Your Money Finder™

NEWSLETTER
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Your life should be interesting - Your investments should be boring. – David Bach

Boring is best for investments

Investing in the stock market is a very exciting idea, but it's no easy job, as most investors who try to 'buy low, sell high' discover. As David Bach, best-selling financial author and special advisor to Scotiabank puts it, "In the real world, almost no one actually manages to buy low and sell high. At least not consistently."

One of the reasons for this is that the world is not a simple place, and unpredictable events and the changing dynamics of our economies, can play a role in adding to market volatility. What may be needed for many investors is a more boring approach to investing, Bach argues - one that doesn't require constant vigilance and maintenance. David Bach believes this approach should be based on two common sense principles:

- Don't put all your eggs in one basket (diversification).
- Keep your investment arrangements simple.

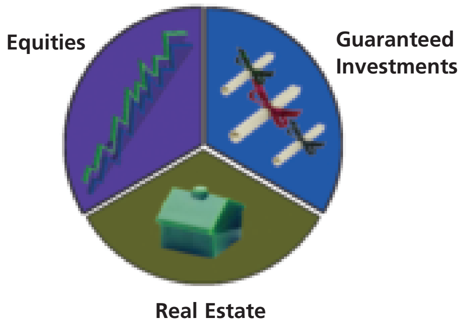
Just a thought

"Let me suggest to you the eighth wonder of the world. It is compound interest."
- Baron Rothschild

Consider David Bach's Perfect Pie Approach™[1]

David recommends that your investments fall into three categories:

- **Real Estate.** This can be the investment in your home, rental properties, and real estate mutual funds.
- **Equities.** You can choose equity investing such as mutual funds for built-in diversification.
- **Guaranteed Investments.** These give you fixed-interest earnings you can count on to provide balance and stability to your portfolio, such as bonds, GICs and saving accounts.



Next to your home, taking advantage of the long-term growth potential of your RSP should be a top priority. For longer term goals, it's essential to have some RSP investments in equities (the stock market), because of the market's potentially higher than average returns over time.

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Scotiabank Group™

Life. Money. Balance both.™

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If you're not comfortable investing directly in the stock market, choose a well-diversified mutual fund to take advantage of long-term returns. With this approach, you get stock market diversification, you still have a wide range of investment choices within the mutual fund portfolio, and your portfolio is fully managed by investment experts to take advantage of changing market conditions.

GICs add stability to your portfolio

Finally, for steady fixed-interest returns with your principal guaranteed, consider Guaranteed Investment Certificates (GICs). Available with a variety of terms and features, your GIC investment principal is always safe and your rate of return is locked in and guaranteed for the term of your investment[1]. GICs are a great way to provide the stability and balance to any investment portfolio. For GIC diversification, you may want to consider *The Ultimate Laddered*™ GIC that offers the best of a laddered strategy with one easy-to-manage GIC. *The Ultimate Laddered* GIC also offers a premium interest rate with more flexibility and liquidity than a regular GIC.

Scotia Partners Portfolios® Funds
Canada's leading fund families - all in one fund

Consider a mutual fund with broad diversification, one that includes top Canadian funds all in one fund. *Scotia Partners Portfolios* Funds include funds from some of Canada's top mutual funds companies:

AGF‡ What are you doing after work?
AIM TRIMARK†*
CI Funds¥
Fidelity Investments^
FRANKLIN TEMPLETON INVESTMENTS¥
Mackenzie¥
Scotia® Mutual Funds

We invite you to sit down with a Scotiabank representative to determine the best investment approach to meet your goals.

1 Does not include index-linked deposits such as Canadian, U.S. Market or Scotia G7 Stock-Indexed GICs.

Contribute regularly to your RSP, and make it automatic

If you're still not making regular automatic contributions to your RSP, you may not be maximizing the benefits of registered savings. You get three amazing benefits when you make regular contributions to a mutual fund in your RSP.

1. Smaller, regular contributions are actually easier to make than large lump-sum investments at year-end. Smaller contributions made automatically every month reduce the year-end, after-holiday stress of coming up with a lump-sum contribution.

2. Regular contributions start earning returns immediately.

3. Automatic regular contributions into a mutual fund take advantage of dollar cost averaging.

If you invest a sum of money in a mutual fund on a regular basis, say $150 a month for a year, you have four important features working for you:

- When the mutual fund unit price goes up, you may purchase fewer units. *Advantage:* you continue to invest in a successful fund.
- When the mutual fund unit price goes down, you are automatically buying more units for your $150. *Advantage:* you're "buying low."
- You stay invested. *Advantage:* you leave your investments alone and let them benefit from the long-term growth potential of equity markets.
- Because the stock market goes up and down, your average unit price may be lower than it would be if you invested an equivalent lump-sum amount. *Advantage:* more value for your money.

Stop at your Scotiabank branch and talk to your Scotiabank representative about arranging pre-authorized contributions to your RSP through the *Pay Yourself First*™ plan.

Max out your RSP, max out your retirement

The purpose of your RSP is to give you the opportunity to grow your retirement savings in a tax-free environment. First, that means you are saving the entire dollar you contribute, not the 67 cents or so it becomes after tax*.

Second, this dollar grows tax-free, because no taxes are payable on your RSP earnings. Third, your earnings, since they remain in your account, are then also earning returns. Every dollar of savings and growth can generate returns, otherwise known as compound growth.

To take full advantage of this powerful savings tool, here are five tips to help you max out your RSP contributions:

1. **Know how much you are entitled to contribute each year.** Every year, Canada Revenue Agency (CRA) sends you a Notice of Assessment indicating your RSP contribution limit for the current year. If you do not have this Notice, you can visit the Canada Revenue Agency website at www.cra-arc.gc.ca for an update.

   Currently, you may contribute 18% of your 2004 earned income, up to $15,500.

2. **Catch up on unused RSP contributions.** You can do this by borrowing money to invest in your RSP. The cost of borrowing money for your RSP is often lower than the long-term returns you may get in your RSP. Speak with your financial advisor to find out if this option is right for you.

3. **Split your income with your spouse.** Income splitting involves one family member in a higher tax bracket shifting income to another family member in a lower tax bracket. In this way, you can build up RSP savings in your spouse's name. When you retire, the total tax paid by both of you may be reduced.

4. **Make contributions regularly instead of once a year.** Many Canadians find it difficult to contribute to their RSP in February because they are still paying their December bills. Contributing small amounts every paycheque instead of in one lump-sum makes saving easier to do.

5. **Make your contributions automatic using pre-authorized contributions.** When you pre-authorize your contributions, a fixed amount (chosen by you) is transferred automatically from your bank account to your RSP.

* Based on income taxed at 33%.

You're richer than you think

One way you can actually put cash back into your pocket by contributing regularly to your RSP is to consider reducing the tax withheld by your employer from your paycheque. When you make pre-authorized contributions to your RSP, you can ask your employer to withhold your income tax based on your lowered, after-contribution income.

For example, if you earn $50,000 a year, your employer will deduct the amount of income tax for your tax bracket directly from your gross income. But if you are contributing $300 a month to your RSP, you lower your taxable income by $3,600 (12 X $300) to $46,400. You can request that your employer base your income tax deductions on this lowered taxable income. This means greater cash flow for you, and greater earnings potential for your RSP.

This is just another way contributing regularly to your RSP can help you Find The Money.

David Bach

Interview with David Bach

David Bach is the author of several national best-sellers, including *The Automatic Millionaire, Smart Couples Finish Rich* and *Smart Women Finish Rich*. His newest book, *Start Late, Finish Rich*, will soon be in book stores. David has partnered with Scotiabank as special advisor for our exclusive Find the Money promise to customers.

Q: *David, your Perfect Pie Approach recommends that our investment portfolio include stocks. Some of us aren't knowledgeable enough or comfortable buying stocks. What advice can you give Scotiabank customers?*

A: If you aren't comfortable choosing stocks, consider investing in mutual funds, which have several advantages over individual stocks. One, mutual funds come already packaged for diversification. That means you don't have to personally select the mix of asset types - stocks, bonds, cash - you want to invest in. Two, your returns can be more stable and represent a balanced return, because performance is based on the combined performance of all the securities in the fund's portfolio. This can reduce investment volatility. And three, experts who understand the countless numbers of stocks and bond options available to investors manage the fund. For all these reasons, mutual funds are one of the best and most efficient ways to invest in the market.

Q: *How do I choose a mutual fund?*

A: I have found from my experience with investors that most people want their investments to be simple - in many cases, the simpler the better. One of the simplest ways to invest is to choose a balanced mutual fund or an asset allocation fund.

These funds essentially do all the work of diversification for you by offering an appropriate mix of stocks, bonds, and cash in one fund. They remain popular because the investing public likes this simplified approach; which provides diversification among asset classes, automatic rebalancing of the asset mix depending on market conditions, and plenty of choice among conservative, moderate or aggressive growth options. And they are easy to understand and select.

Q: *Are mutual funds good investment choices for my RSP?*

A: For long-term investing in an RSP, a well-balanced mutual fund often makes sense. Historically, stock market performance during just about any long period of time (15 to 20 years) has produced returns of more than 10% a year. That means for retirement savings, a well-balanced mutual fund, tailored to your investment profile (your comfort level with market fluctuations along with the number of years until your retirement) may be your best bet.

If you'd like to know more about David Bach's strategies...
Consider his new book: *Start Late, Finish Rich: Canadian edition*.
It can help you finish rich, no matter when you start saving for retirement. It's available at all Indigo, Chapters and Coles Bookstores at 30% off until March 31, 2005.

Visit our exclusive findthemoney.scotiabank.com website to find out how you can make the most of your RSP.

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