Advice **Matters**

ALSO FEATURING

STRATEGIES TO HELP YOU COPE WITH INFLATION

PRICES IN CANADA ARE RISING AT AN ESPECIALLY FAST PACE

ScotiaAdvice+

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Advice Matters

Presented by

ScotiaAdvice

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

In this issue you'll find

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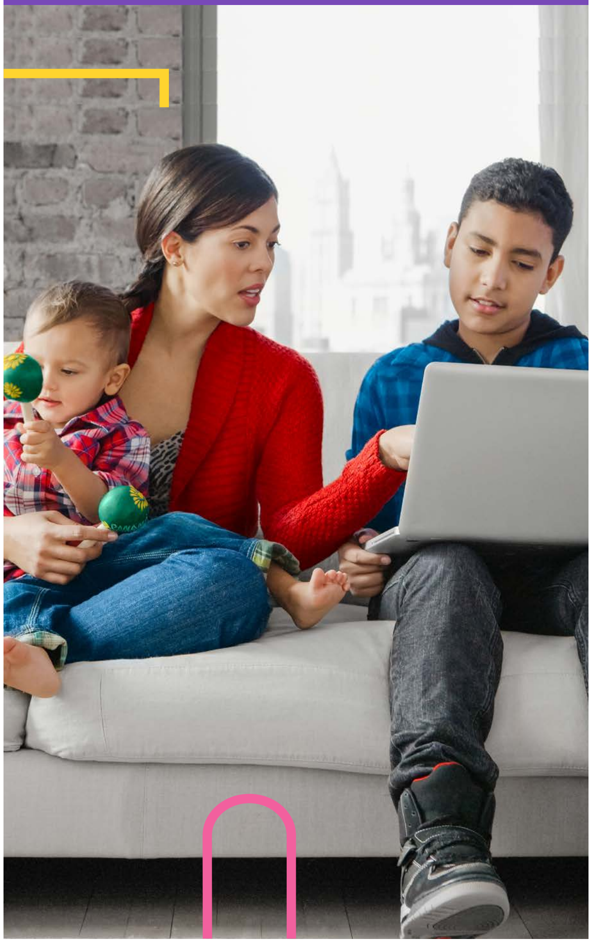
Strategies to help you cope with inflation



Prices in Canada are rising at an especially fast pace. According to Statistics Canada, the Consumer Price Index increased at an annual pace of 5.1% in January, as sharply higher prices for food led to the cost of living going up at its fastest rate in three decades. However, it's not just grocery prices; Canadian consumers are seeing rising prices for just about everything – from gas and groceries to new cars, housing and even big-ticket items, like appliances.

HOW IS INFLATION MEASURED?

The **Consumer Price Index (CPI)** is one of the most widely known economic indicators in Canada. The CPI compares, over time, the cost of a fixed basket of goods and services purchased by consumers – such as food, housing and clothing. Essentially, the percentage change in the price of the basket is used as an estimate of the amount of inflation in the economy overall.

While inflation has put added strain on many household's finances, here are our top five suggestions for coping with inflation.

TIP #1
Re-assess your budget

While no one likes rising prices, the latest wave of inflation might provide the perfect opportunity for you to take control of your finances by revisiting your budget starting one.

Ever wonder where all your money goes each month? Here are two simple steps to track your expenses:

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 – such as dining out or takeout, runs to the coffee shop, etc. If money is still left after you've accounted for all your non-discretionary costs, prioritize your discretionary costs based on what is most important to you.

Your budget can be as basic or detailed as you like – whatever works best for you. The important thing is to set up a budget and reassess it at least twice a year 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.

TIP #2
Save money by restructuring your debt

Inflation can significantly affect your lifestyle – especially if you've taken on too much debt, whether that's credit cards, car payments or even student loans.

Having a clear plan for how you will manage your repayment and knowing what options are available to you are two great ways to lower your monthly payments, get out of debt more quickly, and establish a sense of control over your finances.

Here are some strategies to help you become debt-free faster:

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.

If you 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.

TIP #3
Explore your mortgage options

Explore your mortgage options

As you may well know, periods of inflation are usually followed by rising interest rates, which can impact your cashflow, especially if you have a mortgage. It's important to understand how your mortgage payments will be affected as rates rise:

- **If you have an existing fixed rate mortgage**, you will not be impacted by rate changes until your renewal date.
- **If you have a mortgage with a variable rate**, you can likely expect your interest rate to increase, unless you have a variable rate mortgage with Cap Rate Protection. You may want to consider switching to a fixed rate, which will guarantee your rate for the term of the mortgage. Most variable rate mortgages will allow you to convert to a fixed rate mortgage. You would have to speak with your lender to see what the steps are and if there are any prepayment charges or fees that you'd have to pay.

WHAT IS A VARIABLE RATE WITH CAP RATE PROTECTION?

A variable rate mortgage with **Cap Rate Protection** has fixed payments for the term of the mortgage that are calculated based on a cap rate rather than the current variable rate; as rates rise more of your payments would go towards interest, and less to the principal (but your monthly payment remains the same).

- **If you're looking to purchase a home**, you may want to start the mortgage pre-approval process before the expected interest rate hikes. A pre-approval is when a mortgage lender looks at your finances to determine the maximum amount they will lend you and at what interest rate. Typically, the pre-approval is valid from 60 to 120 days, which means the interest rate is guaranteed for this period.

Whether you're a homeowner, looking to purchase a home or are considering refinancing, a Scotiabank Home Financing Advisor can explain the various mortgage options available and help you choose the one that's right for you.

To learn more about mortgages, check out these helpful resources:

Mortgage videos
Learn more about the different options available to you based on your homeownership needs.

Mortgage-free faster calculator
Find out how much you can save by experimenting with different payment scenarios.

TIP #4
Keep an eye on your long-term investment strategy

While periods of inflation can be concerning for investors, it's no time to panic. **Investing in a balanced portfolio, containing a mix of stocks and bonds, has a greater potential to outpace inflation and help build wealth over time.** This is due in large part to the strong returns earned by stocks, which have historically beaten inflation by a large margin.

Your portfolio's asset mix of stocks and bonds is a key determinant of meeting your long-term investment goals. Think of bonds for income potential and as a shock absorber for your portfolio during stock market downturns. By contrast, stocks are the growth engine of your portfolio, with a higher allocation offering greater long-term return potential, but with a corresponding increase in risk.

On the other hand, if your investment portfolio holds a significant portion of assets in cash for a considerable amount of time, the minimal returns provided by cash may drag down your overall investment portfolio performance. Your cash holdings may not even keep pace with inflation, leaving you with a negative real return.

SCOTIA PORTFOLIO SOLUTIONS

How we manage through inflationary periods

Craig Maddock
Vice President and
Senior Portfolio Manager
Head of Multi-Asset Management
1832 Asset Management L.P.

Helping our clients remain confident throughout different economic conditions is one of the reasons we believe active portfolio management adds value. We believe that by making moderate adjustments to our client portfolios, we can enhance near-term results, without significantly altering the expected long-term outcome.

With inflation being so high and interest rates on the rise, near-term performance for fixed income (i.e., bonds) is challenged, and we have reduced our portfolio allocations for fixed income and are maintaining lower interest-rate risk. We have also positioned our equity exposure to companies that enjoy a leading market share and are typically more resilient to economic downturns.

While we believe the recent rise of inflation should ease over the next few months, the risk of recession has recently increased, and we are correspondingly more cautious in our tactical allocation to risk assets. Our focus is meeting long-term performance objectives and, in the near-term, we will proactively adjust your portfolio so that you don't have to.

Scotia Portfolio Solutions are available in a range of asset allocations to meet a variety of investment goals and risk tolerances. Visit scotiabank.com/portfoliosolutions to learn more.

TIP #5
Consider delaying major purchases

While you may want to upgrade your car or appliances now, you might consider putting off those major purchases for a while longer (assuming you can). Supply chain disruptions caused by the pandemic are expected to ease in the next year, which should help reduce prices on a wide range of consumer goods.

During times like these it's important to have access to sound financial advice. Your Scotiabank advisor can recommend strategies to address rising inflation affecting different aspects of your household's finances, while helping you to remain on track to reach your financial goals.

WORDS FROM THE WISE

Navigating market volatility requires a plan

Glen Gowland
Group Head
Global Wealth Management

In Spring 2020, the impact of COVID-19 was felt keenly across our communities, our business and financial markets around the globe. We were uncertain about our health, how we would continue personally and professionally during lockdowns, and the impact on our personal financial situation. Two years later, as we begin to open again, the impact of COVID-19 continues to be felt in many ways, and we are reminded about the importance of sound investing principles when protecting and growing life savings.

When investing, we are faced with uncertainties that are both difficult to predict and outside of our control. Whether it's the performance of an individual company, an entire sector or the wider economy, even the more traditionally stable investments will experience volatility over time.

Market uncertainty can be unsettling. Seeing the value of an investment change from one day – or hour – to the next can give pause and cause some to question whether to remain invested. Instead of allowing market downturns to deter us from the pursuit of our goals, a clear financial plan helps us navigate the tumultuous periods when they arise and stay on track with our long-term goals.

There is, of course, no one-size-fits-all approach to a financial plan. The most effective plans are tailored to one's unique personal circumstances and goals, including considerations of time horizons, risk tolerance, financial objectives, and many other factors. They are also adaptable to changing conditions and make provisions for multiple potential future scenarios. A good financial plan looks at where you are now and where you'd like to be at a certain point in the future – like retirement – and charts a course to get there.

But what if you don't have a financial plan? Start by meeting with a Scotiabank advisor, they will review your financial situation and help you build a plan to meet your goals.

A financial plan will give you the confidence that comes with knowing that your goals won't be undone by a volatile stretch, and, in fact, that volatility can present an opportunity and not a source of anxiety. A financial plan helps to bring focus to your overall goals and identifies opportunities that helps you to achieve them. It provides assurance that you are prepared for the unexpected and focused on the long term that empowers you to see beyond the ups and down of market volatility.

As we look ahead to a post-pandemic world, sound investing principles remain unchanged: a solid financial plan with the support of a dedicated advisor to guide you is the best refuge to navigate any future volatility.

A FEW WORDS ABOUT INFLATION

Craig Maddock
Vice President and
Senior Portfolio Manager
Head of Multi-Asset Management
1832 Asset Management L.P.

Inflation has proven to be a lot more persistent than previously expected, thanks to pent-up consumer demand, supply-chain disruptions, and historically low interest rates – all largely a result of the pandemic. In an effort to battle inflation, central banks around the world have been raising interest rates, which increases the chance for slower economic growth. The Bank of Canada recently hiked its interest rate by 0.5%, and the U.S. Federal Reserve did the same. Additionally, Russia's invasion of Ukraine – and the ensuing humanitarian crisis – has sent oil prices skyrocketing, adding further inflationary pressure both in Canada and throughout the global economy.

HOW IS THE INVASION OF UKRAINE IMPACTING GLOBAL MARKETS?

Russia's invasion of Ukraine has devasted a nation and displaced millions of people.

The financial impact of the conflict is also being felt across the globe. Our experts break down what investors can expect and what the turmoil means for the economy.

Andy Nasr
Scotia Wealth Management
Chief Investment Officer

Why are sanctions against Russia having an impact?

Russia is a major supplier of crude oil, natural gas, and metals to Europe and China. The sanctions against Russian exports prevent the flow of goods, reducing global supply and driving up prices.

Though global growth was expected to slow down in 2022, sanctions are now slowing it further, accelerating inflation and reducing investor confidence.

What does this mean for investors?

There's uncertainty, market volatility, and investors are left wondering if their assets are properly priced.

Before the conflict, investors were hoping central banks would cool inflation by raising interest rates. Sanctions mean there's less oil and gas available to buy, so prices are harder to control. Investors are unsure how the war will impact the economy and corporate profits.

How can investors protect themselves?

A diversified portfolio can help reduce the impact of financial market volatility because it has exposure to different types of investments.

Volatile events can either look like little ripples over long periods of time, or larger waves, if you're too focused on the short term.

Planning helps put things into perspective and ensures that you're on track to meet your long-term objectives.

Marc Desormeaux
Senior Economist

Where is Canada feeling the effects?

At the pump, people are dealing with higher gas prices.

Although Canada doesn't import a lot from Russia, we're not immune to the global inflationary impacts of war. Canada produces many of the same commodities as Russia, so our exporters could see their incomes boosted by surging prices.

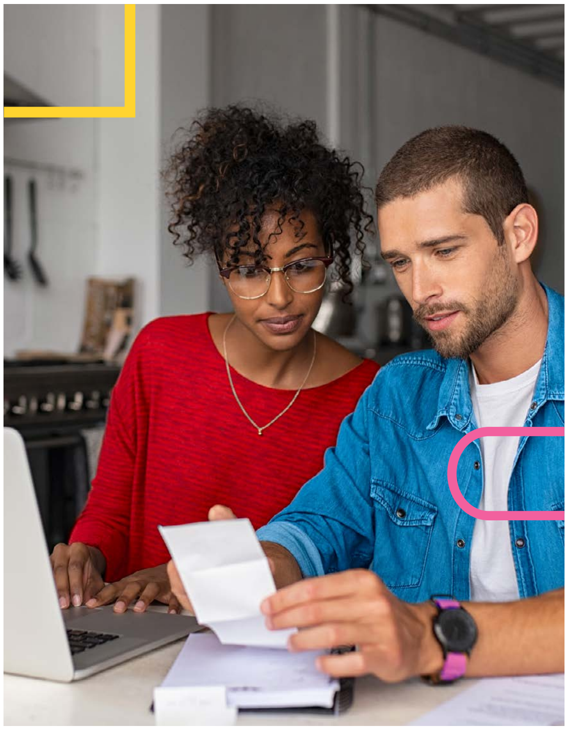
In the longer run, there may be opportunity for Canadian companies to replace some Russian exports.

What about economic recovery?

Product shortages and price pressures created by Russia's war in Ukraine will likely add to those created by supply chain issues.

Expect the items Russia produces – wheat, gas and oil – to remain expensive around the world as long as the conflict continues, and makes it difficult for importers.

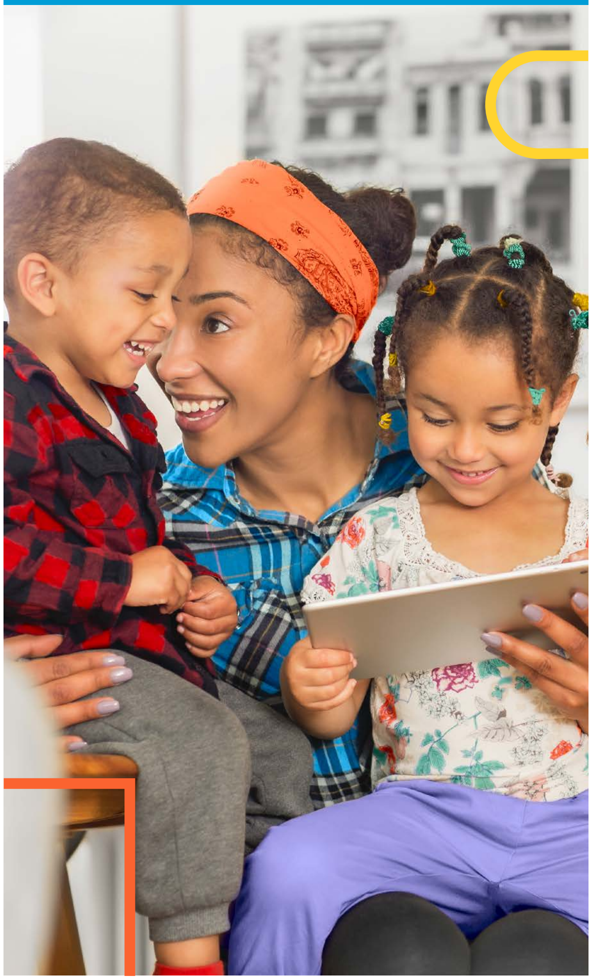
Our economists expect inflation to remain above the 2% target rate for a while in most major economies, but will eventually ease as we progress through 2023.



KEY TAKEAWAYS

- Sanctions on Russian exports like crude oil, natural gas, and metals have limited the amount of these goods in circulation, driving up prices and causing investor uncertainty.
- Canada produces many of the same commodities as Russia, so Canadian companies could benefit by filling global needs.
- Many goods like gas and wheat will likely remain expensive until the war in Ukraine is over.
- Investors don't know if their assets are priced properly or how the war will impact the global economy.
- A diversified portfolio can help reduce the impact of market volatility. Speak to a financial advisor about your unique needs.

How interest rate increases could affect your mortgage



Over the last decade, Canadians have seen some of the lowest interest rates in history. This has been a huge opportunity for first-time homebuyers since low rates make the cost of borrowing cheaper and buying a home easier in some markets.

There's just one issue – with interest rates so low, they can only go up. When that happens, your monthly mortgage payments may go up. This has caused anxiety among buyers since rising interest rates can affect how much they can afford. In addition, homeowners that have variable rate mortgages may also be worried about how a potential rate hike will affect their mortgage payments.

While rising interest rates are something to be aware of, there are ways you can navigate this with your mortgage. Let's walk you through what you need to be aware of.

How do the Bank of Canada interest rates affect mortgage rates?

First, it's important to understand how mortgage rates are set. Most people who buy a home need a loan. This is known as a mortgage and it's an agreement between you and the lender that sets out the terms including the interest rate.

When applying for a mortgage, the interest rate you're offered depends on a few factors, such as:

- The overnight rate set by the Bank of Canada (BoC), which is the interest rate banks borrow at and lend from each other in the market overnight
- Your credit rating

- Your decision between a variable or fixed rate mortgage
- The length of the mortgage term

In most cases, the overnight rate set by the BoC has the biggest effect on variable rate mortgages. **When the BoC increases the overnight rate, variable rate mortgages become more expensive. On the other hand, when the BoC decreases the rate, having a variable rate mortgage becomes less expensive**.

Your credit rating is another important consideration when banks determine what mortgage rate they can offer you. **If you have an excellent credit score, you'll likely be approved for better rates than if you have a lower credit score**.

Your credit score is a number between 300 to 900. If your credit score falls between 700 to 900, it's typically considered good. Once your credit score drops below 700, you may find it difficult to get a good rate or even be approved for a loan.

If you want to improve your credit score, you can take steps including:

- Paying off your debt
- Always making your payments on time
- Making more than the minimum payments on your credit cards, if you're able to
- Keeping your account balances below 35% of your available credit

What is the current Bank of Canada rate and how often can it change?

The BoC can change interest rates on eight fixed dates each year, it usually falls on Wednesdays. It's best to check their Policy Interest Rate page for the most up to date information on their current rate.

Following is the schedule for 2022:

- January 26
- March 2
- April 13
- June 1
- July 13
- September 7
- October 26
- December 7

What does a potential rate hike mean for your mortgage?

A potential rate hike will affect you in different ways depending on if you're a first-time homebuyer or if you already own.

For **first-time homebuyers**, any increase in interest rates will reduce how much you can afford to purchase a home. That's because your carrying costs (a.k.a. your costs for owning a property) will increase.

For example, let's say you need a $500,000 mortgage and the interest rate is 3%. Your monthly payment would be $2,366 on a 25-year amortization. However, if the interest rate was 4%, your monthly payment would be $2,630. That would mean you would have to pay an additional $264 each month.

Let's take a closer look:

$500,000 mortgage
25-year amortization

Interest rate 3% Monthly payment	**Interest rate 4%** Monthly payment
$2,366	**$2,630**

$264 more each month with a 4% interest rate

Current homeowners who have a variable rate mortgage could also be affected. At Scotiabank, you can either have an adjustable variable rate that fluctuates as BoC rates rise or you could have a variable rate with Cap Rate Protection. **A Cap Rate Protection mortgage has fixed payments for the term of the mortgage that are calculated based on a cap rate rather than the current variable rate; as rates rise more of your payments would go towards interest, and less to the principal (but your monthly payment remains the same)**. However, if you have an adjustable variable rate, the amount you're paying would change as interest rates rise. **A fixed rate mortgage** customer would see no impact from a BoC rate increase during the term of their mortgage.

What are the key differences between variable and fixed rate mortgages?

When determining what is the right mortgage rate for you, most of the time, you will need to decide between a fixed and a variable rate. Each one has its own pros and cons so it is important to understand how each one works to make the best decision for you.

	PROS	CONS
Variable rate mortgage	• Lower initial interest rate compared to a fixed rate mortgage • Benefit from continued lower interest rate while there are no BoC rate increases • If you have a capped payment plan; when interest rates decrease, more of your payments go towards the principal • If you have an adjustable payment plan; as interest rates decrease, your monthly payment will decrease • Can be converted to a fixed rate mortgage of the same term length or greater at any time with no prepayment charge	• If you have a capped payment plan; as interest rates increase, more of your payments go towards interest • If you have an adjustable payment plan; as interest rates increase, your monthly payment will increase
Fixed rate mortgage	• Same payments for the entire term of your mortgage; benefiting from locking in a favourable rate without the risk of being impacted by BoC rate hikes • Easy to understand and manage as payments are fixed and principal paid down by the end of the term is known	• Higher initial rate compared to a variable rate mortgage • There is a prepayment charge to break your mortgage that is usually higher than for a variable rate mortgage

Generally speaking, fixed rate mortgages are ideal for people who want the security of knowing that the payments will remain the same over the term of their mortgage.

Variable rate mortgages will hold appeal to people as the initial interest rate is lower than fixed rate mortgages **(depending on the current overnight rate)** and offer greater flexibility than locking in a fixed rate. There is the potential to pay less interest over the term of your mortgage with a variable rate mortgage, if the BoC has little to modest rate hikes. But as mentioned earlier, if the rate goes up this can mean you end up paying more interest.

What's the difference between open and closed mortgages?

Open mortgages have flexible payment options; you can increase your payments by any amount, at any time, with no prepayment charges. Since you can make payments as you please with an open mortgage, the interest rate is usually higher than a closed mortgage. **Choosing an open mortgage is ideal for people that are expecting extra funds shortly that can be used to pay down their mortgage; this could include an inheritance, proceeds from a sale of a home, or a work bonus**.

With **closed mortgages**, there is less flexibility to adjust or make additional payments to your mortgage. Typically, with closed mortgages you have the opportunity to make an additional lump sum payment (up to a capped amount) or increase your payments (up to a capped amount) once a year; any further payments would come with a fee.

What can you do when there is rate volatility?

Despite the fact that interest rates can increase or decrease at any time, there are a few ways that you can protect yourself.

- **Get pre-approved for a mortgage**
  If you're in the process of looking for a home, you can get pre-approved for a mortgage. By doing this, you'll know exactly how much a lender is willing to extend to you and what your interest rate and terms will be. The rates you get with a pre-approved mortgage are typically locked in for a set period (such as 90 to 120 days). This allows you to shop for a home knowing that an interest rate increase won't affect you as your rate is locked in. With Scotiabank eHOME, this process has been simplified for you so that you can get pre-approved digitally from the comfort of your home within minutes.[1]

- **Choose a fixed rate mortgage**
  If fluctuating mortgage rates make you nervous, a straightforward solution is to choose a fixed rate mortgage. All of your payments will remain the same for the entire length of your term, so there won't be any need to worry about interest rates for at least a few years.

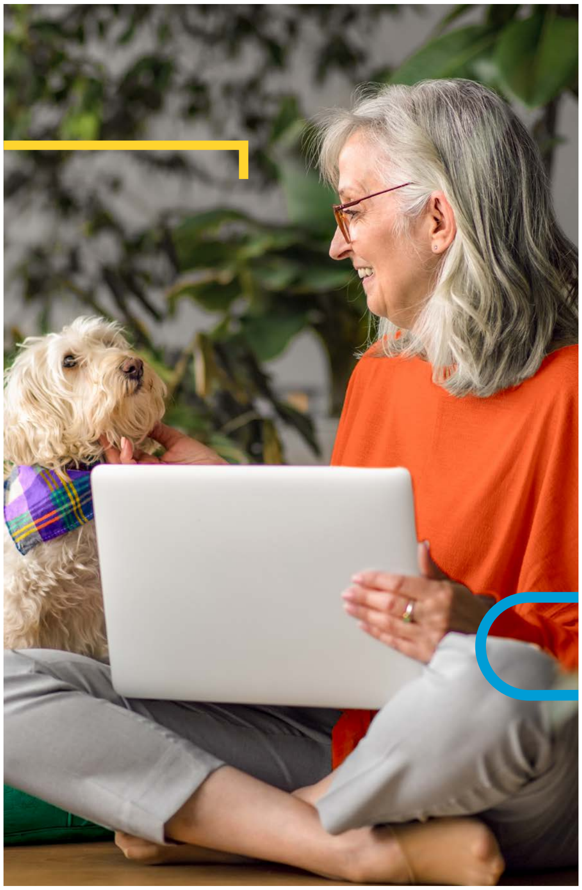
- **Convert to a fixed rate mortgage**
  Most variable rate mortgages will allow you to convert to a fixed rate mortgage. You would have to speak with your lender to see what the steps are and if there are any penalties or fees that you'd have to pay.

Scotiabank mortgage solutions to help protect against rising interest rates

Can't decide between a fixed or variable mortgage? You don't have to feel tied down by the decision. With Scotiabank's Scotia Total Equity® Plan (STEP), you can protect against interest rate changes by customizing your mortgage solution to your risk tolerance.[2] STEP allows customers to combine up to three different mortgages with either a fixed or variable rate as well as with different terms or length for each mortgage. A ScotiaLine® is another option with STEP that can provide additional flexibility as there is no term or length associated with a line of credit.

What happens to my Scotiabank variable rate mortgage when there are interest rate increases?

If you have a variable rate mortgage, when the prime interest rate increases, this means that your mortgage payment may be higher, which could impact your cashflow and budget.



Scotia advisors can clearly outline your options and work with you to decide on the best path forward. Book an appointment with a Home Financing Advisor to learn about a customized mortgage solution that works for you.

[1] All mortgage applications are subject to meeting Scotiabank's standard credit criteria, residential mortgage standards and maximum permitted loan amounts.

[2] Subject to meeting Scotiabank's standard credit criteria residential mortgage standards and maximum permitted loan amounts. A new application may be required to add or change products under the STEP in some circumstances and if you request a change to the credit limits of your products, you may be asked to provide updated information and/or submit a new application. In some cases, a new mortgage registration may be required. The borrowing limit for revolving credit products is 65% of the value of the property. Not all mortgage solutions may be eligible to be included as part of STEP. Additional restrictions and conditions may apply.

3 easy steps to start an emergency fund

Life is often filled with surprises; some more pleasant than others. When it comes to unforeseen events like job loss, illness or major home repairs or renovations, it's important to be financially prepared.

Many experts suggest that having an emergency fund to cover at least three to six months of total living expenses can help us get through difficult times, if they arise.

Having access to a ready reserve of cash with an emergency fund will contribute to your peace of mind and prevent you from having to take on additional debt.

QUICK STATS

$4,084

Average amount Canadians intend to spend in the next month[1]

Includes:

- Non-discretionary costs such as mortgage payments, rent, hydro, etc.
- Discretionary costs such as entertainment, subscriptions, memberships, etc.

50%

of Canadians cannot manage a surprise expense of over $1,000[2]

[1] Source: Deloitte Global State of the Consumer Tracker, February 2022.
[2] Source: Angus Reid, Cost of Living & Inflation, Feb 11-13, 2022.

Let's look at three steps to start your emergency fund.

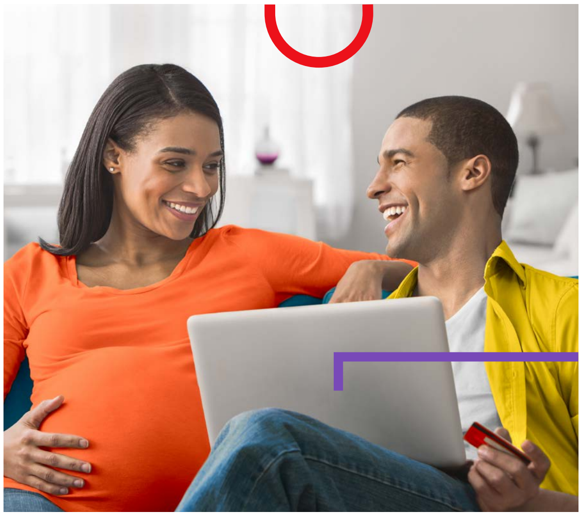
STEP 1:
Determine how much you can save

Start off by calculating your total monthly income and then deduct all non-discretionary expenses, including items like rent or mortgage, utilities, transportation costs, groceries, childcare, etc. If funds are remaining after you've accounted for all your non-discretionary expenses, determine how much you can direct to an emergency fund each month, and to other discretionary costs (like entertainment, travel, etc). Don't forget to use unexpected windfalls, like tax refunds or bonuses, to help speed up the funding process.

Contribute whatever you can to your fund – even starting with $25 a month will add up over time. Visit scotiabank.com/moneyfindercalculator and try the **Scotiabank Money Finder Calculator**. It will help you determine if you have money available to put towards your emergency fund, and other financial goals, by comparing your income to your expenses.

STEP 2:
Open an account

Building an emergency fund is typically considered a short-term financial goal requiring less than three years to achieve and, as such, a savings account is typically recommended. A savings account is a great option to park and grow your money while you work towards your goal. Most important, a savings account allows you quick access to your money should you need it.



There are a variety of savings accounts you can use. The one that's right for you will depend on your specific needs, time horizon and savings goals. Speak with your Scotiabank advisor to determine which savings account best meets your needs.

STEP3:
Schedule Pre-Authorized Contributions

Pre-Authorized Contributions (PACs) are a convenient and flexible way to schedule automatic deposits to your emergency fund. You choose the amount you want to contribute and how often – for example, weekly, biweekly or monthly. And you can adjust the amount and frequency at any point in time.

If money is tight for automatic deposits, try diverting whatever you can to your emergency fund, and then increasing the amount when you can. The key is to get started.

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

What is a high-interest savings account?

A high-interest savings account (HISA) is just what it sounds like. HISAs usually earn more than a typical savings account, helping you increase your savings over time. How much interest you earn depends on the financial institution, but typically, the higher your balance or the longer you keep your money in the account, the more interest you can earn.

Scotiabank offers several HISAs, including the MomentumPLUS Savings Account, which *allows you to save for multiple goals conveniently in one account* by providing a choice of multiple Premium Periods[3] at any one time (90 days, 180 days, 270 days, or 360 days) – the longer the Premium Period (or time your money remains in the account), the higher your interest rate[4]. In addition, there are no monthly account fees or minimum balance required.

WHY IS A SAVINGS ACCOUNT A GOOD CHOICE FOR AN EMERGENCY FUND?

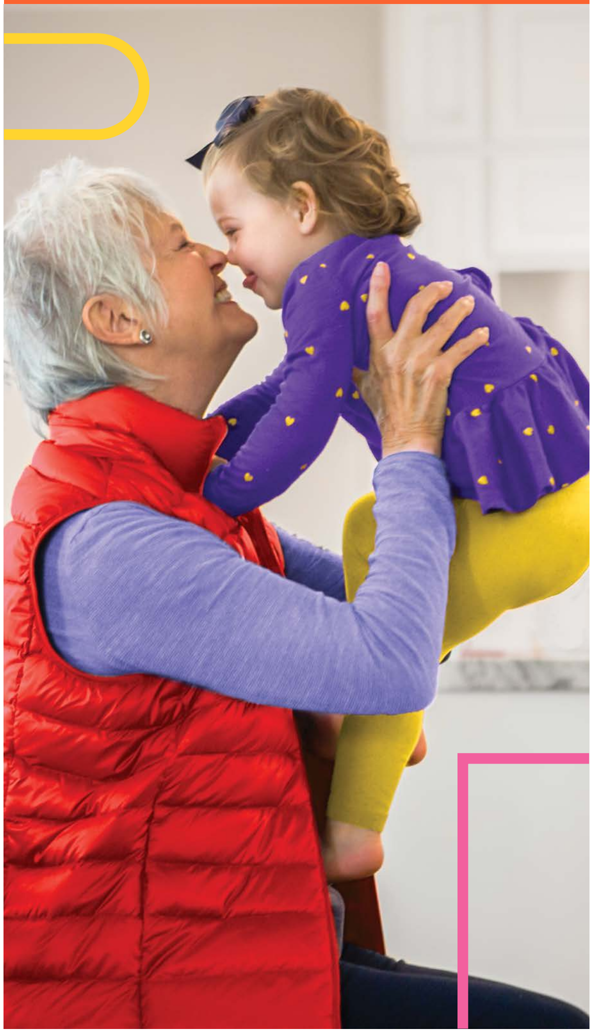
- **Liquidity:** A savings account allows you immediate access to your money should you need it.
- **Automatic contributions:** You can set up Pre-Authorized Contributions and add to your emergency fund on a regular basis and watch your money grow faster.
- **Safety:** Putting your money in an insured savings account is much safer than keeping it in a cookie jar or under your mattress.
- **Interest:** When you put your money in a savings account you earn interest. The interest rate you earn can vary based on where you save your money, how much you save, and how long you save.
- **Reduce temptation:** Putting your money into a savings account can help reduce the temptation to spend.

Ready to get started on your emergency fund? Speak with a Scotiabank advisor to set up a PAC that meets your needs. You'll be glad you did.

[3] A maximum of five Premium Periods at any one time, each of which can have a length of 90 days, 180 days, 270 days, or 360 days.

[4] When you don't make any withdrawals within the Premium Period timeframe you select. For each Premium Period, Premium Interest is calculated daily by applying the Premium Interest Rate to each deposit, including any accumulated Regular Interest, until the end of the Premium Period. Premium Interest is paid at the end of each Premium Period, so long as NO DEBIT TRANSACTION HAS OCCURRED within that Premium Period. When a debit transaction occurs, no Premium Interest is payable for that Premium Period and a new Premium Period of the same length will commence the same day.

5 key retirement risks



Achieving the retirement lifestyle you want requires planning and preparation.

DID YOU KNOW?

What Canadians think are their greatest risks to their investment portfolio over the next 1 to 2 years:

- 51% Rising inflation
- 41% Economic recession
- 35% Resurgence of COVID-19
- 33% Rising interest rates
- 32% Stock market volatilit

Source: Scotia Global Asset Management Investor Sentiment Research, Fall 2021.

A well-designed financial plan should help you manage a number of risks that may affect your income in retirement. Here are five risks to consider, their impact and potential strategies to address them.

RISK	IMPACT	RECOMMENDATION
Market risk	Markets go through cycles where prices will rise and fall. A prolonged downturn in the market can negatively impact your retirement plans if you're not able to generate a sufficient investment return – or are forced to make withdrawals in retirement when your portfolio has decreased in value.	• Spikes in market volatility, while unsettling for most, can prompt some to abandon their long-term plan for the short-term reprieve that cash and other liquid investments offer. When the temptation to retreat to the sidelines takes hold, ask yourself if the market or economic event fuelling the downturn changes your long-term goals? Odds are it doesn't. • A well-thought-out investment plan can provide the discipline to ride out short-term volatility and help you to avoid reacting hastily. Keeping an eye on your long-term strategy will ultimately help you ride out short-term market uncertainty and ensure that you don't derail your long-term investment success.
Inflation risk	While the impact of inflation on your investments isn't usually felt in the short term, its impact can slowly erode the purchasing power of your long-term savings. As the price of goods and services increases over time, a higher amount of savings is required to maintain the same level of purchasing power in the future (e.g., retirement).	• No one can completely avoid the effects of inflation. However, a sound investment strategy as part of your financial plan can help you maintain your purchasing power and standard of living in retirement. • Investing in a balanced portfolio, containing a mix of stocks and bonds, can help you hedge inflation and build wealth over time. This is due in large part to the strong returns earned by stocks, which have historically beaten inflation by a large margin. Your portfolio's asset mix of stocks and bonds is a key determinant in meeting your long-term investment goals.

RISK	IMPACT	RECOMMENDATION
Longevity risk	Longevity risk refers to the possibility of outliving your savings. It can occur for a number of reasons – you might underestimate how much money you'll need in retirement; your savings might not grow enough to cover your expenses; or you may live longer than anticipated.	• For many, outliving their retirement savings is a very real risk, but one that can be managed with proper planning and the right balance of investments for each stage of one's life. • 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. • By investing in a well-diversified portfolio, you are spreading your money across a variety of investments that don't all behave the same way during periods of market volatility. By not limiting your exposure to any one asset class, industry or geography, you can help lower the overall risk of your portfolio which can help you achieve your goal of being able to adequately fund your retirement.
Accelerated withdrawal of funds	If you withdraw funds from your retirement savings too quickly, this can dramatically affect how long your retirement savings will last.	• To help ensure that your savings last for the duration of your retirement, careful consideration should be given to the rate at which you drawdown your retirement savings. • A common strategy is to employ the "4% rule."[1] The rule suggests that a portfolio invested with an equal allocation to stocks and bonds will last 30 years if the retiree withdraws 4% of their savings in year one and adjusts that amount annually at the rate of inflation. Speak to your Scotiabank advisor to see which rate is appropriate for you.

RISK	IMPACT	RECOMMENDATION
Increasing health care costs	As you get older, the likelihood increases for experiencing health-related issues and/or having the need for long-term care, which will add to your expenses.	• It's impossible to predict your future health care costs; however, if you're currently suffering from chronic health conditions, such as diabetes or hypertension, you can plan for these accordingly. • To help you estimate your health care costs in retirement, it's important to learn about the coverage that's available – for example, through provincial health care plans or private plans. 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. If not, you'll need to be prepared to set aside funds to cover medical costs, and potentially health insurance premiums for a private plan.

[1] Bengen, William P. (October 1994). "Determining Withdrawal Rates Using Historical Data." Journal of Financial Planning: 14–24.

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Check out the helpful videos available on scotiafunds.com/videos such as:

- Rethinking risk
- Mutual funds 101
- The value of asset allocation
- Weather the unexpected through diversification

A Scotiabank advisor can help you build a financial plan to achieve the retirement you've always envisioned. Your unique plan will help identify potential risks and put strategies in place to address them. Schedule your appointment with a Scotiabank advisor today.

Market insights

MARKET RECAP

Russia invaded Ukraine

Russia launched a full-scale military operation in Ukraine with a barrage of missiles, artillery, air, and land attacks. The western world responded with a variety of severe sanctions against Russia, and markets responded with dramatic volatility. Commodity prices spiked, particularly oil and gas, the Russian ruble collapsed, Russia's credit rating was downgraded to "junk" status, and the Russian stock exchange remained closed for a month before reopening in late March. Russian forces have attacked several major Ukrainian cities, and millions of people have fled the country, mostly to neighbouring Poland, Hungary, Moldova, Slovakia, and Romania. The sanctions are applying pressure to Russia, but the conflict - and related uncertainty – continue.

Key central banks removing stimulus

The Bank of Canada and the U.S. Federal Reserve raised interest rates by 25 basis points during the quarter, while the Bank of England raised rates twice. Meanwhile, European Central Bank officials announced plans to end its €1.85 trillion Pandemic Emergency Purchase program and stated that purchases under the older and stricter Asset Purchase program will be smaller than previously planned. Officials from these central banks emphasized the need to tackle inflation and suggested that they will continue making steps in this direction over the next year.

Oil prices climbed to highest levels since 2008

The conflict in Ukraine and the related sanctions on Russia have contributed to significant volatility in energy prices. While this will cause a near-term windfall for Canadian oil and gas producers, the high prices at the gas pumps are expected to have a big impact on consumers. Prices at the gasoline pumps across Canada were averaging just under $1.90 per litre early in March, compared to around $1.25 per litre one year ago, over a 50% increase. While providing a windfall for some provinces, costs will be higher for both companies and consumers. This will hurt the economy by raising prices, increasing the cost of living, and reducing spending in other areas.

MARKET PERFORMANCE

Q1 Total Returns in Canadian (CAD) as at March 31, 2022

-7.0%
FTSE Canada Universe Bond Index

-6.2%
MSCI World Index

3.8%
S&P/TSX Composite Index

-8.0%
MSCI Emerging Markets Index

-5.7%
S&P 500 Index

Source: Morningstar

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May 2022