

Keep market volatility in perspective

On January 21, 2008, the Canadian stock market, represented by the S&P/TSX Composite Index, experienced its largest one-day decline in more than seven years. For some investors, the sudden decline may have been unnerving.

The reality, however, is that stock markets are volatile. They can move up — and down — rapidly. And if you want to benefit from the “ups”, you have to be able to tolerate the “downs”. Here are some guidelines to help you do just that.



Diversify – Having a diversified portfolio is one of the most effective ways to protect against volatility. When you hold a mix of investments from different asset classes, different sectors, and different geographic areas, a downturn in any one area may have less impact on your overall portfolio.

Knowing your portfolio is well diversified helps give you the confidence to stay relaxed in times of volatility.

Focus on the long term – While stock markets can experience downturns that last several days or even weeks or months, the long-term trend historically has been upwards (see S&P/TSX Composite Index Chart). Trying to time the market so you capture upward fluctuations and avoid downward ones is practically impossible, because market highs and lows are visible only in hindsight.

Remember too that in most cases the investments you hold have been selected because they're appropriate for your long-term goals. If you make adjustments based on short-term events, you're actually working against yourself, and your long-term returns may suffer as a result.

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Stay invested – If you sell in response to volatility, all you're doing is locking in your losses. For example, if you had sold your holdings on January 21, 2008, when the S&P/TSX Composite Index tumbled more than 600 points, or 4.8%, you would have missed out on the recovery the next day, when it bounced back up more than 500 points.

In addition to staying invested, it's also important to keep investing. In other words, if you have committed to a regular contribution plan, where you invest a certain amount on a regular schedule, it's beneficial to maintain that commitment. In fact, in times of market declines,

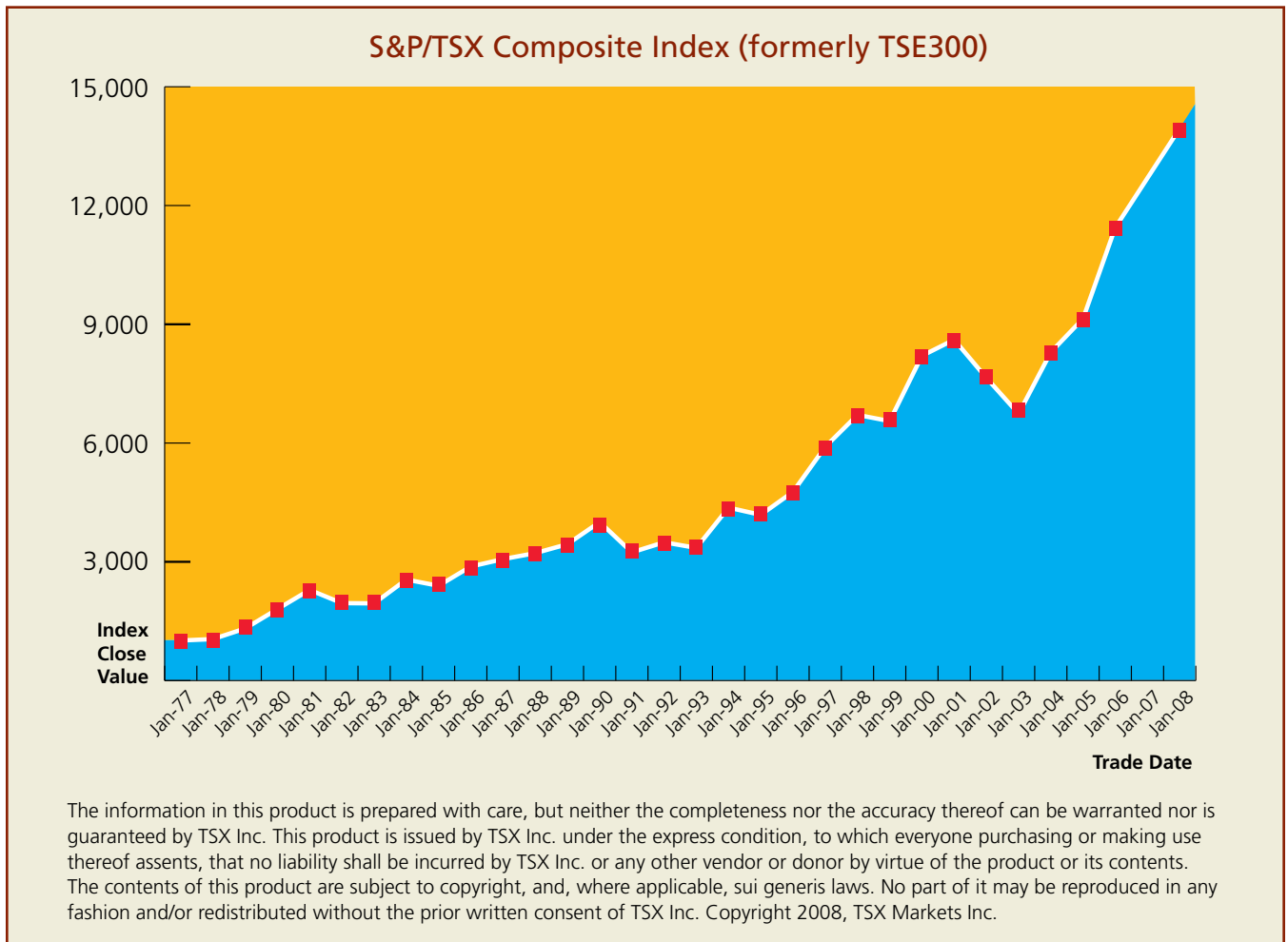
you're actually getting your mutual fund units for less. Over time, this can reduce the average price that you pay.

Seek advice – Speaking with your *Scotia*[®] advisor on an ongoing basis is an important part of being comfortable with your investments. And communication is even more important anytime you're feeling uneasy.

Your *Scotia* advisor has the knowledge to help you keep market behaviour in perspective. He or she also has the expertise to recognize when it may be time for you to adjust your portfolio and to help you reposition it to reflect your changing needs.

It's long-term performance that counts

Over the past 30 years, the S&P/TSX Composite Index has trended steadily upwards, in spite of occasional short-lived downturns.



Tax prep 101

The deadline for filing your 2007 personal income tax return is just around the corner (April 30) and there are a number of recent tax changes that could save you money. Here's a quick rundown.

Pension-income splitting – Anyone who earns qualifying pension income, such as company pension plan payments or withdrawals from a registered Retirement Income Fund (RIF), can elect to transfer up to 50% to his or her spouse. This will be beneficial if the recipient spouse earned less than the transferor spouse in 2007, as the transferred amount will be taxed at his or her lower rate.

Registered Education Savings Plans – RESPs are more attractive than ever. There is no longer an annual contribution limit, and the maximum lifetime contribution has been increased to \$50,000 per beneficiary from \$42,000. In addition, the Canada Education Savings Grant (CESG) is now available on the first \$2,500 contributed annually, taking the maximum CESG to \$500 from \$400.

Charitable donations – If you donated non-cash assets (such as artwork) to charity, be sure your documentation is in order. The Canada Revenue Agency

is cracking down on tax-shelter arrangements where the charitable donation claimed for credit does not accurately reflect the market value of the donated asset.

Withholding tax – Interest payments made to non-resident lenders are no longer subject to withholding tax. So, for example, if you have taken a loan from a U.S. lender, you no longer have to add the amount of the withholding tax to your loan payments.

RSP maturity deadline – RSP-holders no longer have to convert to a RIF or other income-producing option by the end of the year they turn 69. The deadline has been raised to the end of the year the plan-holder turns 71. If you're turning 71 in 2008, be sure to investigate your RSP maturity options well in advance, so you can make the arrangements that are best for you.

Changes for 2008 – The accompanying table summarizes some of the key tax changes to look forward to for 2008.

Good news on the tax front

A number of tax changes come into effect in 2008 that are likely to reduce the tax bill of thousands of Canadians.

TAX BRACKETS

Higher thresholds mean that more of your income is taxed at a lower rate.

Tax rate	Threshold 2007	Threshold 2008
15%	< \$37,178	< \$37,885
22%	\$37,178	\$37,885
26%	\$74,357	\$75,769
29%	\$120,887	\$123,184

Source: Canada Revenue Agency

TAX CREDITS

Tax credits reduce income tax payable, dollar for dollar. A number of them are higher in 2008.

Credit	2007	2008
Age amount	\$5,177	\$5,276
Amount for children under 18 (per child)	\$2,000	\$2,038
Canada employment amount	\$1,000	\$1,019
Infirm dependant amount	\$4,019	\$4,095
Caregiver amount	\$4,019	\$4,095
Disability amount	\$6,890	\$7,021
Childcare amount	\$2,354	\$2,399

Doing our part to make the world better

As one of North America's premier financial institutions, we have a responsibility to bring our clients the financial products, services, and advice you need to manage your wealth and achieve your goals. But we are also responsible to our employees, the communities we operate in, and ultimately to the world at large.

Committed to positive change

We take this responsibility seriously, paying close attention to social, economic, environmental and ethical impact. In 2005, we established a CSR Advisory Committee to review our performance in corporate social responsibility, advise us on how we could do better, and help us make improvements.

We're proud of what we've accomplished so far. In 2007, for example, we

- More than doubled the number of paperless record-keeping accounts.
- Provided financing and raised more than \$2 billion for the renewable energy sector.
- Contributed more than \$43 million to community causes in Canada and around the world.
- Expanded our children's educational savings programs to 17 countries.
- Launched the Scotiabank Bright Future Program in all Caribbean and Latin American locations to support children's causes.
- Made changes to account plans so that seniors could get unlimited free debit transactions in-branch or through alternative channels as could students who maintained a minimum account balance.
- Achieved a score of 87% in our Employee Satisfaction Index.
- Received the 2007 Catalyst Award for our Advancement of Women strategy, which we've now expanded worldwide.

Reducing our environmental footprint

Global warming is one of the most important issues facing our planet. Scotiabank is committed to reducing harmful greenhouse gas emissions in our own operations and encouraging our clients, suppliers, and communities to do the same.

Wherever possible, we choose products that leave a minimal carbon footprint, such as energy-efficient photocopiers, environmentally friendly carpeting, and furniture made of recycled materials. Across the organization, we participate in programs to reduce waste by recycling and reusing materials such as paper, toner cartridges, glass, and electronic equipment. Our clients are showing their concern for the environment by signing on for paperless record-keeping and online banking.

And now, with the recent launch of the Scotia Global Climate Change Fund, investors have an opportunity to benefit financially by investing in companies that benefit the environment. This innovative global equity fund aims to achieve long-term capital growth through a diversified portfolio of companies striving to mitigate and adapt to the impact of climate change.

If you'd like more information about the Scotia Global Climate Change Fund, please speak with your *Scotia* advisor. To read our Corporate Social Responsibility Report, go to www.scotiabank.com/corporatesocialresponsibility



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