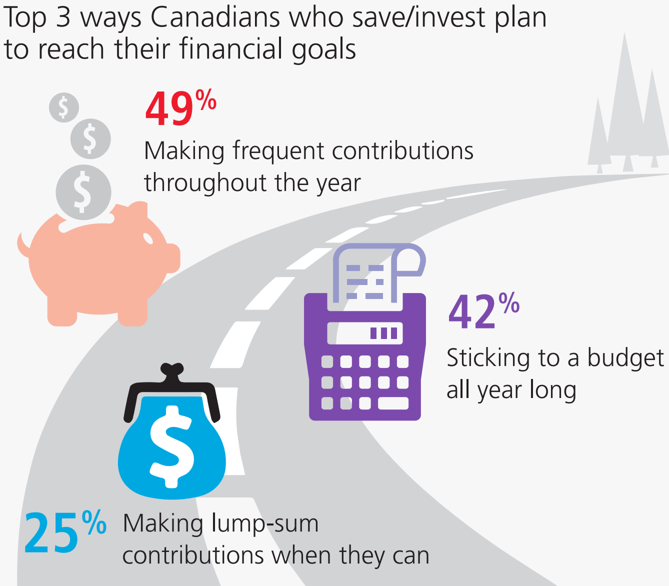
Peace of Mind

During the course of your financial journey, your situation can change. Although certain life milestones are reason to celebrate such as getting married or having a baby, it's also important to examine how these events affect your financial plan. As you and your partner embark on the path to building your savings and home, you may also want to ensure that your family is protected and taken care of.

While it can be hard to think about, at some point in time, your journey through life will end. It's important to ensure that your finances and legal affairs are in order beforehand. Your financial roadmap should include a stop to allow you to make objective and financially sound decisions to reflect your wishes in a Will. Your financial plan can help you determine: the best ways to transfer wealth to your children and grandchildren or other relatives; who are the right executor and trustee for your estate; and, charitable giving, probate and other tax considerations. For business owners your roadmap can also help you determine the necessary steps for a smooth and successful transition of the business to future generations.

According to a Scotiabank poll

Top 3 ways Canadians who save/invest plan to reach their financial goals



Source: Scotiabank: Global Brand & Customer Insights, 2017 Investment Poll.

Choosing your destination

While not all aspects of financial planning may apply to your current situation, as your financial wealth grows over time and you encounter life's milestones, you can adapt to meet your evolving needs.

Your Scotiabank advisor can be a good place to start and also serve as a regular annual check point to help ensure you stay pointed in the right direction. ■

RETIREMENT PLANNING

3 tips to help you retire *mortgage-free*

We all have unique financial goals, but there is one goal that's common to most Canadians – eliminating debt before retirement.

Among Canadians, debt remains a key concern, and without a doubt, many of us would like to be debt-free by the time we retire, especially when it comes to a mortgage. That's a smart objective, especially since cash flow has to be managed carefully in retirement. To help you achieve that goal, here are three simple tips to get you started:

1 Increase your payment frequency.

- Making monthly mortgage payments is a fairly common practice for Canadians, but simply changing the payment frequency to bi-weekly or weekly, can significantly reduce the lifetime of your mortgage and help you pay it off sooner.
- Scotiabank has several online tools, videos and articles to allow you to model your scenarios and find out what works for you. Our **Mortgage-Free Faster Calculator** helps you estimate how to reach your goals faster.

2 Increase your monthly payment amount.

- Many closed-term mortgages allow you to increase your payment amount each year up to a set maximum depending on the features of your mortgage. Where it makes sense and you are able to do it, increase your payments. You'll be surprised how much your amortization changes.

3 Take advantage of pre-payments.

- Make lump sum pre-payments. Most closed-term mortgages allow you to make lump sum pre-payments up to a set maximum. These pre-payments – large or small – go directly to the principal and immediately reduce your mortgage balance.

While it may seem like a stretch to retire your debt before you retire from the workforce, consider that roughly 32% of Canadians aged 65 and over are debt-free.[1] Smart borrowing decisions, avoiding excess credit, and seeking advice from a financial advisor likely helped them achieve this goal.

If you're nearing retirement, there's still time to reduce or pay off your debts. Meet with your Scotiabank advisor to review your retirement plans: they can help you create a strategy that addresses your goals – from borrowing to investing – and provide you with a plan to help you achieve them.

[1] Statistics Canada, 2014.

Six in 10 Canadians have changed their spending in order to save on household expenses

Source: Nielsen Global Online Customer Confidence Surveys, Q2 2017 – Canada.

Top 5 Cost Saving Activities

59% Spend less on clothes

55% Cut down on take-away meals

51% Cut down on out-of-home entertainment

51% Save on utilities

48% Switch to cheaper grocery brands

MARKET INSIGHTS

Market Recap (First Quarter 2018)

Markets dented by tariff talk.

Despite a strong start to the year, most developed equity markets ended the first quarter in the red. The prospect that a global trade war could stall global economic growth, as well as ongoing North American Free Trade Agreement (NAFTA) negotiations were among the dominant headlines. Several announcements from U.S. President Donald Trump regarding tariffs and trade deals caused a notable increase in market volatility, with the S&P 500 and S&P/TSX Composite falling 0.76% and 5.19% respectively.

Bank of Canada holds rates steady.

The Bank of Canada (BoC) kept rates at 1.25% in February, citing trade policy as an "important and growing source of uncertainty." The BoC said that while more hikes are probably warranted, some continued monetary policy accommodation will likely be needed to keep the economy operating close to potential and inflation on target. The BoC also expressed caution in considering future rate moves. In response, the Canadian dollar sank to near its weakest level since July 2017 following the news and was down 2.4% against the U.S. dollar at the end of the quarter.

Emerging markets outperform developed markets.

Despite the rise in market volatility, emerging market equities were a bright spot in an otherwise weak quarter. The MSCI Emerging Markets Index was up 1.24%, with the majority of the gains coming from a strong January. Index heavyweights, Brazil, China and Korea were among the top performing developing nations over the past year, with economically-sensitive sectors like information technology, materials and industrials leading the gains. ■

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