Your Money Finder™

NEWSLETTER
VOL.2 • ISSUE 2 • SPRING 2005

Mutual funds are popular for more than their long-term growth potential.

Mutual funds become a lot more attractive when you think of them as "models of excellence." Each mutual fund is, in fact, a market-tested model consisting of an expert mix of stocks and bonds and other assets nurtured by a dedicated management team that understands market forces and how to take advantage of them. So when you invest in a mutual fund, you invest in a proven investment plan designed to smooth out the natural volatility of the marketplace.

Special advisor to Scotiabank and #1 international best-selling financial author, David Bach, believes that mutual funds have many valuable benefits for investors, whether you're an experienced investor or you're just starting out. Mutual funds provide:

1. **Instant diversification.** Even if you are saving as little as $50 per month, you can immediately enjoy a stake in an entire portfolio that could include hundreds of different stocks and bonds. It would require much more money to diversify to that extent outside of a mutual fund.

Just a thought

"The great news about mutual funds is they make investing easy. Easy is always good when it comes to money."

- David Bach

2. **Professional money management.** Few of us feel equipped to analyze the countless number of stocks and bonds that are available on the market today. A professional fund manager knows the market. Full-time professional managers do your research and analysis for you and manage the investments on your behalf.

3. **Choice.** There are lots of mutual funds to choose from to suit your investment objectives. The way to make a choice that is right for you is to find out what kind of investor you are. Your financial advisor can help you determine your investment profile and the investments that best suit your profile.

4. **Efficiency.** Mutual funds pool money from many investors so that each investor can participate in a diversified portfolio of fixed income, stocks and other equities. In addition, the cost of trading these equities is minimal when compared with individuals making their own trades.

…continued page 2

When's the best time for children to start an RSP? 2

What's your investment personality? 3

Interview with Karen Fisher on funds of funds 4

Life. Money. Balance both.™

...continued from page 1

5. **Liquidity.** You can buy and sell units in most mutual funds easily. This means if your investment profile changes or your investment goals change, you're able to adjust your portfolio to your investment strategy.

6. **Low minimum investment requirements.** You don't need a large amount to invest in a mutual fund. For example, you can invest in the *Scotia*® Balanced Fund with as little as $500.

7. **Reduced volatility.** Mutual funds are expertly diversified and usually don't fluctuate in price as much as individual stocks or bonds. David Bach considers this lack of volatility boring. But he insists boring investments are usually the best for smoothing out the ups and downs of market volatility compared to stocks.

There are many types of mutual funds - balanced, money market, growth and more – each based on achieving a specific investment goal. There are even mutual funds made up of other mutual funds, called fund of funds, for investors who don't have the time to search for and evaluate individual mutual funds. *(See our interview with Karen Fisher, President & CEO of Scotia Securities Inc. in this issue).*

When's the best time for children to start an RSP?

If your children are working and saving money they've earned, ask them what they are saving for. If it's for some short-term goal, say, to buy a car, there are good short-term savings options that help to build savings that will be required within five years. But if they are saving for a longer-term goal like their education or a house, or even their retirement, RSP contributions make a lot of sense. Here's why:

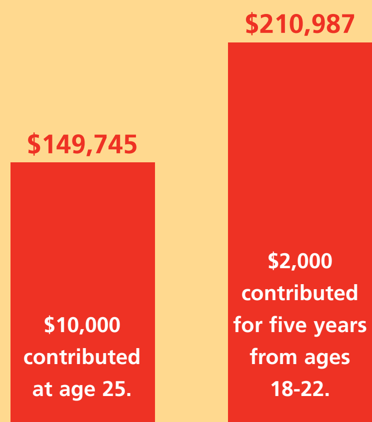
- They will learn the power of compound growth and saving early for important long-term goals.
- RSP monies can be withdrawn tax-free under the Federal government's Home Buyers' Plan to buy a home or the Lifelong Learning Plan for their education.
- As soon as they file their first tax return, they can start building RSP contribution room, and the sooner they do, the more room they will have over a lifetime.

All they need to do is go to their financial institution and open an RSP. And when filling out their income tax return, they don't have to deduct their RSP contributions, if they wish to let the eligible deductions accumulate until they are older and in a higher tax bracket, when these deductions will provide greater tax-savings.

Now is a perfect time to talk to your working children about the value of saving. Scotiabank has a website just for young investors. Ask your children to visit **www.scotiabank.com/younginvestors** to learn more about saving and investing.

Starting early can produce very dramatic results. Look at what happens to money saved for only five years when you are young:

Value of contributions at age 65.



Sample calculations are based on a single amount of $10,000 (contributed at the end of the year, the year in which the contributor turns 25) and on $2,000 contributed at the end of each year for the first five years. Funds are contributed to an RSP; no other contributions are made and contributions earn a 7% average annual rate of return, compounded annually.

What's your investment personality?

One of the most important things for you to know about investing is… who you are as an investor. Every investor has a personality, or a profile. Are you a conservative investor who's satisfied with moderate returns and a lower level of risk? Or, are you an aggressive investor who can accept more volatility and risk? Or, are you somewhere in between?

Knowing who you are can help you make investment decisions with greater confidence, and can result in greater satisfaction with your overall investment performance. Your investment personality includes things such as:

- How comfortable you are with market fluctuations - up and down.
- How many years you have until you plan to withdraw your investment savings.
- What your investment goals are.
- Whether you're starting out or about to retire.
- What kind of salary, cash flow and liquid assets you have.

All of these make up your investment profile, and will play a crucial role in deciding where you should put your investment dollars to achieve your long-term goals.

You can find out what your investment profile is by using our *Scotia Investment Selector*® tool at **www.scotiabank.com/sis** Or visit with a financial advisor at your nearest Scotiabank branch, who can advise you if the types of your investments reflect your investment personality.

You're richer than you think

Making small changes in your borrowing can lower your borrowing costs and save you money. For example, did you know that you could:

1. Use the equity in your home to lower the cost of your borrowing, by gaining access to credit at secured rates.
2. Use any tax refund you may get this year to pay down your mortgage. At Scotiabank, you can prepay up to 15% of the original amount of your mortgage each year at any time – without penalty or administration fee.
3. Make bi-weekly mortgage payments instead of monthly payments. Without making any significant budget changes, you will add the equivalent of an extra monthly payment on your mortgage by the end of the year, without you ever noticing it. This extra annual payment adds up over time to thousands of dollars in savings, and a shorter mortgage term.
4. Transfer higher rate balances to a lower rate credit card or line of credit to save on interest.

If you'd like to learn more about these money-saving tips and find other ways to save on your borrowing costs, talk with your Scotiabank representative or visit **www.findthemoney.scotiabank.com**

Karen Fisher

Interview with Karen Fisher

One of the more popular mutual fund options these days is a "fund of funds" investment. The *Money Finder* Newsletter asked Scotiabank's mutual fund expert, Karen Fisher, *President & CEO of Scotia Securities Inc.*, to tell us why this option has become such a fast-growing class of investments in today's marketplace.

Q: *Karen, can you explain what a fund of funds is, and why it's become so popular?*

A: A fund of funds is a collection of existing mutual funds, carefully chosen and combined into a single new mutual fund. We know from academic research and our own experience that one of the most important things for investors to get right is the overall asset mix of their portfolio. This is the decision that generally has the greatest impact on both risk and potential returns. Once you have decided on this asset mix, you can go out and find mutual funds or other investments that can "fill out" your portfolio, if you wanted to take on this process yourself. However, with thousands of mutual funds to choose from across a multitude of management styles, asset classes, geography and risk level, this task can be daunting for many investors. It can also be a challenge for many investors to evaluate their holdings on a regular basis, re-balance regularly, or track how they are doing across a collection of what could be eight or 10 different funds. A fund of funds is designed to do all this for you: combine a series of existing mutual funds, which together can meet your fund's overall investment objective - without requiring the investor to take on the complexity of managing, tracking and re-balancing their holdings.

Q: *What are the advantages of a fund of funds?*

A: A fund of funds offers several important advantages.

1. One mutual fund selection gives an investor the performance advantages of the entire collection of funds. That's the diversification I already mentioned.
2. Experts choose the funds based on careful evaluation of how well they work together, or blend. Just putting together two strong performing funds doesn't necessarily result in the overall performance you want. For example, if one fund experiences a period of underperformance, proper blending potentially allows for another one to fill in with enhanced performance during that period. This blending smoothes out the ride and reduces the risk of investing over time to offer the potential for strong returns.
3. Your investment is managed by an active management team that reviews and rebalances your holdings on an ongoing basis. You receive the combined benefit of the management expertise of the individual funds, plus the management expertise of the fund of funds managers.
4. Finally, you have one unified mutual fund value and performance to review and assess to determine whether your fund performance is meeting your goals.

Q: *Are these fund of funds right for everyone?*

A: Each of these fund collections has variations designed for different investment profiles and goals. Probably the most important thing you can do before choosing a fund of funds is to identify what kind of investor you are, that is, what your comfort level is with market fluctuations and what your investment goals are.

Once you know all this, you can choose an investment solution that fits your profile and meets your long-term investment needs. Of course, it's always best to ask your investment advisor to help you make that choice.

If you're considering a fund of funds for your long-term investments, consider: *Scotia Partners Portfolios*® Funds, which includes some of Canada's leading fund families - all in one fund or *Scotia Selected*™ Funds, offering a diversified family of its own *Scotia* Mutual Funds.

Scotiabank Group refers to The Bank of Nova Scotia and Scotia Securities Inc.
™ Trademarks of The Bank of Nova Scotia.
® Registered trademark of The Bank of Nova Scotia.

Scotia Mutual Funds are offered by Scotia Securities Inc., a corporate entity separate from, although wholly-owned by The Bank of Nova Scotia. Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus thoroughly before investing. Copies are available through all branches of The Bank of Nova Scotia, Montreal Trust, Scotiabank and Trust, National Trust, ScotiaMcLeod, ScotiaMcLeod Direct Investing, and authorized independent dealers. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated.

9040110 (04/05)