SUMMER 2021

Advice **Matters**

03

WHY FINANCIAL ADVICE IS SO IMPORTANT

WE ALL COULD USE A LITTLE ADVICE FROM TIME TO TIME – ESPECIALLY WHEN IT COMES TO OUR FINANCES.

ScotiaAdvice

Scotiabank®

Advice **Matters**

Presented by

ScotiaAdvice+

A simple conversation today can help you reach your goals tomorrow.

In this issue you'll find

Scotiabank®

Why financial advice is so important

Let's face it: We all could use a little advice from time to time – especially when it comes to our finances.

While there's certainly no shortage of financial advice in today's digital age, making sense of all the information and determining what applies to you can be overwhelming.

As we get a bit older, our lives get much more complex. We find ourselves planning for a variety of events, such as the purchase of a home, a child's education, a parent's elder care or a possible career change.

Additional complexities could be introduced with second marriages, unique living arrangements, a changing job market – or even a global pandemic. Against this backdrop, financial advice has become more important than ever.

DID YOU KNOW?

What types of advice Canadians are most interested in receiving?[1]

51%	Advice on investments
45%	Help saving for retirement
33%	Quick tips to help improve financial situation
31%	Saving for an emergency or reduction in income
25%	In-depth review of financial situation (e.g., a financial plan)
25%	Saving for a large purchase (e.g., an automobile, vacation)

[1] Source: Scotiabank, Advice Blueprint – The Sequel, A closer look at channel preferences and financial advisor best practices, August 2020.

Key benefits of financial advice

There are a number of important reasons for choosing to seek professional advice.

A financial advisor can help you by:

- Providing objective insights into your finances
- Putting in place a comprehensive financial plan to meet your goals
- Building up your wealth through better savings behaviour and increased financial knowledge
- Monitoring and updating your long-term savings strategy to build for a comfortable retirement
- Ensuring your investments are diversified in order to lower your risk
- Selecting tax-efficient investments to help you keep more of your money
- Preparing you for unexpected events, such as job loss or disability
- Helping to prevent emotional investing decisions, especially during periods of market volatility

THE BOTTOM LINE: WORKING WITH A FINANCIAL ADVISOR HELPS YOU INCREASE YOUR WEALTH[2]

Research has shown that households working with a financial advisor accumulate more assets than those that don't – and the longer they work with an advisor, the more their savings will grow.

Consider the following research:
Versus non-advised households, the average household **with** a financial advisor accumulated:

- **1.8 times** more financial assets over 4 to 6 years
- **2.1 times** more assets over 7 to 14 years
- **2.3 times** more assets over periods greater than 15 years

Canadian households with a financial advisor accumulate more financial assets *versus* comparable non-advised households

[2] Source: More on the Value of Financial Advisors, Claude Montmarquette, Alexandre Prud'Homme, CIRANO 2020.

DID YOU KNOW?

According to recent Scotiabank research on Canadians working with a Financial Advisor:

74% Nearly ¾ of Canadian investors are working with a financial advisor[3]

81% Are confident in the advice they receive from their advisor[4]

76% Feel empowered and knowledgeable/optimistic about the future of their finances after speaking with their advisor[5]

64% Indicate the advice they receive from their advisor has made them better off financially than if they would have managed their money on their own[6]

[3] Source: Scotiabank, Scotia Global Asset Management, Investor Sentiment Research, May 2020.

[4,5,6] Source: Scotiabank, Consumer Confidence, Saving, Investing & Advice, 2020 Investment Poll (COVID-19 wave, July 2020).

The best advice starts with a conversation

Scotiabank advisors are highly qualified with experience in financial planning to work with you to create a financial plan that's right for you and evolves with you – answering your questions, providing advice and updating your financial plan along the way to help you achieve your goals. You'll also have access to additional resources and advice as Scotiabank advisors work with range of specialists across the bank.

Book an appointment with a Scotiabank advisor at 1-866-698-5927, or visit **scotiabank.com/GetAdvice** to meet some of our advisors and to learn about the wide range of topics you can discuss with them – from savings and investments to budgeting and planning for retirement.

5 keys to your financial well-being

With so many priorities competing for your attention, it can be a challenge finding time to look after your financial well-being.

As we all know, when our finances are in order, we feel better and more confident about the future and our ability to handle life's unexpected challenges.

Starting to think about all the areas of your finances may seem daunting – so where do you even start?

Let's simplify the review process by breaking it down into five key areas. Think your finances are already in good shape? Now's a great time to make sure.

1. ESTABLISH A BUDGET

By creating a budget to track your expenses, you'll have greater control of your finances and a solid understanding of where all your money is going.

Here are two steps to help you establish a budget:

STEP 1

Calculate the total income you'll receive from all sources – for example, employment income, rental or investment income, support payments, pension etc.

STEP 2

List all your expenses and divide them into two categories:

- **Non-discretionary**, or mandatory costs, such as mortgage payments, rent, hydro, etc.
- **Discretionary**, or non-essential costs – If funds are remaining after you've accounted for all your non-discretionary costs, prioritize your discretionary costs based on what is most important to you.

There are many benefits to creating and maintaining a budget:

- Allows you to objectively look at your needs versus your wants
- Helps you better meet short-term priorities, such as paying your monthly bills (like your mortgage, rent and utilities), while balancing expenses for the things you may want
- Helps you achieve longer-term goals (like buying a car or home, saving for a child's education or retirement)
- Helps identify areas where you may be overspending and helps you reallocate these funds toward more important savings goals
- Helps to create a more effective plan to pay off debts

Your budget can be as basic or detailed as you like – whichever works best for you. The important thing is to set up a budget and reassess it at least semi-annually to ensure it's working to meet both your short- and long-term financial goals, or whenever you have a significant change in your income or expenses.

Visit **scotiabank.com/moneyfindercalculator** and try the Scotiabank Money Finder calculator. It will help you determine if you have additional funds available to put towards your financial goals by comparing your income to your expenses.

2. PAY DOWN DEBT

Some Canadians may find themselves feeling the stress of new debt they've taken on or repayment of older debt. Creating a plan that lists each of your debts and how you will manage repayment is an important first step. Knowing what options are available to help you pay down your debt more quickly is also key to establishing a sense of control over your finances.

Here are some strategies to help you speed up your debt repayment:

Restructure your debt

Chances are you may be paying more interest than you need to, based on the types of debt you have. Restructuring your debt can lower your interest payments, freeing up much-needed cash to help you get debt-free faster. There are a few different ways to do this.

- **Switching to a lower interest-rate credit card:** Many credit cards have high interest rates. If you have credit card debt, you might want to see if there are options available with a lower interest rate, as this could save you money.
- **Consolidating your debt:** If you have multiple loans or credit cards, you may be able to combine them all under a new credit application to take advantage of a potentially lower annual interest rate and payment. This might be under a secured or unsecured line of credit or even a new loan. This way you'll have one easy payment, which should alleviate a lot of stress.

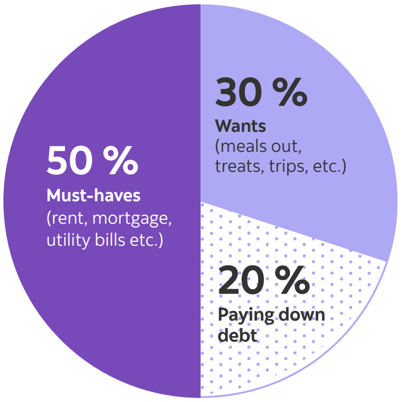
Pick a debt-paying method

Consider one of these two methods to help pay down debt (but pick the one you feel will be faster or best suited to you).

- **The debt avalanche method:** This method focuses on paying off the debt with the highest interest rate first. After that's paid, you shift to the debt with the next highest interest rate and so on.
- **The debt snowball method:** The goal is to start by paying off your smallest debt first. This can create a sense of accomplishment, so you can use that momentum to move on to the next debt. Many people find this method easier to stick to. Keep in mind, however, that you may end up paying more in interest depending on the amount of time it takes to pay off your larger debts with potentially higher interest rates.

HOW MUCH OF YOUR PAY SHOULD GO TOWARDS YOUR DEBT PAYMENTS?

This can vary, but a good place to start is to follow the 50/30/20 rule.



If you are feeling overwhelmed with your debt, or want to learn more about options to pay off debt more effectively or quicker, schedule a meeting with a Scotiabank advisor to review your situation and help you find a solution that works best for you.

3. START TO SAVE – IT'S NEVER TOO EARLY

Time is your biggest ally when it comes to saving. Once you start working and can set aside even a small amount each month, you can be well on your way to building savings for your short- and long-term financial goals. When it comes to saving for retirement, the earlier you start, the better off you'll be because your money will have more time to benefit from compound growth.

As you set out on the path to saving and investing, you'll need to determine which products and/or investment strategies are right for you and your financial situation.

WHAT IS COMPOUND INTEREST?

Compound interest is a way of determining interest whereby the addition of interest over time is added to the principal amount. You not only earn interest on the principal amount, you also earn interest on your interest, and interest on that interest, and on and on. Saving over a longer period of time allows your money more time to grow and to benefit from compound interest.

"**Compound interest is the *eighth wonder of the world.***"

-Albert Einstein

To determine the most appropriate savings and investing options, begin by asking yourself these three key questions:

- What are you saving or investing for?
- What is your time horizon to reach your goal?
- What is your risk tolerance?

Pre-Authorized Contributions – an easy and convenient way to build up your savings

When it comes to saving, it's easy to get sidetracked. **A Pre-Authorized Contribution (PAC)** allows you to make saving priority number one by ensuring you automatically make contributions.

PACs provide a convenient and flexible way to build up your savings for short- and long-term goals. With a PAC, you choose the amount you want to contribute and how often – for example, weekly, biweekly or monthly. You can adjust the amount and frequency at any point in time. Even small amounts saved regularly can add up over time – and you can get started with as little as $25 per month.

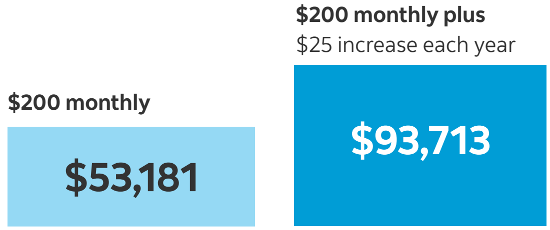
A PAC is also an effective way to schedule automatic deposits to an emergency fund. If you encounter an unexpected expense, financial setback or job loss, you can access your emergency fund and won't need to tap your savings or borrow from your credit card. A rule of thumb is to save the equivalent of three to six months of living expenses in your emergency fund.

DON'T SET IT AND FORGET IT

The following example shows how setting up a PAC – and then increasing your contribution even a little each year – will allow you to grow your savings so much more.

In the graph below, we look at an individual who contributes $200 monthly for 15 years versus the same individual increasing their monthly contribution by just $25 each year.

PAC contribution over 15 years



Over a 15-year period the difference is over $40,000

For illustrative purposes only. The example uses a hypothetical rate of return of 5%, assumes reinvestment of all income, compound annually and does not include transaction costs, fees, or taxes. The example does not reflect actual results or the returns or future value of an actual investment.

To see how quickly your savings can grow, visit **scotiabank.com/PAC** and try out our interactive PAC video.

A Scotiabank advisor can help you build a personalized saving strategy and select financial products that work best for you – taking into consideration your personal circumstances, time horizon and risk tolerance. Visit **scotiabank.com** to learn about our saving and investing products:

- Savings Accounts
- Registered Retirement Savings Plan (RRSP)
- Tax-Free Savings Account (TFSA)
- Scotia Portfolio Solutions

4. PUT A FINANCIAL PLAN IN PLACE

Think of a financial plan as your personal roadmap – it not only encompasses longer-term goals, such as saving for your children's education and retirement planning, but also includes shorter-term goals, such as saving for a car or a home.

A sound financial plan focuses on your current needs and future goals, and puts strategies in place to help you achieve them. It will give you better control of your finances and peace of mind, knowing there's a strategy in place to achieve your financial goals. During trying times, having a financial plan in place will help you to avoid reacting hastily and making emotional decisions. Once you have a plan in place, it's important to revisit your plan regularly to confirm that you are still on track to meet your goals, or if adjustments should be made.

While everyone's plan will be different, a financial plan is designed to help answer three fundamental questions:

- Where are you now financially?
- Where would you like to go?
- And how will you get there?

A comprehensive financial plan will also address your estate-planning needs, which includes tasks like preparing a will, establishing a Power of Attorney and implementing tax-planning strategies to help you pass assets onto the next generation with minimal tax consequences.

Our knowledgeable Scotiabank advisors – in conjunction with financial planning tools and products, and access to resources and specialists across the bank – can help you create a financial plan that's right for you.

Check out the article on page 3, *Why financial advice is so important*, to learn more about the benefits of a working with a financial advisor and how research has shown that households working with a financial advisor accumulate more assets than those that don't.

5. PROTECT YOURSELF AND YOUR FAMILY

We work hard to build a happy, safe and prosperous life for ourselves and our families. Sometimes along the way we encounter unexpected events that could seriously affect our ability to maintain our standard of living and to provide for our loved ones.

A financial plan that includes **insurance** can help keep your financial goals on track and provide your family with financial security, in the event of challenges like a job loss, disability, illness, or even loss of life.

Some questions to consider:

What if…

you had to stop working because of a sudden disability or critical illness?

Could you continue to meet your mortgage and line of credit payments?

or

you unexpectedly passed away?

Would your family be able to pay your outstanding debts, continue with their current way of life and be financially secure moving forward?

A variety of insurance coverage options may be available through your employer, private insurance, government benefits or your financial institution. The key is to learn about the coverage that is available and to determine what is best for your financial situation and will provide you and your family with the protection they need.

To learn about the creditor insurance protection coverage options available through Scotiabank to insure your Scotiabank borrowing products such as your mortgage or line of credit, speak with a Scotiabank advisor or visit **scotiabank.com/insurance**.

The Bank of Nova Scotia is not an insurer and this is not an offer of insurance. Full details of these coverages are available in the certificates of insurance which are provided to the customer upon enrollment.

DID YOU KNOW?

Many Canadians may not be financially prepared if something unforeseen were to happen –

In fact:

50% of Canadians **don't own** life insurance coverage[1]

71% Canadians who have credit protection insurance on a mortgage and/or home equity line of credit said that without the insurance, they do not know how they and/or their family would be able to cope should an **unexpected life event** negatively impact them financially[2]

[1] LIMRA Canadian Life Insurance Ownership Study – 2019 Person-Level Report.

[2] The Canadian Association of Financial Institutions in Insurance (CAFII) commissioned a national online survey of 1,003 adult Canadians who have Credit Protection Insurance on a mortgage and/or home equity line of credit. The survey was conducted from October 3 to 16, 2018 by Pollara Strategic Insights.

Visit **scotiabank.com/adviceplus** for the information, tips and tools you need to help you take control of your financial well-being.

Getting ready for retirement? A checklist to help you prepare

With the average Canadian spending about two decades in retirement (it's about **23 years** for women, and approximately **19 years** for men)[1], it's important to prepare so that you can easily transition into this new chapter and start enjoying the lifestyle you want.

We've compiled a **Getting ready for retirement checklist** with some key things to do, questions to ask and strategies to consider. Whether you're well on your way to retiring and your plan is in place, or you have some time before the big day and would like a quick list of things to think about, we hope this will assist you as you prepare for this next stage in your life.

QUICK FACT

The life expectancy in Canada for men is approximately **80 years** and **84 years** for women[2]

[2] World Population Review, Life Expectancy by Country 2021, https://worldpopulationreview.com/countries/life-expectancy

Take stock of income sources

During our working years we do our best to set aside savings for our life after work; in retirement, the tables turn. It's important to determine what your income sources in retirement will be, such as government and/or workplace pensions, registered and non-registered accounts, and Tax-Free Savings Accounts (TFSAs).

According to a 2020 investment poll by Scotiabank, the average amount Canadians expect they'll need to fund their ideal retirement is approximately $753,000.[3] Ultimately, everyone's figure will be different as much will depend on your individual spending habits and lifestyle goals. Now's the time to assess what you've saved so far and can expect to have.

Can you answer these key questions?

- What's the value of your retirement and savings accounts? If you're holding investments at a number of financial institutions, make sure to include all your accounts.
- What's the value of your current assets (home, cars, real estate investments etc.)?
- What do you expect to receive through the Canada Pension Plan (CPP), which you can start drawing on as early as age 60 or as late as age 70?
- What do you expect to receive from the Old Age Security (OAS) government benefit starting at age 65 or older?

QUICK FACT

82% The ability to retire comfortably is the most important financial goal for Canadians[4]

[4] Scotiabank, Scotia Global Asset Management Investor Sentiment Research, May 2020.

DID YOU KNOW?

What's the difference between the **Canada Pension Plan** (CPP) and **Old Age Security** (OAS)

The main difference between CPP and OAS is their **source of funding**.

- The **CPP** is considered a contributory retirement plan funded through contributions from **both you and your employer**. The amount you receive each month is based on your average earnings throughout your working life, your contributions to the CPP and the age you decide to start your CPP retirement pension.
- **OAS** benefits are government funded. It's a non-contributory pension plan that's funded through a percentage of **income tax** that all Canadians pay. Unlike CPP, it's not dependent on a person's employment history, and a person does not need to be retired from a job to qualify for it. To be eligible for OAS benefits, you must have been a citizen or legal resident of Canada for at least 10 years after age 18.

For more information, visit the Government of Canada website at **canada.ca**

DOLLARS AND CENTS[5]

71% of Canadians are currently saving for retirement and have been saving for an average of **15.2** years

Primary funding sources for those preparing for retirement:

- **29%** Personal employer-sponsored pension plan
- **21%** Personal savings held in RRSP/RRIF
- **21%** Government pension programs (e.g., Canada Pension Plan, Old Age Security)
- **10%** Personal savings held outside RRSP/RRIF

Sources:
[5] Scotiabank, 2021 Scotiabank Investment Poll.

Track or create a budget

Many retirement professionals suggest that prospective retirees should expect to spend about 70% to 80% of their pre-retirement budget. If you're not in the habit of keeping a budget, take some time to review your current expenses. Factor in all your fixed costs (rent or mortgage, utilities, etc.) and then review your credit card and bank statements to track your discretionary spending.

Tracking your expenses will help you to estimate how much you may spend in retirement, while also identifying debt or expenses that can be reduced or eliminated. Paying off debt before retirement is recommended as every dollar you owe reduces your retirement income and will impact your standard of living. A Scotiabank advisor can review your financial situation and suggest options to pay off or reduce debt before you retire.

Factor in all the stages of retirement

When thinking about retirement, it's helpful to think of retirement in three stages. This approach will help you determine how much income you'll need to live the lifestyle you'd like.

- **Early retirement**
  (first 5 to 10 years of your retirement)
  Spending tends to be higher in this stage, as more time may be spent travelling, or trying new hobbies and activities – mainly crossing the remaining items off your "bucket list." Working part-time might also be an option during early retirement.

- **Mid retirement**
  (10 to 20 years into your retirement)
  In what could be the longest chapter, time spent with family and friends often takes priority, as routines are established. At this point, you'll start thinking about how you'll adjust your plans as you get older – especially where you'll choose to reside, possibly a retirement or other support residence.

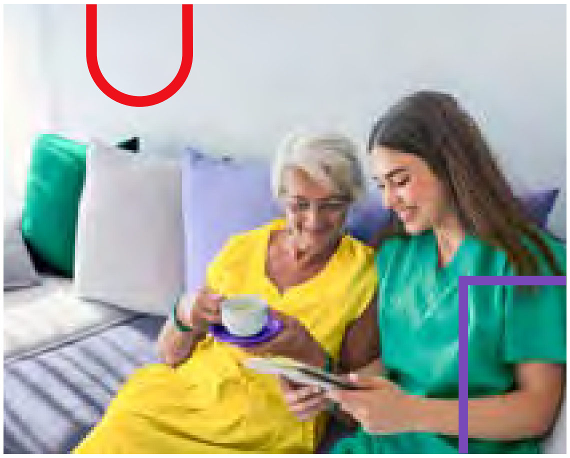
- **Late retirement**
  (Less than 5 years)
  In the later stage, the focus is typically on health care, estate planning and leaving a legacy – for example, ensuring your loved ones and cherished causes are taken care of. A comprehensive estate plan will help to transfer assets with minimal tax burden, ensuring a smooth transition to the next generation.

Estimate future health care costs

Unforeseen medical costs can significantly impact anyone's retirement plans. While it's impossible to foresee the future, it's important to be realistic about future health care costs – taking into consideration if you're currently suffering from chronic health conditions, such as diabetes or hypertension.

To help you get started to think about health care costs, we've provided some general information on employer and government benefits in retirement.

- **Workplace health and dental coverage** typically ends at retirement. Some retirees have ongoing coverage paid by their employer or the option of continuing coverage at their own expense. Find out if your employer provides medical benefits for a certain amount of time after you've retired. Even if medical benefits are paid for a short time after you retire, this is a cost you can temporarily remove from your expenses.



- **Provincial health care plans** vary widely and may only cover some of the costs for prescription drugs and long-term care facilities. It's a good idea to look into health insurance that often includes options like prescriptions, paramedical services, and vision and dental care to supplement items not covered by provincial coverage. It's worth noting that with health insurance there may be limits to annual or lifetime coverage, and pre-existing conditions prior to purchasing coverage may be exempt entirely from the insurance coverage.

To make an informed decision on health insurance in retirement, it's important to understand the coverage that's available and if it will meet your needs. Equally important is setting aside funds to pay for health insurance premiums.

Determine if downsizing is right for you

While it may seem like a great idea to downsize given significant gains in current home prices, you may find there's less of a boost to your nest egg than expected – especially after paying costs like real estate commissions, legal fees and any applicable land transfer tax.

Keep in mind that if you move to a smaller house, you may not always see a significant decrease in expenses, as you'll still have common expenses like utilities, property tax, insurance and maintenance. Moving to a condo may not be beneficial either, since a potential reduction in property taxes and other costs may be offset by new condo fees.

Consider if you'll be emotionally ready to retire

Although many Canadians aspire to retire early, the fact is many potential retirees haven't considered the reality of a life without work. For many of us, work provides a sense of self and an essential social outlet. Does your job still give you a sense of satisfaction and the chance to continue learning? Consider how you'll fill that void in retirement.

The start of a new journey

The thought of retiring may seem overwhelming, but with careful preparation, you can move into this next stage with ease and peace of mind.

The checklist provided is not comprehensive and is simply meant to provide some important topics to consider as you prepare for retirement. Speak with a professional, like your Scotiabank advisor, for retirement planning advice and guidance to ensure everything is in place for an easy transition into this stage of your life.

If you are approaching retirement or in retirement, visit the Scotia Advice+ Centre at **scotiabank.com/retirement** for timely financial articles, tips and tools.

[1] Organisation for Economic Co-operation and Development, 2018 data, https://stats.oecd.org/index.aspx?queryid=54758
[3] Scotiabank, 2020 Scotiabank Investment Poll.

5 ways your RRSP can get off track

WHAT IS AN RRSP?

A Registered Retirement Savings Plan (RRSP) is a type of investment vehicle that helps you grow your retirement savings. One of the main benefits of an RRSP is that you defer paying taxes on the money you contribute today and any investment income earned, until years later when you withdraw your money in retirement.

To help ensure you are getting the most out of your RRSP, here are **five things you should try to avoid**.

1. Withdrawing funds early

If possible, try not to withdraw funds from your RRSP before retirement. If you withdraw funds early, you lose that contribution room and the tax-deferred growth that comes with it. While all withdrawals are subject to withholding tax of 10% to 30%[1], you'll likely pay a higher marginal tax (percentage of tax applied to your income based on your tax bracket) as the money withdrawn will be added to your income for the year.

[1] Rates in Quebec differ (5% to 15%)

2. Contributing too much

It's great to plan for your future, but putting too much into your RRSP can be costly. Overcontributions to an RRSP can result in a penalty of 1% per month on contributions that exceed your RRSP deduction limit by more than $2,000. You can contribute up to 18% of your previous year's earned income — up to a maximum of $27,830 for 2021, plus any unused contribution room from previous years.

If you have additional savings, you can also consider a Tax Free Savings Account (TFSA), which offers a cumulative total contribution room of $75,500 for 2021.*

A Scotiabank advisor can help review your options and recommend a solution that works best for you.

HOW DO YOU FIND OUT YOUR RRSP DEDUCTION LIMIT?

Your RRSP deduction limit can be found on your most recent **Notice of Assessment** from the Canada Revenue Agency (CRA). You can also find it on your online myCRA account.

3. Procrastinating

Time is on your side when it comes to contributing to an RRSP — contributing early and regularly can help you build your savings easily and automatically. Regular contributions (weekly, biweekly or monthly), boosted by the power of compound growth can accumulate significantly over time.

Speak with a Scotiabank advisor about setting up a Pre-Authorized Contribution (PAC) plan that works best with your financial situation to help achieve your savings goals. To see how quickly your savings can grow, visit **scotiabank.com/PAC** contributions and try out our **interactive PAC video**.

4. Getting sidetracked by market noise

Keep in mind that an RRSP is a long-term investment. Depending on your age, there may be decades before you reach retirement. While market swings can be stressful, it's important to stay invested and maintain a regular contribution schedule – even when markets get choppy. Having a longer-term perspective and taking a diversified approach to investing – aligned to your risk tolerance and specific time horizon – is often the best approach.

5. Forgetting to revisit your plan

It's not enough to open an RRSP and make a lump-sum contribution. Each year, you should take the time to re-evaluate your retirement goal – when you want to stop working and how much annual income you'll need to do so comfortably – and adjust your plan if needed.

A Scotiabank advisor can help you develop a financial plan that maximizes RRSPs, while helping you to avoid some common pitfalls, to help you meet your retirement goals.

* Some conditions apply. Speak with your Scotiabank advisor for more details.

Saving and mindful spending here to stay

While Canadians are looking forward to doing the things they haven't been able to do in a long time, when it comes to their finances, they're planning to continue with some saving and spending habits established during the pandemic.

Let's take a closer look based on an online survey conducted on behalf of Scotiabank.[1]

TOP 3 ACTIVITIES CANADIANS LOOK FORWARD TO DOING IN LIFE AFTER THE PANDEMIC

30%	Attending large gatherings with family and friends
16%	Travelling by air outside of Canada
14%	Dining in a restaurant with a large group of friends

Have Canadians been able to save?

46% of Canadians say they have been able to save more money during the pandemic than in a more typical year

56% of 18- to 34-year-olds have been able to save more money during the pandemic, compared with 46% of those ages 55+ and 41% of those ages 35-54

49% of **Ontarians** say they've been able to save more money than usual

vs.

38% of **Atlantic Canadians (NL, PE, NS, NB)** who have been able to save more than usual

Saving and spending habits

Saving

28%
plan to keep building up their emergency savings

47%
think they will be able to maintain the same level of saving after life returns to a more normal state after the pandemic

25%
don't think they'll be able to manage the same level of saving

Spending

34%
plan to continue doing more research before making purchases

36%
of Canadians plan to continue eliminating unnecessary or discretionary spending

28%
plan to continue with a monthly budget

[1] An online survey was conducted by Maru Blue on behalf of Scotiabank from April 16 to April 18, 2021. A total of 1,517 randomly selected Canadian adults who are Maru Voice Canada panelists were selected for the survey.

Market insights

MARKET RECAP

Inflation is increasing, but central bankers believe it's temporary

The global economy continued to show signs of improvement in the second quarter. In addition to economic growth, signs of inflation became apparent. In both the U.S. and Canada, the Consumer Price Index climbed rapidly in Q2, registering the highest levels of inflation in years. The spike is concerning for investors, some of whom fear this may be the beginning of a period of elevated inflation, which will likely lead to higher interest rates. However, key central banks, including the U.S. Federal Reserve and Bank of Canada, provided statements indicating their belief that this is a temporary phenomenon that will normalize as the economy normalizes.

Growth stocks perform well – again

Although value stocks soared in the first quarter, in Q2 growth stocks outperformed, making up much of the year-to-date difference. This follows dramatic outperformance by growth stocks throughout 2020. Information technology stocks continued to be a big part of this trend, with solid Q2 performance after a subdued Q1. Energy stocks also performed well, adding to the tremendous gains in the first quarter of the year.

Bonds rebounded in the second quarter

Bonds moved higher in the second quarter, particularly on the long end of the yield curve, rebounding after weak performance in Q1. This comes despite the threat of rising inflation, and the possibility that central banks may tighten monetary policy sooner than previously expected. Bond investors were likely reassured by comments from key central bank officials, who indicated their belief that rising inflation will be temporary, and also suggested they would want to see evidence of a full economic recovery before raising rates.

MARKET PERFORMANCE

YTD Total Returns in Canadian (CAD) currency as at June 30, 2021	Q2 Total Returns in Canadian (CAD) currency as at June 30, 2021
-3.5% FTSE Canada Universe Bond Index	**1.7%** FTSE Canada Universe Bond Index
17.3% S&P/TSX Composite Index	**8.5%** S&P/TSX Composite Index
12.0% S&P 500 Index	**6.9%** S&P 500 Index
10.1% MSCI World Index	**6.3%** MSCI World Index
4.6% MSCI Emerging Markets Index	**3.6%** MSCI Emerging Markets Index

Source: Morningstar

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