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investment advisor

NEWS, VIEWS AND INVESTMENT STRATEGIES FROM YOUR SCOTIABANK TEAM

Economic update

Economy slows amid subdued inflation

In the third quarter, the slowing pace of consumer spending and housing construction activity in the US added to worries about a general slowdown in the US economy. At the same time, the price of commodities moved lower reflecting a possible softening in global demand. For crude oil, a record price of $78 (US) a barrel in August has been followed by a significant slide to below $60 (US) as we enter the final quarter of the year. Lack of demand growth due to a slowing US economy and a slight cooling of China's economy were contributing factors to the price decline. Lessening concerns about supply also eased price pressure as a relatively tame hurricane season in the Atlantic and a negotiated halt to fighting in the Middle East reduced fears about scarcity. These factors helped create considerable levels of volatility for commodity-based markets, including Canada and Mexico.

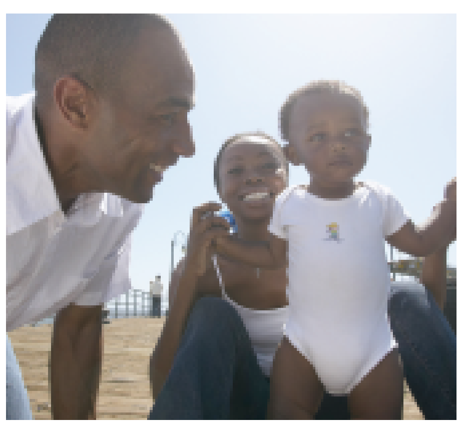
US trade position to improve

While Scotiabank economists expect slightly lower growth for the US economy this year and next, a gradual improvement in the American trade position should help limit the extent of the economic slowdown. As well, despite the effect of the US housing-led deceleration of global economic activity around the world in 2007, the slowdown should be moderate.

Inflation pressures lessen

The more modest prospects for economic growth in the US and in Canada could mean policymakers in these nations are done raising interest rates through the rest of the year. Furthermore, with inflationary pressures lessening amid the emerging economic slowdown, central banks in both these countries may cut rates in 2007.

In fact, as chief US central banker Ben Bernanke approaches the final leg of his first year at the helm of the Federal Reserve Board (the Fed), US inflation figures remain consistent with the Fed's economic outlook. For investors, this continuing stability is good news.



In this edition

It's a fact that people with post-secondary education generally enjoy greater success in many aspects of their lives. What's less certain for well-meaning parents is how to save enough to give your children these opportunities. The truth is, ever-increasing tuition fees and steadily rising inflation can put higher learning out of reach for many people. In this edition of *investment advisor*, learn what you can do now to help make the dream of higher education a reality for your child.

contents

How to meet the cost of post-secondary education

Be sure to explore all your funding options

If your children and grandchildren have goals and aspirations, chances are, they'll need a post-secondary education in order to make those dreams come true. Studies have shown that post-secondary education is well worth the expense and pays off in more than one way. Broader horizons, more fulfilling careers and higher standards of living are just some of the possible rewards of higher learning.

That said, we also know that such advantages aren't easily accessible by everyone. With tuition fees continuing to increase year after year and the cost of living rising steadily, saving for post-secondary education requires a major financial effort.

Easy steps to saving for education

In fact, the challenge of saving enough to send a child to college or university can be daunting for most parents. But once you put aside the sense of panic you may feel, there are, in fact, simple steps you can take now to help make education costs manageable.

Step One

The first step is to face the challenge head on: simply start thinking about what higher education might really cost. In addition to tuition payments and books, remember that housing, food and other everyday living expenses may also have to be paid. Of course, these potential expenses are especially relevant for students living away from home.

Step Two

Next, consider all the possible sources of funding that are available to your child now and in the future, and think about how to go about accessing them. You'll probably want to start by looking at how much you yourself can put aside on a regular basis. A bank account dedicated to your family's education savings is one way to encourage saving for this particular goal.

In addition to your own family's savings, think about other relatives who may be pleased to contribute to an education savings fund. Consider also how much your child may be able to contribute – through a part-time job, for instance. Scholarships and bursaries represent another potential source of funding. These are often based on academic merit and may be available to students in certain areas of study or who meet other specific criteria.

Step Three

Once you've taken an honest look at your cost and funding estimates, you'll be better able to make realistic choices. For example, remaining closer to home can cut the costs of lodgings and other personal expenses. Those who find attending school in the United States out of reach financially might consider quality domestic options.

Step Four

Finally, bear in mind that borrowing, if properly planned and responsibly handled, can be a successful strategy. Student loans, for example, may have favourable terms for repayment. For parents also, there are times when it makes sense to borrow, particularly if the benefits of the loan outweigh the cost of borrowing.

Build confidence in your family's education savings plan

A diversified portfolio is key to long-term growth

The prospect of helping your child to a brighter future is the best incentive to save for college or university. At the same time, falling short when it comes to education savings is a real worry for many parents today. But there are simple ways to build confidence in your plan and increase the chances of achieving your family's goals for education. One solution is to allocate your assets among various classes of mutual funds that correspond with your investment objectives.

A simple investment solution

As you may already know, the investments you hold should reflect your risk tolerance, time horizon and return expectations. For example, if you have long-term goals – including future post-secondary education for a child who is currently young or even newborn – the most suitable investments will offer the greatest potential for growth over the long run.

Another key principle of successful investing is diversification, which means that, instead of putting all your money in one or two places, you choose a range of different types of investments. Diversification can help increase long-term returns and smooth out the ups and down in your portfolio.

Scotiabank Asset Allocation Portfolios represent a simple investment solution that can help you meet your goals. Each Portfolio comprises a balanced mix of underlying Scotiabank Mutual Funds that cover the three major asset classes – equity, fixed income and cash. The Portfolios are also diversified by geography so you get exposure to the growth opportunities of various countries and economies. With the help of your Scotiabank Mutual Fund Representative, you can select the Portfolio that corresponds to your investment objectives.

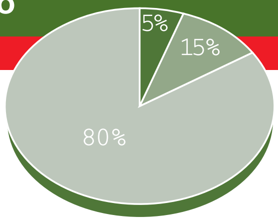
Investing for the long term

If your child won't be attending post-secondary school for 10 years or more, for example, Scotiabank Aggressive Growth Portfolio may be a suitable way to save for that higher education. Because they offer greater potential when it comes to capital appreciation than either fixed income investments or cash holdings do, stocks are the focus of this Portfolio. Scotiabank Aggressive Growth Portfolio divides the bulk of its assets (80%) equally among three growth-oriented mutual funds, Scotiabank Global Growth Fund, Scotiabank US Growth Fund and Scotiabank Canadian Growth Fund, spanning the major economies of the world. Another 15% of assets are dedicated to income and holds Scotiabank US Bond Fund, while the remaining 5% of assets is held in a cash equivalent, Scotiabank Money Market Fund.

Scotiabank Agressive Growth Portfolio

3 Basic Asset Classes

- Cash Equivalent
- Bonds (Income)
- Equities (Growth)



Invest for maximum potential growth in the long term

	1 year	3 years	5 years
Return (ended Sept. 30, 2006)	**9.98%**	**13.90%**	**9.58%**

To learn more about Scotiabank Mutual Funds, contact your Scotiabank Mutual Funds Representative.

Think it's too early to start putting aside money for your child's education?

Rising inflation and tuition costs mean planning now is the key to achieving your family's education goals

As any parent can tell you, children seem to grow up in a blink of an eye. Even though your child may be still young and you may have many other pressing financial obligations, the best time to start investing in a post-secondary education is now.

Based on historical rates of inflation and tuition cost increases, here's a sampling of what the first year of study at some popular universities might cost depending on the current age of your child.

Keeping up with rising tuition fees and inflation*†

	Child currently newborn	Child currently 3 years old	Child currently 10 years old
University of West Indies, Mona	$62,180	$49,360	$28,800
University of Toronto	$79,205	$62,875	$36,690
University of Miami	$125,027	$99,250	$57,912

* Figures are in US dollars and assume first year of study at age 18
† Cost estimate includes annual projected tuition fees only. Housing, food, and personal expenses need to be considered in addition to these costs.

Tuition rates are generally expected to increase at approximately twice the rate of inflation. On average, tuition rates tended to increase at approximately 8% per year, ranging between 6% and 9% for any 17-year period between 1958 and 2001. An 8% inflation rate means the cost doubles every nine years.