• Scotiabank
investmentinsights
Dedicated to helping you get ahead financially.
Vol. 2 • Issue 1
Winter 2009

Position your investments for today and tomorrow

With the New Year upon us, and our thoughts turning to resolutions, now is a good time to make the right resolutions for your investment portfolio. This is especially important today, as recent market conditions have many investors trying to balance their long-term goals with their peace of mind. The first step is to focus on fundamentals.

Know yourself

That means taking the time to understand why you are investing, what your goals are, the time frame you have to achieve your goals, and how comfortable you are with risk. These elements make up your investor profile. Your *Scotia*® advisor will work with you to determine your investor profile and recommend the right mix of investments (cash, fixed income, and equity) for your portfolio.

Together with your *Scotia* advisor, you can assess whether you have experienced changes in your goals or objectives that would warrant making adjustments to your portfolio.

Take a long-term view

Your asset mix is designed to help you reach your goals and give you confidence no matter what the market conditions. In other words, it is positioned for today and tomorrow. Remember that over the long term, equity markets tend to move higher, although they will fluctuate, through different economic conditions.

No one knows exactly when the markets will bounce back, but you'll want to ensure that your portfolio is positioned to benefit from the rebound when it occurs. A disciplined approach and a long-term perspective are key to reaching your investment goals.

Now is a good time to talk to your *Scotia* advisor about how he or she can help you get ahead financially. Your *Scotia* advisor can suggest the appropriate investment solutions to help you make the most of what you have.

Did you know?

Whether you are a conservative investor or just looking for conservative investment options to include in your balanced portfolio, these investments can provide the opportunities and security you are looking for.

Cash investments. These investments are the most secure. They include Guaranteed Investment Certificates (GICs) maturing in one year or less, money market funds, high-interest savings accounts, Treasury bills, and T-bill funds.

Fixed-income investments. These investments add stability to your portfolio by providing you with some regular income and more consistent returns. Bonds, bond funds, income funds, and longer-term GICs are some examples of fixed-income investments.

It's important to keep in mind that although equity investments are riskier in the short term than bonds or cash, over the longer term they may provide the growth potential you need to reach your goals and stay ahead of inflation.

Balanced mutual funds. Invest in a combination of equities, bonds, and cash so that you can get instant exposure to all of the major asset classes in a single fund offering. An experienced fund manager determines the precise mix, monitors it, and makes adjustments to ensure the fund is balanced across the asset classes.

RSP or TFSA? Take advantage of both to reach your goals

Canadians know the importance of saving for retirement in a Registered Retirement Savings Plan (RSP). This powerful financial tool allows you to benefit from compound tax-deferred savings growth.

Now, with the introduction of the Tax-Free Savings Account (TFSA), Canadians have another powerful savings vehicle to choose from.

Benefits of a TFSA

A TFSA lets you invest in mutual funds, stocks, bonds, GICs, and high-interest savings products, just like an RSP. All interest, dividends, and capital gains earned in your account are tax-free, and you can withdraw your savings at any time and for any reason without paying tax.

You are allowed to contribute up to $5,000 to your TFSA in 2009. The TFSA contribution limit will be indexed to inflation in later years. Unused contribution room is carried forward.

Match your savings to your goals

So, how do you choose between these two great savings vehicles? That depends on what you are saving for. If it's retirement, an RSP may be the better option, since it's meant to encourage long-term growth by taxing withdrawals. But there are other goals for which a TFSA might be better suited.

An emergency fund. A TFSA is the perfect choice for a "rainy day" fund, particularly if you choose to save in a high-interest account or short-term GIC. That way, the money is more accessible and the interest you earn is tax-free.

Life goals. A TFSA is also an ideal way to save for a home, car, dream vacation, or any short- or longer-term goals.

In retirement. If you are enjoying your retirement years, you can use a TFSA to earn tax-free income on your investments without affecting your federal government benefits. A TFSA is also the ideal place to deposit surplus RRIF or pension income.

Why not both?

Since we all have short-term and long-term savings goals, both of these savings vehicles can be used in tandem.

RSP contributions are tax-deductible and contribution limits are much higher, but withdrawals are taxable. The TFSA gives you the flexibility of making withdrawals at any time, but keep in mind that contributions are not tax deductable.

Contact your *Scotia* advisor to open your TFSA today. He or she can help you integrate your RSP and TFSA into your overall financial plan to help you make the most of what you have. Or visit us at www.scotiabank.com/taxfree to get the most from your TFSA.

At a glance: RSP and TFSA

	RSP	TFSA
Contribution limit	18% of earned income to an annual maximum of $20,000 for the 2008 taxation year; $21,000 for 2009	$5,000 for the 2009 taxation year (does not depend on earned income)
Tax on income	Income earned on interest, dividends, and capital gains is tax-sheltered until withdrawn	Income earned on interest, dividends, and capital gains is tax-free
Tax deductible	Contributions are tax-deductible and reduce taxable income	Contributions are not tax-deductible
Withdrawals	Withdrawals are added to taxable income (and subject to withholding tax)	All withdrawals are tax-free
Eligible investments	Cash, high-interest accounts, bonds, GICs, mutual funds, and stocks	Cash, high-interest accounts, bonds, GICs, mutual funds, and stocks

Get your RSP in order

With so many other things happening in the investment world, it's easy to forget that, for most of us, contributing to an RSP is a very good way to ensure that we'll have enough money to last during our retirement years. Not only does the money in your RSP grow tax-deferred, your contribution is also tax-deductible.

The deadline for making your RSP contribution for the 2008 taxation year is March 1, 2009. The good news is that there are a number of small steps you can take today to ensure you are getting the most from your plan.

Build a diversified portfolio. A diversified portfolio of investments is the best way to reduce volatility and boost long-term returns. Holding a mix of cash, bonds, and domestic and global equity-based investments can help protect your portfolio from downturns in any one area of the market and allow you to participate in the top performers.

Invest on a regular basis. Making regular monthly contributions to your RSP has many benefits. For one, it's much easier to come up with small monthly contributions than to make one large lump-sum contribution. It also saves you from scrambling to find the cash at the annual RSP contribution deadline. Speak to your *Scotia* advisor to set up a Pre-authorized Contribution (PAC) for convenient, automatic investing.

Investing regularly is a way to "pay yourself first" and ensure that saving for retirement is a priority.

Savings tip. *Did you receive a raise, bonus, or other financial windfall this past year? Then you might consider boosting the size of your regular monthly contribution to your RSP.*

Consolidate your RSPs. Do you have different RSP accounts at different financial institutions? If so, it may be difficult to keep track of your investments and your overall asset mix. And, you may actually be less diversified than you think, as some of your funds may overlap and hold similar type investments. Consolidating your RSP accounts will reduce the number of quarterly statements you receive and make it easier to stay on track.

Catch up on your contributions. Depending on your situation, borrowing to top up your RSP contribution may be a good idea. Interest rates are at historically low levels, and the long-term benefits can outweigh the short-term interest costs — especially if you only borrow what you can afford to pay back quickly. Once you get your larger tax refund, use that to pay down the loan.

With a *Scotia RSP Catch-Up*® Line of Credit, you can borrow for your RSP at any time during the year, without having to reapply. You pay no interest until you draw on the line of credit, and payment terms are flexible.

Sometimes it's the small steps you take that can lead to big results. Your *Scotia* advisor can help you take charge of your RSP with only a small investment of time. Speak to your *Scotia* advisor today.

Retirement Reality Check

How much do you need to save to reach your retirement goals? The New ***Scotia* Retirement Savings *Reality Check*® tool** can help you quickly determine how much you need to save to achieve your retirement goals. Enter information about your registered and non-registered savings, pension plans, and other sources of income. Explore "what-if" scenarios and find out how to boost your savings with action-oriented tips. Your scenario can be saved and printed for future reference. Visit www.scotiabank.com/realitycheck now to explore this great tool.

Winter getaway checklist

Planning on heading south once you've taken care of this year's RSP investments? Before you leave, take a look at this handy checklist. Here are some things you can do to get your house in order before you go.

Check your health coverage. If you have an employer-sponsored benefits plan that includes out-of-country health insurance, check its limitations. Supplementary coverage may be necessary. Don't forget to bring your benefit card and a copy of the policy.

Check your credit card benefits. Some credit cards come with added travel benefits such as insurance (medical, trip cancellation, lost luggage, rental car collision) and rental car discounts. Check with your credit card issuer to see if your card entitles you to any of these benefits.

Open a U.S.–dollar account. Consider opening a U.S.–dollar bank account. You won't have to worry about exchange rates or conversion charges during the time you are outside Canada.

Automate bill payments. Pay your bills — hydro, phone, cable, and credit card — before you go. Better yet, set up your online account to pay bills automatically on specific dates while you are away.

Review your investments. Do you have Guaranteed Investment Certificates (GICs) that will mature while you're away? If so, consider speaking to your *Scotia* advisor to arrange reinvestment instructions before you depart.

Keep your home safe. This means canceling your newspaper for the period you will be away, arranging for your driveway to be shoveled after each snowfall, setting timers for your lights, and storing valuables out of sight of windows or in your safety deposit box. And don't change your home voice-mail to say that you will be away.

The more prepared you are before you go away, the better your vacation will be.

Correction notice:

Please note that in the Volume 1, Issue 5, Fall 2008 edition of Scotiabank investment insights, a figure used in an example in the "Make the most of the new Tax-Free Savings Account" article was incorrect. The correct figure is bolded below and the sentence should read as follows: "Capital gains and other investments income earned in a TFSA will not be taxed. That means if you were to contribute $5,000 each year at an annual interest rate of 6.00% for 3 years, you would enjoy **$1,873** of investment income tax-free."

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