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In this issue you'll find:

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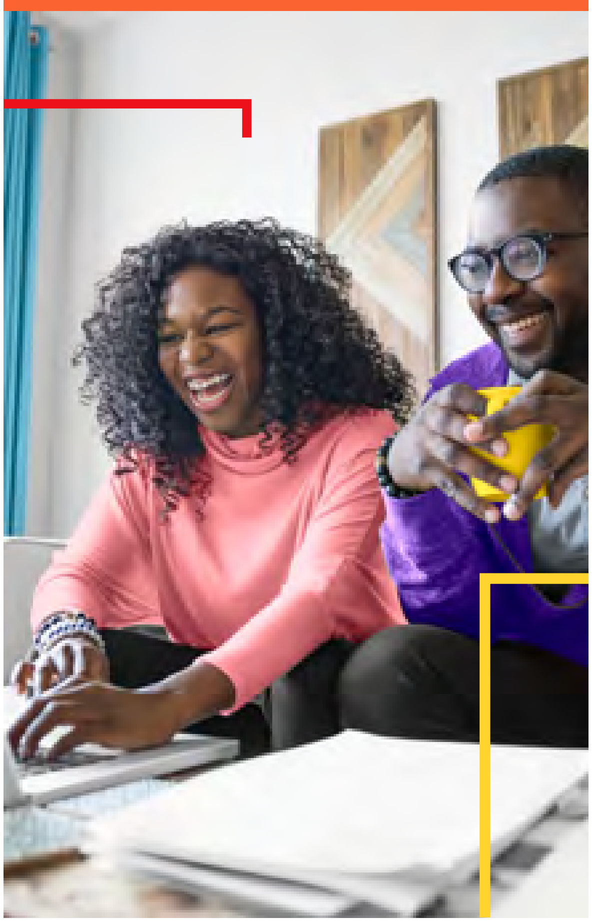
Seven myths about financial planning



For many Canadians, the phrase **financial planning** sounds like an overwhelming and exhaustive exercise.

If you've considered creating a financial plan, you may have put it off for a number of reasons: not knowing how to start, what's involved or who can help. Another key deterrent may be information overload – or misinformation overload – about the process itself.

WHAT IS FINANCIAL PLANNING?

According to the Financial Planning Standards Council of Canada[1], a financial advisor provides comprehensive planning when considering one's major life goals and events, or at least three out of the following six planning components:

- household budgeting, tax, retirement, estate planning, investing, debt or risk management.

1 Financial Planning Standards Council of Canada, The Value of Financial Planning, 2012.

In this article, we've outlined some of the most common misconceptions about financial planning in order to give you the confidence you need to get started on your plan.

Myth #1
A financial plan is not necessary

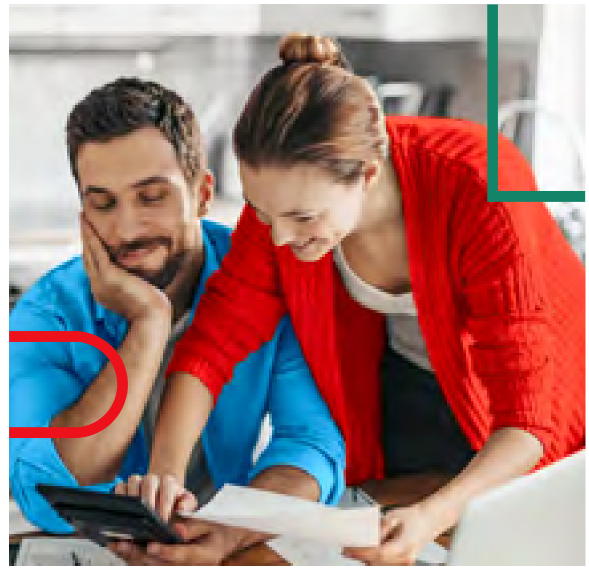
If you want to attain financial success, it's important that you have a financial plan. Think of a financial plan as your personal roadmap, clearly outlining your financial goals and the steps you need to take to help you achieve them. Your plan will include longer-term goals, such as saving for your children's education and retirement planning, as well as shorter-term goals, such as saving for a car or a home.

A financial plan gives you better control of your finances and peace of mind, knowing there are strategies in place to help keep you on track during both good and challenging times.

While everyone's plan will be unique to their specific goals, a financial plan is designed to help answer three fundamental questions:

1. Where are you now financially?
2. What would you like to achieve – both short and long term?
3. How will you get there?

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.



Myth #2
A financial plan is for the wealthy

A common misconception among many is that you need substantial wealth in order to start a financial plan. That's simply not the case. You start a plan in order to begin building wealth.

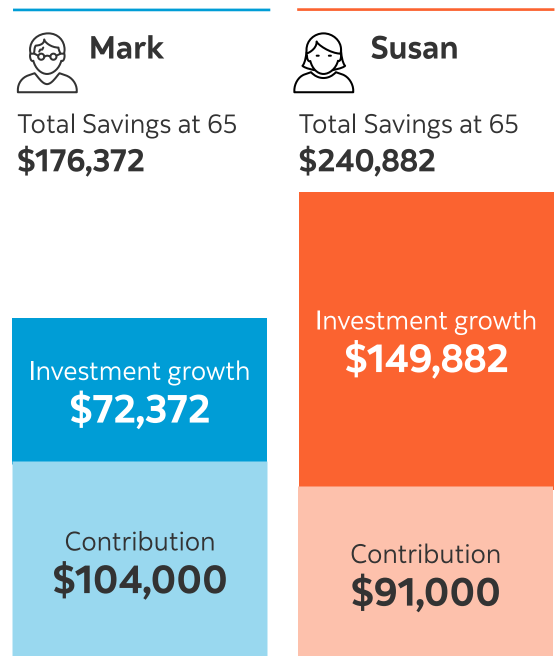
This misconception may cause some to put off starting a financial plan, which can affect their long-term savings goals. It's never too early to start saving for retirement. The earlier you start, the better off you'll be because your retirement savings will have more time to grow. And it all begins with creating a financial plan. If you earn income and have financial goals, having a financial plan in place will set you on the path to achieving them.

LET'S LOOK AT THE IMPACT OF DELAYING SAVING FOR RETIREMENT

1. Susan and Mark would both like to retire at **age 65**.
2. Susan starts saving **$100 biweekly** when she's 30.
3. Mark decides to put off saving until he's 45 but will contribute twice as much – **$200 biweekly** – to help catch up.

- At age 65, Susan will have contributed $91,000 in 35 years, while Mark will have contributed $104,000 in 20 years. However, Susan will actually retire with **$64,510 more** than Mark – even though she **contributed $13,000 less**.

- With more time on her side to grow her savings (15 years more) and the benefit of compound growth, Susan's $91,000 contribution grew to **$240,882**, while Mark's $104,000 contribution grew to **$176,372** ($64,510 less than Susan).



For illustrative purposes only and not intended to reflect an actual rate of return of the future value of an actual mutual fund or any other investment. The calculation assumes reinvestment of all income and no transaction costs or taxes. Illustration assumes a hypothetical rate of return of 5%, compounded annually. Amounts are rounded to the nearest dollar.

Myth #3
A financial plan is the same as a budget

Because there is duplication between a budget and financial plan, many mix up one for the other. While a budget contains your income and spending practices, which are major components of your financial plan, a financial plan contains much more.

You create a budget to help track your spending and saving habits in order to gain control of, and become more efficient with, your cash flow.

A financial plan includes all aspects of your financial life – an assessment of your net worth (assets vs. liabilities), cash flow (income and spending), taxes, retirement planning, estate analysis and insurance planning – to help you achieve your short-, medium- and long-term financial goals.

Myth #4
I can create and maintain my financial plan on my own

While it's great that you've decided to start a financial plan, you might want to reconsider tackling it on your own.

Although 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. At some point on your financial journey, you will require the support of financial professionals who can guide you and introduce you to additional tools and resources.

Working with a financial advisor helps you increase your wealth[2]

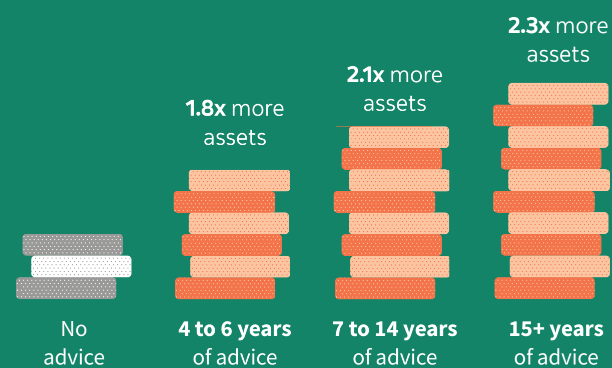
Working with a financial advisor to create a financial plan will help you build up your wealth through better savings approaches, while increasing your financial knowledge, so that you can be confident in the choices you make.

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



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

Myth #5
I have a financial plan so I don't need to worry

While having a financial plan is a great start, it's important to remember that to provide its maximum benefit, your plan needs to be continually updated to reflect the ongoing changes in your life. That includes everything from marriage and the birth of a child to career changes or a new home purchase, just to name a few.

Keep in mind that financial planning is an ongoing process. That's why we often refer to a financial plan as a "living document," something that's continually amended to reflect the changes in your life. For that reason, it's a good idea to keep your plan accessible so that you can easily review it as your financial situation changes.

Myth #6
Since I have a financial advisor, I can leave everything up to them

Think of your relationship with your advisor as a partnership, with both of you taking an active role to reach your financial goals.

As the client, get in the habit of staying on top of your investments by keeping a file of your account statements, tax slips and any other related documents. Make sure you read documents that you receive about your investments and take a keen interest in your portfolio – after all it's your financial future. Taking an active approach will in turn help your financial advisor to deliver timely information and in-depth support to help you reach your financial goals with confidence.

It's also critical that you keep your advisor informed about changes in your personal or financial circumstances. Major life changes – such as marriage, the birth of a child, divorce or the death of your spouse – can profoundly impact your financial outlook. Your financial advisor can be instrumental in making necessary adjustments to your financial plan to ensure you're on track to reach your financial goals.

Myth #7
Creating a financial plan takes too much time

Here's some good news: Your initial meeting with a Scotiabank advisor should only take about an hour. This will provide them the opportunity to ask questions about your financial situation, go over your goals and identify any specific needs. While it may take a few meetings to put your plan into action, it's time well spent. With a financial plan in place, you'll be more confident knowing that you're in a better position to achieve your financial goals.

With a better understanding of financial planning, you're now ready to start building your own plan. Reach out to a Scotiabank advisor or visit **scotiabank.com/book** to schedule an appointment.

Visit **scotiabank.com/adviceplus** for financial planning tips and to view some examples of the information you'll receive in your plan.

The dos and don’ts of investing in a volatile market

Myles Zyblock
Chief Investment Strategist
1832 Asset Management L.P.

Myles Zyblock is a recognized North American strategist, regarded for his investment insights that blend finance and psychology to capture major inflection points in financial markets.

Myles has over 25 years of experience in guiding and advising on asset allocation for a diverse set of institutional and retail advisors globally. Myles joined Scotiabank in 2013 as the Chief Investment Strategist, working closely with the Investment Team. His experience spans multiple asset classes and geographic regions.

THREE THINGS TO DO IN A VOLATILE MARKET

The past few months in the markets have been difficult, and there will be more of these chapters in our future. Losing money is never comfortable but reacting in the moment and making off-plan decisions can have much larger long-term financial consequences.

Investing is more like a marathon than a sprint. Spending most of one’s time and effort on developing a well-defined investment process, rather than on trying to predict the future, is time well spent. It’s the investment process that equips a portfolio with resilience.

1. Understand the character of financial markets

- **Markets are hard to predict, especially over short time periods** – Almost everybody seems to have an opinion about where the economy, stocks and bonds are heading next. But even experts can mis-predict. For example, the current head of the U.S. Federal Reserve, Jerome Powell, informed us back in early 2021 that inflation was not a lingering problem, just ahead of the worst inflation burst in at least 40 years.
- **Markets are volatile** – If we invested $100 in the S&P 500 in 1927 and let it ride, that investment would be worth almost $23,000 today. If we missed the ten biggest up days in the market, the value of our portfolio would be worth about $7,600. If we missed the ten biggest down days, it’d be worth $75,000.

  Remember that in 2020, the S&P 500 suffered a 34% decline at one point but finished up 16%. If you don’t sit through the uncomfortable sell-offs that happen almost every year, you probably won’t ever be able to realize those much-lauded paper returns.
- **Markets typically appreciate over the long run** – As an equity investor, you need to accept the volatility and enter the market with a long-term mindset that has a vision of 5, 10 or even 20 years to materially raise the odds of success. While the market is incredibly volatile through time, it does tend to appreciate over time.

2. Be prepared, not surprised

Diversify within and across asset classes. Maintain exposure to stocks, bonds and alternative investments.

Mixing equities with other asset classes, like bonds, will help to reduce the volatility of your entire portfolio. We often talk about a portfolio that is 60% equities and 40% bonds as being a "balanced" fund. A 60/40 portfolio has the benefit of reducing your exposure to volatility in an equity drawdown, while performing almost identically to a 100% equity portfolio.

Portfolio diversification can be further enhanced by adding alternative investments into a stock-bond asset mix. Alternatives are a big category and can be defined either by asset classes (e.g., commodities, art, private investments, etc.) or strategies (e.g., equity long-short, merger arbitrage, etc.). Focus on alternative investments that have low performance correlation to stocks and bonds because those are the ones more likely to provide portfolio diversification benefits.

3. Be a strategic decision-maker

- **Start investing as early as possible**. A person who starts investing early has a huge advantage relative to someone who waits until later in life. Compounding delivers huge benefits through time.
- **Invest regularly**. Don't wait for that perfect entry point in the market. If you have decided to place money in the market each month, then just do so regardless of anything else you hear or read.
- **Invest as much as is feasible**, at each interval, given your personal financial constraints.

The bottom line: Financial markets are incredibly hard to predict and are volatile over short periods of time but tend to be rewarding over longer timeframes. Diversify within and across asset classes and maintain exposure to these asset classes through time. And, most importantly, start investing as early in life as possible, and as much as is feasible on a regular basis.

THE DON'TS OF INVESTING IN A VOLATILE MARKET

When it comes to investing, it is also helpful to know what not to do. Avoiding some of these common pitfalls is likely to materially enhance one's investment performance over time.

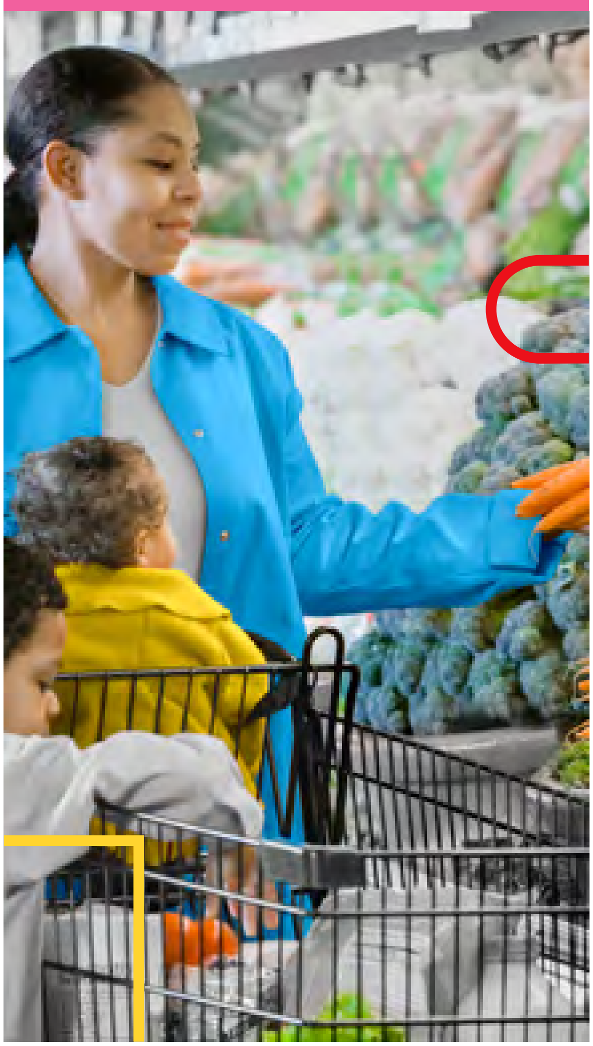
- **Don't watch markets daily.** This encourages noise trading – where a decision is made to buy or sell without actual fundamental or technical analysis – given that the odds the stock market goes up or down on any given day is very close to 50–50. However, as the investment horizon stretches, the odds of success increase. As an equity investor, you need to enter the market with a long-term mindset.

- **Don't chase the latest hot stock or investment theme.** This rarely ends well. Does anybody remember cannabis stocks from 2017–18? So often, investors chase returns, and this leads to buying when they should be selling and selling when they should be buying.
- **Don't wait for the next pullback of X% to buy stocks.** This erodes the impact of compounding on the value of your portfolio long-term, and none of us are equipped with a crystal ball. The more money you can afford to put into the market, the more frequently you invest, and the earlier you start, the better off you are likely to be.
- **Avoid excessive leverage.** Using too much borrowed money exposes an individual, company or a system to shocks. Long-term Capital Management (LTCM), the notorious hedge fund founded in the 1990s, was earning double-digit returns one day, then disappeared the next, due in part to its high leverage. At LTCM's height, analysts estimate the firm had $5 billion in assets and had borrowed an additional $125 billion for a leverage ratio of 26-to-1. With heightened leverage, it only took a small and unexpected change in asset prices to wipe out its capital.
- **Don't own a company just because it's cheap.** Bear markets are sometimes described as "fire sales" for equities; but owning a good company at a fair price has proven to be a better proposition than owning a weak company at a cheap price.
- **All-or-nothing approaches to investing can end in ruin.** Putting all your capital into the one investment that you have predicted to be the head of the pack exposes your portfolio to enormous risk if that investment loses value. Diversification might lead to performance regret relative to what the 20/20 hindsight investor expects, but it rarely results in ruin.

Remember, today's market volatility is not special. It is one event united by many others along a continuum of investment experiences that must be crossed to reach the finish line.

Understanding what needs to be done is the easy part, doing so with impassive discipline is not.

Five ways to help alleviate money worries



Most of us, regardless of age, life stage or income, have felt anxiety over our money and finances at some point in our lives. In fact, the rising cost of living in 2022 is causing Canadians each week to worry more than 14 hours, on average, about their finances.[1]

Here are five simple, but not always easy, things to do to help tackle money concerns.

1. Take control of your finances

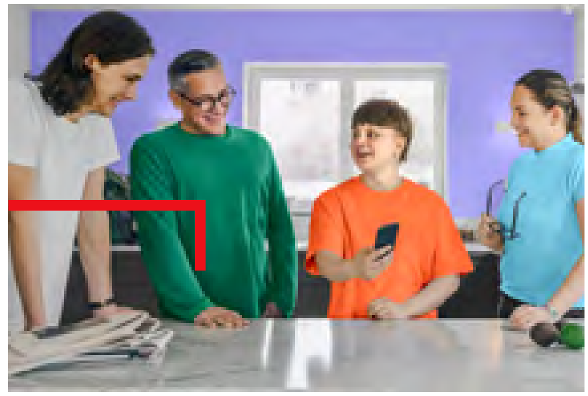
It's fairly common to ignore or put off thinking about things that can cause stress – like money. Taking a proactive approach to your finances can be the first step toward building a workable budget and developing a sound financial plan to help give you peace of mind. Meeting with a financial advisor who can help you create a plan is a great start.

2. Ask for help

Being ashamed or embarrassed to ask for help is natural; however, not reaching out can often make a challenging situation worse. Sometimes financial problems can escalate, not because of negligence, but because of a lack of understanding. It's okay to ask for help in order to better understand all your options.

3. Involve the family

Talk to your family about what is going on with your finances. Involving your family can help provide additional support and be a major source of stress relief. Not having to hide money problems is also a major factor in reducing money anxiety. Talking to your family about money will also open up the conversation about how to effectively transfer your wealth to the next generation when it's time.



4. Establish good habits

Once you have a financial plan in place that is aligned to your financial goals, the next step is finding the best way to achieve those goals. Investing on a regular basis through **Pre-Authorized Contributions (PACs)** can help you get into the habit of building your savings easily and automatically. Visit **scotiabank.com/PAC** and try out our interactive PAC video.

5. Revisit, review and revise

Even with a sound financial plan in place and good habits established, the work doesn't end there. It is important for you to keep revisiting the plan with your advisor to ensure it is still relevant, and revising if necessary.

If you need us, we're here for you.

If you are experiencing financial difficulty or simply want to ensure you're on the right track with your finances, reach out to a Scotiabank advisor today or visit **scotiabank.com/book** to schedule an appointment.

A Scotiabank advisor will review your financial situation, present you with options and recommend a strategy to help you best address your concerns.

[1] Source: Scotiabank, Consumer Views on Financial Worry, Scotiabank Worry Index (W3), July/August 2022.

These are some of the findings of a Maru Public Opinion Poll conducted between July 21st – 26th, 2022, among 1,517 randomly selected Canadian adults who are members of Maru/Blue's Maru Voice Canada online panel. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of ±3%, 19 times out of 20. The results have been weighted by education, age, gender, and region to match the population, according to Census data.

WOMEN AND FINANCIAL WELL-BEING

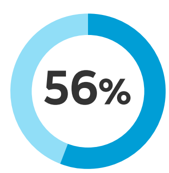
Tips and insights to help ensure a bright financial future

Canadian women today are busier than ever, often juggling a career, family and community activities. The Covid pandemic and its impact on the economy (including the latest bout of inflation) have really highlighted the importance for women to educate themselves on financial matters in order to safeguard themselves and their families.

With that in mind, here are some tips and insights to help women take control of their financial future in order to build wealth, overcome financial challenges and achieve their retirement goals.

QUICK FACT

According to a Financial Independence survey of 1,000 Canadian women:



do not have a written financial plan
(60% of those aged 45 to 54 don't have a plan)

Financial Planning Standards Council, Omni Report: Financial Independence, February 21, 2018.

1. Having a financial plan is key

When life is so hectic, finding the time to create a financial plan can be challenging. But a financial plan is like a roadmap for the future, designed to help you set realistic financial goals and outline a strategy and timeline for reaching them. These goals may include buying a home or new car, saving for a child's education, or ensuring your wealth is preserved for future generations.

A financial plan that puts saving and investing at the forefront can go a long way in helping you meet life's challenges, financial or otherwise.

A financial plan doesn't only give you financial benefits. It can also empower you to have greater confidence when it comes to your money and future. A major study of Canadians found that those who take part in comprehensive financial planning report higher levels of emotional well-being than those who have engaged in limited planning.[1]

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. Refer to the article **Seven myths about financial planning** included in this edition.

QUICK FACT

Canadian women are living longer, with a life expectancy of **85 years** on average versus **81 years** for men.

2022 World Population Review https://worldpopulationreview.com/country-rankings/life-expectancy-by-country

2. Be prepared for an extended retirement

With more years spent in retirement, women may need to fund a retirement that could last 20 years or more. Having a sound investment plan will help you avoid the risk of a savings shortfall in retirement so you can maintain your desired lifestyle. The risk of outliving your savings, also known as longevity risk, is one of the main concerns facing retirees.

Because women are living longer, they're more likely to need long-term care. You may require specialized medical care that can come at an additional cost if your employer doesn't offer lifelong health insurance, which many employers, particularly in the private sector, no longer do.

Out-of-pocket expenses for long-term care services, prescriptions and treatment can quickly deplete retirement savings, making it imperative to plan for unforeseen health care issues. It's important to understand the medical coverage that's available and whether it will meet your needs. It may be beneficial to set aside funds to pay for private health insurance to fill the gaps not covered by provincial coverage.

3. Don't be afraid of taking on some risk

The downside of letting actual or perceived market risk impact long-term planning is very real. An overly conservative approach to investing will help to lower the overall risk of your portfolio, but could increase the risk of falling short of your retirement goals or running out of money (i.e., longevity risk). Please refer to the infographic on the right.

Consider finding a middle ground with an investment solution that offers a balanced approach to risk and return. Diversifying your portfolio to include a balance of conservative and growth-oriented investments has the potential to boost the value of your portfolio over the long run and combat longevity risk. The key to long-term investment success is finding a balanced mix of investments that will let you remain at ease.

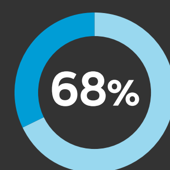
Talk to your Scotiabank advisor. They can help determine your unique risk tolerance and then build a portfolio that's suited to your investment style.

4. Remember to invest in yourself

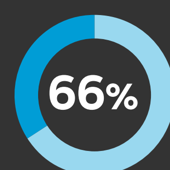
Studies show that women often reduce or stop saving for retirement due to childcare or eldercare responsibilities. While it's important to be there for your family, it's equally important to commit to investing in your future.

DID YOU KNOW?

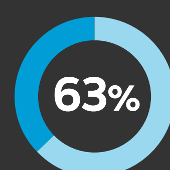
Canadians' top 3 retirement concerns:



Not having enough money to support their retirement



Retirement savings have been negatively impacted by the rising cost of living



Underestimating how much money they will need in retirement

Source: Scotiabank, Consumer Sentiment Towards Retirement, 2022 Investment Poll, July 2022.

These are some of the findings of a Maru Public Opinion Poll conducted from the 21st to 26th of July 2022 among 1,517 randomly selected Canadian adults who are primary/shared decision makers for household savings and investments and who are members of Maru/Blue's Maru Voice Canada online panel. For comparison purposes, a probability sample of this size has an estimated margin of error (which measures sampling variability) of ±3%, 19 times out of 20. The results have been weighted by education, age, gender, and region to match the population, according to Census data.

If you haven't already done so, setting up Pre-Authorized Contributions (PACs) is an easy and convenient way to start building up savings for your financial goals – be it an emergency fund, a new car, child's education or retirement. You can choose how much money you want to save, how often, as well as which accounts or investments you're contributing to.

To see how quickly your savings can add up by investing regularly with PACs, visit **scotiabank.com/PAC** and try out our interactive video. Visit your nearest Scotiabank branch and an advisor will be happy to set up a PAC that meets your needs.

Learn about a wide range of financial topics to help you make informed decisions

Visit the ScotiaAdvice+ Centre at **scotiabank.com/adviceplus**, where you'll find timely financial information, advice, tips and tools. We're constantly adding new content, so make sure you check back frequently.

If you have any questions, reach out to a Scotiabank advisor or visit **scotiabank.com/book** to schedule an appointment.

QUICK FACT

Women account for almost 2/3 of caregivers, spending 20 or more hours per week on caregiving tasks (64% women versus 36% men)

Statistics Canada, Differences in the characteristics of caregivers and caregiving arrangements of Canadians, 2018 (https://www150.statcan.gc.ca/n1/daily-quotidien/220114/dq220114c-eng.htm)

5. Be prepared to take on caregiver responsibilities

Tending to the family is a defining part of life for many women. That includes being the primary caregiver to elderly parents.

Taking on caregiver responsibilities can be especially stressful for women in the "sandwich generation" as most still have careers to grow, children to raise, and financial obligations to meet, in addition to providing care for aging parents.

While it may be challenging to put your goals first while caring for your parents, planning is critical so you don't lose sight of your goals and the care you may need in the future. When your needs are taken care of, you will be more effective helping others. Take the time to plan for sufficient funds in retirement and build contingencies in your financial plan, not only for the care you may need when you get older, but also to provide care to someone else.

If you don't already have a financial plan in place, a Scotiabank advisor can help you create a plan that will include strategies to help you address the possibility of taking on a caregiver role to elderly parents. Refer to **Having a financial plan is key** above.

6. Choose the right advisor for you

With many women time-crunched and focused on other priorities besides their finances, a financial advisor can provide the help needed to create a financial plan unique to their situation. With the vital role a financial advisor plays in helping you achieve your financial goals, it's important to choose the right advisor – one that you trust and feel comfortable with. As in any relationship, open and honest communication is key. By taking this approach, your advisor can provide you with the knowledge, support and motivation that can help you reach your financial goals with confidence.

QUICK FACT

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.

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

1.8x
more financial assets over **4 to 6 years**

2.1x
more assets over **7 to 14 years**

2.3x
more assets over periods greater than **15 years**

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

[1] Financial Planning Standards Council, The Value of Financial Planning, 2012.

Market insights

MARKET RECAP

(July 1 to September 30)

Central banks are continuing to raise interest rates

The Bank of Canada raised its benchmark interest rate by another 175 basis points (1.75%) in the third quarter, after hiking interest rates by 100 basis points (1.00%) in Q2. The U.S. Federal Reserve raised rates by 150 basis points (1.5%) in the quarter, following hikes of 125 basis points (1.25%) in the previous quarter. This is part of their aggressive effort to curtail high inflation, which has remained stubbornly high even while declining from the peak seen in the summer. Central bank officials have stated clearly that they are committed to forcing inflation lower, and more rate hikes are expected in the near term.

The economy is showing signs of slowing

Canadian manufacturing is showing signs of slowing, as the S&P Global Canada Manufacturing Purchasing Managers' Index fell to 48.7 in August, indicating contraction. This was its lowest level since June 2020. A separate Statistics Canada report showed Canadian manufacturing sales falling 0.9% to $71.6 billion in July, the third consecutive declining month. In the U.S., the Philadelphia Fed index, which is based on a monthly survey of manufacturing businesses, showed subdued expectations for the near future. The September index reading was -9.9, down significantly from 6.2 in August and below expectations of 2.3.

Geopolitical risk continues

The Russian war in Ukraine continues, which is applying pressure on global supplies of food, oil and gas, and driving prices higher. Russia has recently escalated the conflict, ordering the partial mobilization of the Russian population, calling military reservists into active service, and boosting weapons production. Russian Defense Minister Sergei Shoigu said there would be 300,000 additional personnel called up to serve in the military campaign in Ukraine. Additionally, Russia has been attacking civilian infrastructure in Ukraine, which could unleash an even greater humanitarian crisis.

MARKET PERFORMANCE

Year-to-date Total Returns in Canadian (CAD) currency as at September 30, 2022	Q3 Total Returns in Canadian (CAD) currency as at September 30, 2022
-11.8% FTSE Canada Universe Bond Index	**0.5%** FTSE Canada Universe Bond Index
-11.1% S&P/TSX Composite Index	**-1.4%** S&P/TSX Composite Index
-17.2% S&P 500 Index	**1.3%** S&P 500 Index
-18.6% MSCI World Index	**0.0%** MSCI World Index
-20.5% MSCI Emerging Markets Index	**-5.6%** MSCI Emerging Markets Index

Source: Morningstar

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November 2022