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FINANCIAL CHECKLIST OF DOS AND DON'TS

03

THE ECONOMIC OUTLOOK

WHAT TO EXPECT IN 2022

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Presented by

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

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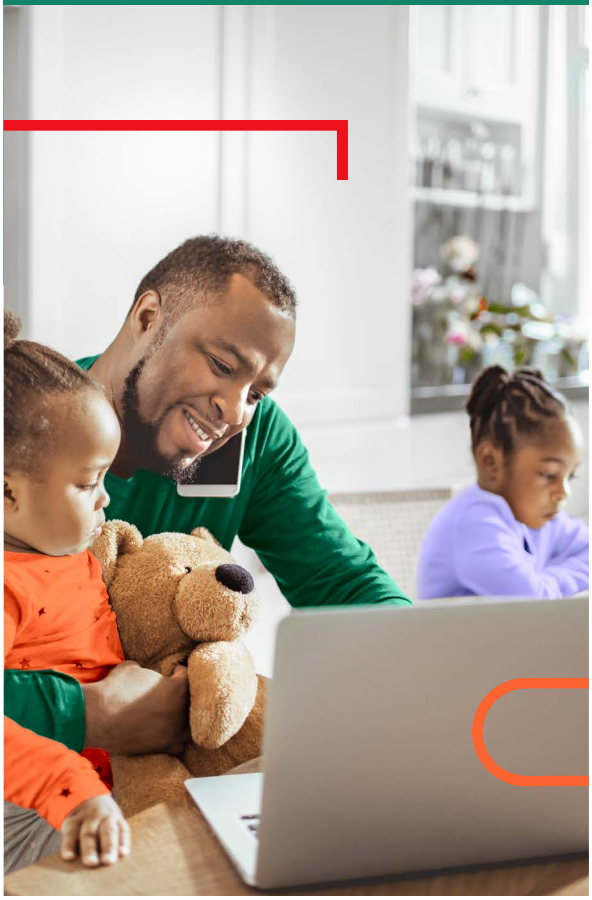
The economic outlook: What to expect in 2022



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

This past year has been defined by extremely strong economic growth, healthy corporate profits, and rising inflation rates, even while the risk of COVID-19 lingered in the foreground. At year's end, global GDP growth was on track to hit 5.6% in 2021. This represents the strongest pace of economic gains since at least 1980 and follows the pandemic-induced 3.1% decline in 2020. As a result, we've witnessed new highs in equity markets, and cycle highs in interest rates and commodity prices.

With 2021 in the rearview mirror, let's take a look at the year ahead.

Highlights: What to expect in the new year

- The world economy is primed for another year of above-average activity. The private sector is in a better place to take over from central banks as the primary engine for economic growth. Labour markets are healing, business capital spending is on the upswing, while a much-needed restocking cycle seems almost inevitable. China's slowdown will need to be closely monitored as will the evolution of Omicron, the latest viral variant. Both pose important risks to the outlook.

- For three consecutive years, global stock prices have gained. The odds are that this streak extends to a fourth year. Corporate earnings are likely to expand by 10-15% in 2022. While this represents a marked downshift from the growth seen over the prior year, it is probably good enough to maintain investor interest in the asset class.
- The best days for non-earnings companies and other more speculative areas of the market are probably in the rearview mirror. "Quality" stocks (i.e., strong balance sheets, profitability) usually outperform as the economic and equity market cycle matures.
- The bond market's performance has been challenged by rapidly rising inflation. The pressure related to supply-chain disruption is likely to ease over the next year.

The global economy

With the help of central banks and effective vaccine technology, the world economy is about two years into recovering from the effects of the worst pandemic experienced since 1918-20. The recovery has been broadly based, with all the major economies reporting robust annual gains in economic growth, including Canada (5%) and the United States (5.5%)

Above-average global growth ahead

The world economy seems likely to expand by 4%, or slightly better, in 2022. This represents a slower pace of gains than that seen in 2021, but it would still be an above-average year.

Our reasons for optimism include:

- Strong consumer spending supported by ongoing labour market gains; and
- Business spending spurred on by end-market demand, an increased focus on a cleaner future, and enhanced productivity.

Omicron and the pandemic risk

Global case counts are on the rise for a fourth time since this pandemic started. On January 3, the U.S. reported a record 1.08-million Covid-19 infections as most states worked to clear backlogs after the New Year's holiday. The initial data indicates that omicron is highly contagious – more so than the Delta variant. However, the effects have been less severe, with a lower rate of hospitalization per infection. While perhaps less deadly (especially for the fully vaccinated), the overwhelming rate of infection has put severe strain on hospitals and health care workers. The high infection rate has already resulted in a shortage of workers across a range of industries, including health care and air travel.

Inflation and policy

Inflation has risen within most countries over the past 12 to 18 months. In January, U.S. inflation reached 7.5%, its highest reading since 1982, while Canadian inflation hit 5.1% in January, its quickest pace in 30 years.

What was initially deemed a transitory problem is looking more enduring with each passing month that inflation sits above the central banks' inflation targets. Higher-than-targeted rates of inflation are forcing central banks to reduce their level of accommodation. Emerging market economies were among the first to raise interest rates. Developed market central banks are now on the move. Even though interest rates are expected to rise over the next year, they are likely to remain at the low end of their historical range.

Preparing for a bumpier ride

While higher interest rates might not check the uptrend in stock prices, it is important for investors to be prepared for a bumpier ride.

It takes time for the effects on tighter monetary policy settings to filter through the economy and into corporate earnings. Given the time lag, it seems reasonable to expect the equity market volatility cycle to bottom out sometime in 2022 before beginning to turn higher.

Global equities

Stock prices continue to push higher, deflecting the headwinds from higher input costs and the effects of tighter monetary policy. Earnings growth has been surprisingly strong in most parts of the world, and the upward march for earnings is likely to continue, albeit on a shallower trajectory.

U.S. equities have outperformed for many years. There are no signs that this is likely to change. "Quality" is one theme that is gathering a head of steam. Companies with strong fundamentals have taken the pole position, a development likely to persist while economic growth moderates.

The key risks to the equity bull market are a fresh pandemic shock, increased inflation volatility and an idiosyncratic shift that moves against a small basket of mega-caps given their influence in the capitalization-weighted indexes.

Fixed income and currencies

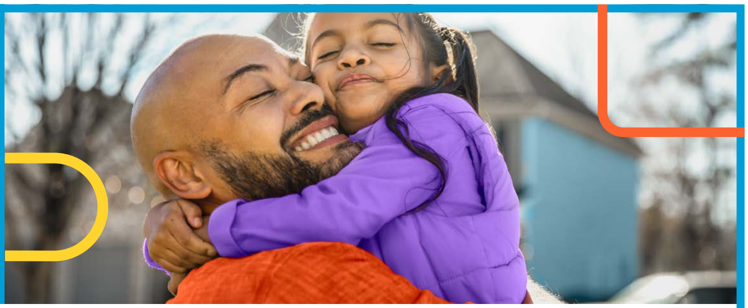
It's been a challenging stretch for fixed-income (i.e., bond) investors. The decline in global government bond prices has pushed yields up from 0.50% to 0.85% over the past year. Bond price weakness is largely attributable to an increase in inflation expectations. Investors have done better in the corporate bond market. Improvement in corporate balance sheets and strong cash flow growth have helped to lower default risk and support prices.

Bond investors need to brace for somewhat higher real yields. Maintaining below benchmark duration and opportunistically adding to credit risk are likely to enhance performance through the months ahead. Significantly weaker-than-expected economic growth is a risk to our cautious view on bonds.

Favour global stocks over bonds

We remain overweight equities and underweight bonds. The global economy is slowing, but the risk of recession appears low. The other important risk, inflation, is probably a higher hurdle for bonds than it is for equities.

This year's potential bright spots



The labour market is healing

Labour markets are on the mend. Employment growth has been strong for more than a year, helping to push the unemployment rates down around the world. According to the Organisation for Economic Co-operation and Development, unemployment among its 38 member countries (including Canada and the U.S.) has declined from a multi-decade high of 8.8% recorded in April 2020 to 5.8% most recently. The lowest level ever recorded for this global unemployment rate series was 5.3%.

Labour demand remains incredibly strong in the U.S., with a near-record 10 million job openings waiting to be filled. A strong labour market is an essential support given that consumer spending represents between 55-70% of total economic activity across the major economies.

High quality is back in focus

Higher-quality companies outperform through time. When looking for quality, focus on the strength of balance sheets, the variability of sales and earnings, and profitability. Higher-quality companies usually deliver their best results relative to equity benchmarks during periods of slowing economic activity. As economic and earnings growth becomes more scarce, companies that can continue to deliver are usually rewarded.

Some help for Canada's tight housing market

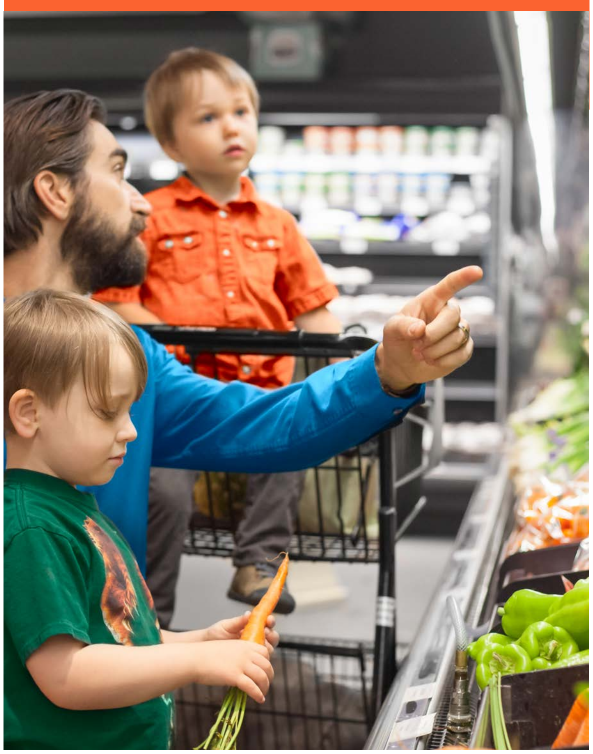
The red-hot real estate market has been supported by record low mortgage rates and a limited inventory. Perhaps some relief is on the way with housing starts across Canada holding at record highs – based on Canada Mortgage and Housing Corporation data back to the 1970s.

Rising interest rates are likely to help cool the housing sector

Currently mortgage rates are near record lows, with the variable rate sitting just above the 1% level. With the Bank of Canada expected to raise rates at its March 2 meeting and continue hiking throughout the year, these mortgage rates should be on the move higher. Currently, there are five rate hikes of 0.25% apiece expected for 2022. Interestingly, there were five rate hikes in the period between July 2017 and October 2018 during the Bank's prior tightening cycle. What happened to house prices? The year-over-year acceleration in prices slowed from 14.2% (June 2017) to under 1% in early 2019.

WORDS FROM THE WISE

2022: More of the same or something new?



Scotiabank experts weigh in on what to expect from inflation, housing prices, car shortages and the job market.

Rising inflation made headlines in 2021. What are the chances prices will drop in 2022?

Jean-Francois Perrault
Scotiabank SVP
and Chief Economist

We expect the demand for goods and services will remain very strong, and that will continue to put upward pressure on the prices of things like food and gas this year and next.

As a result, the Bank of Canada will need to start raising its policy rate in April to start cooling these inflationary pressures, but don't expect prices to go down anytime soon.

Housing prices hit new highs in 2021. Will the market cool down?

Farah Omran
Scotiabank Economist

Probably not. Demand for Canadian homes will likely remain strong in 2022 as the economy recovers and immigration returns. The chronic housing shortages will likely continue to support price increases until a better supply-demand balance is achieved.

The forecast Bank of Canada rate increase may alleviate some of the demand pressures, mainly from rate-hike-sensitive investors.

Cars were hard to get in 2021. Will long wait times disappear this year?

Rebekah Young
Scotiabank Director
Fiscal & Provincial Economics

Unfortunately, we don't think so. As the economy started recovering, demand for cars came roaring back. Global auto production hasn't been able to keep pace with demand as it's continued to be hit by supply chain disruptions.

Omicron poses another setback, which means automakers will likely keep playing catch-up into 2023, and dealers will continue to look sparse.

2021 seemed to be the year of The Great Resignation. What's the job market looking like now?

Brett House
Scotiabank VP and
Deputy Chief Economist

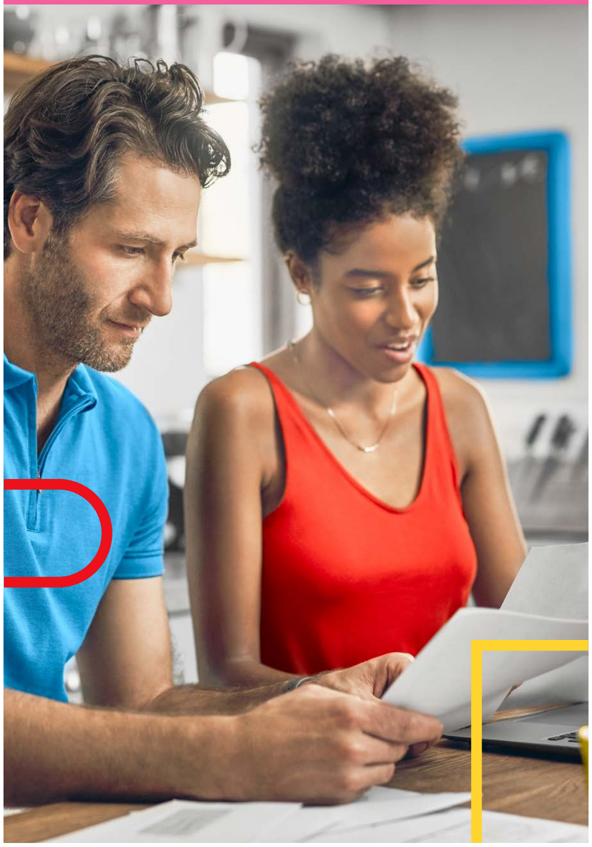
Workers are likely to see strong gains in pay, benefits, and job flexibility during 2022. Canada is experiencing the highest-ever rates of labour market participation, but there's not enough people to fill the hundreds of thousands of vacancies. These shortages are driven primarily by the slowdown in immigration since 2020, and as that ramps up, the vacancies will be filled.

2022: A LOOK AHEAD

- Inflation likely won't ease up anytime soon. Expect the Bank of Canada to raise interest rates this spring.
- The price and demand for homes will remain high, though an increase in interest rates may deter some buyers.
- Car shortages are expected to stick around into 2023.
- It's the year of the employee. Workers could see an increase in pay, benefits and job flexibility.

Our top advice picks for 2022

The start of the new year gives us the chance to reflect on 2021, acknowledging and celebrating our accomplishments and learning from things that didn't go exactly as planned.



Among the many priorities we typically think about as we move into a new year is our financial well-being. As we all know, when our finances are in order, we feel more confident about the future and our ability to handle life's unexpected challenges.

To provide you with some helpful advice heading into 2022, we've chosen six tips that you can consider as you map out the coming year and your longer-term goals.

TAKE CONTROL OF YOUR FUTURE WITH A FINANCIAL PLAN

Think of a financial plan as your personal roadmap, outlining your financial goals and strategies to help you achieve them. It not only includes longer-term goals, such as saving for your children's education and retirement planning, but also includes shorter-term goals, such paying down debt or saving for a car or a home.

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

- Where are you now financially?
- What would you like to achieve – both short and long term?
- And how will you get there?

A comprehensive financial plan should include an assessment of net worth (assets vs. liabilities), cash flow (i.e., income and spending), taxes, retirement planning, estate analysis and insurance planning.

4 key benefits of having a financial plan

- **Helps you set goals and plan for your future**

  A financial plan will help you set realistic financial goals and outline a strategy and timeline for achieving them.

- **Identifies opportunities**

  Whether it's growing your savings, reducing debt or selecting tax-efficient investments to help you keep more of your money, a financial plan can help you get better financial outcomes.

- **Helps you navigate your finances with greater confidence**

  During trying times or periods of market volatility, having a financial plan in place will help you to avoid reacting hastily and making emotional decisions. If you are working with a financial advisor, you will have the opportunity to increase your financial knowledge and learn about better savings approaches, which in turn will make you more confident in the choices you make.

- **Prepare for unexpected events and risks**

  A financial plan will look at your current financial situation, identify certain risks and plan accordingly. For example, do you have a will, or enough insurance to maintain your family's standard of living to handle unexpected life events (e.g., disability or illness, job interruption, loss of life). Do you have an emergency fund established to cover job loss or major home repairs? A financial plan can help analyze your current situation in order to put in place appropriate safeguards.

ESTABLISH A BUDGET

As we are feeling the effects of inflation at the cash register – from the grocery store to the gas station – many of us are looking for ways to make sure our money goes as far as possible these days.

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.

QUICK STATS

81% of Canadians are worried about the increased cost of living and how that will impact their finances[1]

77% of Canadians are concerned prices for everyday purchases are going up[2]

1 Source: Scotiabank Stress Poll, September 2021.
2 Deloitte Global State of the Consumer Tracker, November 2021.

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 such as entertainment, subscriptions, memberships, etc. 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.

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 often (for example, 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.

PAY DOWN DEBT

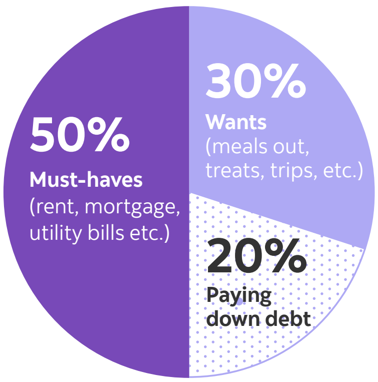
Some Canadians may find themselves feeling the stress of new debt they've taken on or repayment of older debt. Creating a plan that lists each of your debts and how you will manage repayment is an important first step. Knowing what options are available to help you pay down your debt more quickly is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

Here are two methods to consider to help you pay down your debt (pick the one you feel will be faster and more effective for you).

- **Debt avalanche method**
  This method focuses on paying off the debt with the highest interest rate first (i.e., debt that is costing you the most per dollar). After that's paid, you shift to the debt with the next highest interest rate, and so on.
- **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.

START SAVING – 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 because your money will have more time to benefit from compound growth.

Let's look at the impact of delaying saving for retirement:

→ Susan and Mark would both like to retire at age 65.

→ Susan starts saving $100 biweekly when she's 30.

→ 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. Why?** 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).

Mark	Susan
Total Savings at 65 **$176,372**	**Total Savings at 65** **$240,882**
Investment growth **$72,372**	Investment growth **$149,882**
Contribution **$104,000**	Contribution **$91,000**

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.

To see how quickly your savings can grow, visit scotiabank.com/PAC and try out our interactive PAC video. Check out the article on page 19, *Investing with a PAC Mentality*, to learn more about the benefits of setting up Pre-Authorized Contributions (PACs) – an easy and convenient way to build up your savings.

KEEP CALM AND INVEST ON

Market volatility can be unsettling for even the most knowledgeable investor and could lead to impulsive investment decisions that may not align with your long-term financial goals.

It's easy to let your emotions get the better of you during stressful times – investing is no different. Sitting on the sidelines or selling for the temporary relief of cash might cost you more in the long run.

During recent market volatility…

70% of Canadian investors say it's **hard to know what to do** about investing in volatile times like these

55% of Canadian investors are **relying on the advice** of an advisor to help weather the ups and downs of the market

Source: Scotiabank Retail Investor Sentiment Survey, Jan 2021

Here are some fundamental principles to help you get through periods of increased market fluctuations.

- **Focus on the big picture**

  Although it's practically impossible to forecast market swings, having a well-thought-out investment plan can help provide a sense of confidence that you can get through market volatility. Keeping an eye on your long-term strategy will ultimately help you ride out the short-term volatility and ensure that you don't derail your long-term investment success.

- **Stay diversified**

  Often equated with not putting all your eggs in one basket, diversification is a technique that combines different types of investments – stocks, bonds, cash, for instance – in a portfolio to help reduce risk. **Diversification is essential during periods of market stress**. While by no means immune to market downturns, a well-diversified, professionally managed portfolio may experience less volatility in turbulent markets.

- **Manage risk, don't avoid it**

  Taking on investment risk doesn't need to be an all-or-nothing approach. Consider finding a middle ground with an investment solution that offers a balanced approach to risk and return. Not surprisingly, reducing your exposure to riskier investments will help to lower the overall risk of your portfolio, but taken too far, you could increase your exposure to other risks, such as longevity risk – the risk that you'll outlive your retirement savings. **The key to long-term investment success is finding a balanced mix of investments that will let you remain at ease**.

Invest automatically and take advantage of market ups and downs

Instead of fearing market corrections, consider them buying opportunities. By contributing on a regular basis through a Pre-Authorized Contribution (PAC) plan, you take advantage of the market dips by purchasing more fund units when your dollar goes farther, and in turn, lowering your average cost. Investing a set amount on a regular basis through a PAC plan not only helps to eliminate the guesswork of when to buy, it's a convenient and simple way to save without even thinking about it.

SEEK OUT PROFESSIONAL ADVICE TO HELP INCREASE YOUR WEALTH

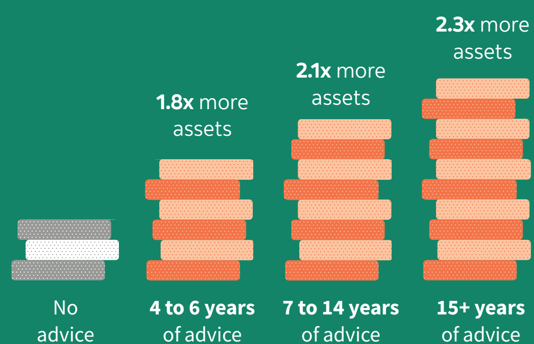
While there's certainly no shortage of financial advice in today's digital age, making sense of all the information and determining what applies to you can be overwhelming.

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.

Let's take a closer look at this research:[3]

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



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

DID YOU KNOW?

For many Canadians, COVID-19 heightened the need for financial advice – with many facing concerns ranging from market volatility and how/when to invest their money to worries over their personal financial situation.

49% **Agree getting advice from an advisor is even more important to them now than it was before the pandemic.**

Source: 2021 Scotiabank Investment Poll.

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 as Scotiabank advisors work with a range of specialists across the bank.

Schedule an appointment with a Scotiabank advisor 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.

Five tips to become a better mutual fund investor

Although Canada's investment landscape keeps evolving to offer new products, mutual funds remain a popular option for Canadian investors – with 89% of investors citing them as their most frequently held investment product.[1] And for good reason – **mutual funds deliver instant diversification and professional money management in a cost-effective vehicle that's easy to access**. You'll find mutual funds are widely available for sale through banks, financial planning firms, brokerages, credit unions and other investment firms.

What is a mutual fund?

A mutual fund is a **professionally managed investment** that pools money from different investors to invest in stocks, bonds, short-term money market instruments or other securities.

Supported by a team of analysts, the portfolio manager's primary goal is to identify investment opportunities that help achieve the fund's investment objectives, such as capital preservation, capital growth and/or income generation.

So how do Canadian investors make the most of their mutual fund investments? Here are five essential tips to help you be a more savvy mutual fund investor.

1. Always invest with a plan

While contributing regularly to your mutual funds is a great start, it's essential to have a financial plan to help guide your investments and make changes when necessary. Each year, you should take the time to re-evaluate your investment goals – whether that's retirement, funding a child's education or saving for a home – and adjust your plan as you enter different life stages, such as getting married, starting a family or perhaps going back to school for an advanced degree. A Scotiabank advisor can help you build a financial plan to meet your goals – for today and the future.

Refer to the article *Our top advice picks for 2022* on page 10 for key reasons for having a financial plan.

2. Invest automatically with pre-authorized contributions

The most effective way to make sure your mutual fund investments grow is by making regular pre-authorized contributions (PACs). **While markets can fluctuate, PACs help to provide a steadying influence, consistently adding to your principal investment throughout the year**. By contributing on a regular basis, you take advantage of the market dips by purchasing more fund units when your dollar goes farther and in turn, lowering your average cost. With PACs, you're in control of how much you save and how often you save it. The amount you choose will be automatically deducted from your savings or chequing account and deposited into your investment account.

Visit scotiabank.com/PAC to try our interactive PAC video to see how your investments can grow. Refer to the article on *Investing with a PAC mentality* on page 19 for more information on the benefits of setting up PACs.

3. Understand your risk tolerance

When it comes to investing, there are always certain risks – from recessions and financial crises to unforeseen global events, like the ongoing COVID pandemic. It's therefore essential to take some time to think about your personal risk tolerance. How would you react if your portfolio suddenly dropped 20% over the course of a few weeks? Would you ride out the volatility or withdraw your funds altogether and lock in your losses (which is usually a regrettable move). 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. Avoid excessive trading and stay focused on the long term

Famed economist Eugene Fama once said, *"Your money is like a bar of soap – the more you handle it, the less you'll have."* While it's sometimes tempting to act on a hot investment tip or constantly revise your portfolio, it's important to remember that the key to investing success is staying focused on the long term. That means having a solid financial plan and sticking with it. **By having a long-term mindset, you can focus on the big picture, instead of trying to respond to every short-term market event**.

5. Invest with advice

Everyone needs advice from time to time. Investing is certainly no different. **Recent studies have shown that investors who work with an advisor for 15+ years accumulate 2.3x more assets than those who don't**.[2] Even if you feel comfortable selecting your own investments, financial advisors perform an array of specialized services that can help toward realizing your financial goals – whether that's helping build a financial plan, selecting tax-efficient investment products or making sure that your insurance needs are met.

Refer to the article *Our top advice picks for 2022* on page 14 for more information on the recent research showing how households working with an advisor increase their wealth over time.

Would you like to learn more?

Have a look at the helpful videos and tools available on scotiafunds.com/videos to learn more about mutual funds, investing essentials and some of the products provided by Scotiabank:

- Mutual Funds 101
- Investing Essentials Video series
- Scotia Portfolio Solutions
- Scotia Aria® Retirement Program

[1] Source: Ipsos Canadian Financial Monitor (12 months ending August 2021).
[2] Source: More on the Value of Financial Advisors, Claude Montmarquette, Alexandre Prud'Homme, CIRANO 2020.

Investing with a "PAC" mentality

Pre-Authorized Contributions (PACs) make investing for long-term goals easy and affordable.

Looking for an easy and convenient way to start building up savings for retirement? With Pre-Authorized Contributions (PACs), you choose the amount you'd like to contribute, and how often – and you make adjustments at any point in time!

The beauty of a PAC is that it's automatic. Just choose the amount you want to save and how often you want to save it – for instance, weekly, biweekly or monthly. Once it's set up, you'll be saving money without even thinking about it.

PAC BENEFITS

- **Helps you stick to your plan**

  When it comes to saving, it's sometimes easy to get sidetracked. A PAC allows you to make saving priority number one by ensuring you never forget your plan.

- **Minimizes scrambling to meet RRSP contribution deadline**

  With a PAC you'll save automatically for your Registered Retirement Savings Plan (RRSP) – all year round – and avoid the stress of meeting the RRSP deadline and making a yearly lump-sum contribution.

- **Eliminates the guesswork of when to invest**

  Research has shown that investing on a regular basis is much more effective than trying to "time the markets"– especially during periods of volatility. See the section that follows, *"PACs – Making the Most of Market Volatility."*

- **Works with almost any budget**

  With a PAC, you determine what you can afford to save. Get started with as little as $25 per month.

- **Takes advantage of potential compound growth**

  Saving over a longer period of time allows your money more time to grow and to benefit from compound growth.

QUICK FACTS[2]

Contributing to long-term investments (e.g., for retirement) continues to be the most important financial priority for Canadians[1]

60% of Canadians save money on a monthly basis

Savings put away each month

$100 or less	28%
$101 to $500	44%
More than $500	28%

[1] Scotiabank, Scotia Global Asset Management Investor Sentiment Research, Fall 2021.
[2] Source: Scotiabank Investment Poll, 2021.

“PAC” IT UP – CONTRIBUTE MORE AS YOU EARN MORE

As you get older, it’s likely your cash flow will improve. While Canadians are saving on a monthly basis, many forget to adjust their plan as their financial circumstances change. It’s a great idea to revisit your PAC contributions on a regular basis – especially after major changes, like paying off student debt or landing a promotion. While it’s tempting to just set it and forget, you’ll be amazed by how much more you can save by increasing your contributions – even a little.

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

PAC contribution over 15 years

$200 monthly
$53,181

$200 monthly plus
$25 increase each year
$93,713

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, compounded 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.

MAKE IT BI-WEEKLY AND SAVE EVEN MORE

Changing your contribution from a monthly basis to bi-weekly can really add up. You may be making bi-weekly mortgage payments. Do the same with your savings. It’s a small change, but the benefits can add up.

The example below underscores the savings advantage provided by bi-weekly contributions over a 20-year period.

Monthly vs Bi-weekly contribution

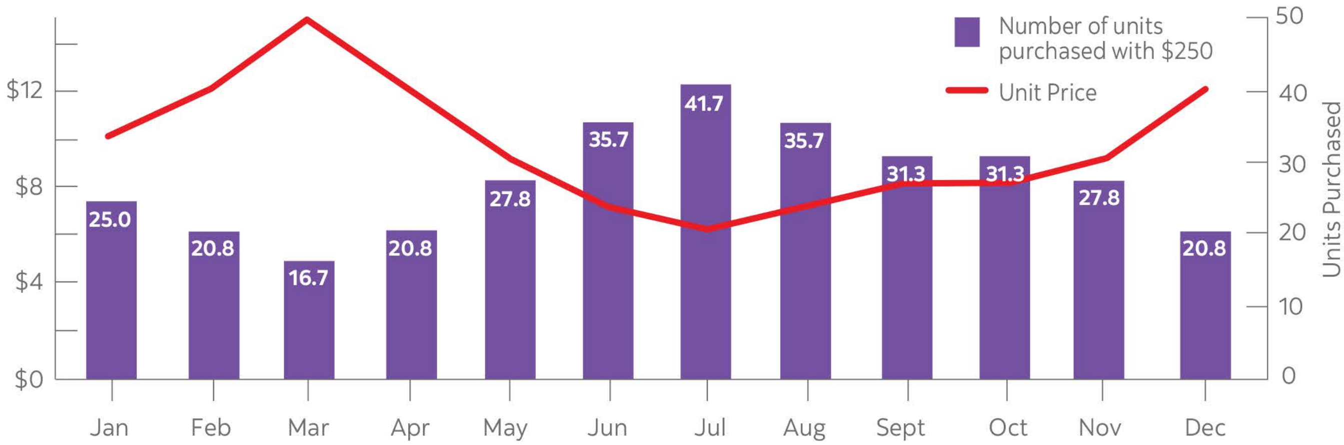
$200 a month
(20-year period)
$81,492

$100 bi-weekly
(20-year period)
$88,186

Almost $7,000 more when saving on a bi-weekly basis.

For illustrative purposes only. The example uses a hypothetical rate of return of 5%, assumes reinvestment of all income, compounded 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.

GET MARKET VOLATILITY WORKING FOR YOU



For illustrative purposes only and does not represent the performance of an actual mutual fund.

PACs – MAKING THE MOST OF MARKET VOLATILITY

Market swings often make it difficult for investors to determine exactly when to invest – especially when trying to invest one lump sum each year. However, with PACs you can invest a fixed-dollar amount at regularly scheduled intervals. By contributing on a regular basis, you take advantage of the market dips by purchasing more fund units when your dollar goes farther and in turn, lowering your average cost.

The graph above illustrates regular monthly contributions of $250 at the beginning of each month. As the unit price fluctuates from month to month, the quantity of units purchased also changes (when the unit price is lower, more fund units are purchased: when the unit price is high, less fund units are purchased).

Your Scotiabank advisor can help

Investing on a regular basis through Pre-Authorized Contributions is a great way to build your savings easily and automatically.

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

Speak with a Scotiabank advisor to set up a PAC that meets your needs.

Financial checklist of dos and don'ts

Whatever situation you may encounter in life, it's always wise to do your research and make informed decisions. When it comes to money matters, this is particularly important as it can help you avoid costly detours on your journey to reach your financial goals.

Here are some dos and don'ts to help keep you on the road to financial well-being.

DON'T	DO
Overspend on credit cards One of the most common financial missteps, especially for young adults, is accumulating too much credit card debt.	**Monitor your credit card activity** Using credit responsibly will help you avoid taking on too much debt or paying too much in interest. It will also make it easier to qualify for items like a cell phone, a car loan or mortgage, and may even earn you a lower interest rate. **Here are 5 tips to keep in mind when using credit:** - Always pay your bills on time – paying at least the minimum payment - Try to pay your bills in full whenever possible, or as much as you can afford - Don't spend more than your credit card allows - Read your monthly account statements to ensure they're correct – and report any errors as soon as possible - Know your credit score and monitor any fluctuations (your credit score generally falls between 300 and 900 – the higher the better) 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.

DON'T	DO
Overlook saving for emergencies Unfortunately, many Canadian households are living paycheck to paycheck. If something unexpected does arise, without an emergency fund you may need to access your savings or take on credit card debt, which could create more financial hardship down the road.	**Start building 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, it's important to be financially prepared. Many financial advisors suggest you build an emergency fund equivalent to three to six months of living expenses, that can be accessed quickly, to help you make it through financial setbacks.
Wait to start building a financial plan Many people think they need substantial wealth in order to create a financial plan. That's simply not the case. You start a plan in order to begin building wealth. The time to create a financial plan is now.	**Create a financial plan** The minute that you're working and filing your taxes, it's time to start a financial plan. While an initial plan for a younger person might not be that extensive, it's crucial to start the process early on. A sound financial plan focuses on your current needs and future goals and puts strategies and timelines in place to help you achieve them. It provides you with a complete picture – including items like an assessment of net worth (assets vs. liabilities), cash flow (i.e., income and spending) and retirement and insurance planning.
Put off growing your retirement savings There always seems to be a good reason to put off saving for retirement – you may be working to pay off a student loan, saving to purchase a home or you may think you can only start when you have a significant amount to contribute.	**Start saving early – time is on your side** When it comes to saving for retirement, the earlier you start the better because your money will have more time to benefit from compound growth. An easy and convenient way to start building your retirement savings is with Pre-Authorized Contributions (PACs) – you choose the amount you'd like to contribute and how often (e.g., weekly, bi-weekly or monthly). Visit scotiabank.com/PAC to learn more about PACs.

DON'T	DO
Take on too much mortgage debt Buying a home is a major financial step that could see you making payments for up to 30 years or more, so you want to make sure you're able to comfortably take on this financial commitment.	**Thoroughly review your financial situation** Before you start looking for a home, determine what you can afford. Visit scotiabank.com under "Mortgage Tools" and try out the What Can I Afford Calculator to calculate the maximum purchase price you can likely manage. If your income can not easily support all the expenses associated with home ownership, you may want to consider targeting more affordable properties or waiting a little longer until you've saved more. Sometimes renters assume that since they can afford a rental payment, they can also afford while taking. While your calculations may indicate that you can afford a mortgage payment, keep in mind that you will also need to factor in money for a down payment, maintenance, utilities, property tax, homeowners' insurance and general living expenses. You can book an appointment with a Scotiabank advisor to discuss your home ownership plans, determine the maximum amount you are eligible to borrow, while taking into account the additional household expenses you'll be responsible for.
Say "no" to free money If you're not taking full advantage of your employer benefits, it's like turning down free money. Although matching contributions are usually a part of most employers' benefits packages, a surprising number of employees do not take part in the program – make sure you're not one of them.	**Take full advantage of your employer benefits package** If your employer offers to match a portion of your RRSP contribution, or perhaps offers an Employee Stock Ownership Plan, make sure you're taking full advantage – contributing the maximum if you're able to. To ensure you're making the most of all your employer benefits, do your research and reach out to your employer's Human Resources department, or appropriate area. You want to access all the benefits you're entitled to. After all it's your money, so take advantage!

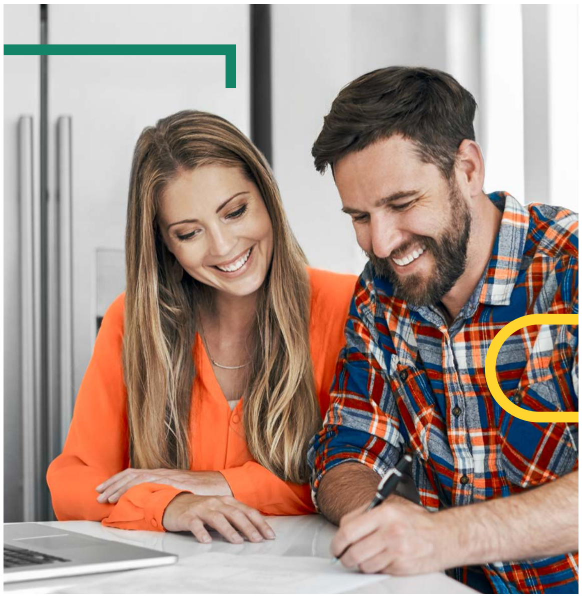
DON'T	DO
Avoid talking about the inevitable For many of us, death is an uncomfortable topic. Unfortunately, we've all heard stories about people who work their entire life to ensure their family will be taken care of when they're gone, then sadly neglect to put a proper estate plan in place.	**Plan for your estate** You work hard throughout your life to provide your loved ones with financial security, and you want to ensure this will continue when you're no longer here. A comprehensive financial plan will address your estate-planning needs, which include 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. With access to planning tools, products, resources and specialists across the bank, your Scotiabank advisor can help you create a financial plan that addresses your estate-planning needs.

Learn about more financial strategies 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 to help you become better off today and tomorrow.

At Scotiabank, it's our goal to provide tailored and personalized advice so that you can reach your financial goals.

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



MARKET RECAP

Inflation continues to surge in both the U.S. and Canada

The rising inflation seen throughout 2021 continued into the fourth quarter, to the highest levels in decades. In the U.S., the Consumer Price Index (CPI) was up 7% in December and 7.5% in January, on a year-over-year basis. Canada experienced the same trend, with the CPI up 4.8% in December and 5.1% in January. The increase in the CPI was driven by higher prices for energy, shelter, vehicles and food. After stating for most of the year that higher costs were likely transitory, central bankers have come around to the possibility that this may not be the case.

Central banks preparing to raise interest rates, shrink balance sheets

In response to an improving global economy and surging inflation, major central banks have begun to reign in economic stimulus programs. Since the emergence of Covid-19 in early 2020, central banks have kept interest rates historically low and utilized monthly asset purchases to stimulate the economy. This effort seems to be ending, as both the U.S. Federal Reserve and the Bank of Canada have begun reducing monthly asset purchases, and there are plans in place to begin a series of interest rate hikes, as early as March. A further part of the policy shift will be a shrinking of balance sheets over time.

The Omicron COVID-19 variant remains a concern

The Omicron variant was discovered in November, and quickly became the predominant strain of COVID-19. Facing rising case loads, many countries reintroduced lockdown measures and rolled out aggressive vaccination booster programs. Omicron – and other future variants – remain a wild card in the global economic recovery. While new cases continue to occur, there is hope the worst of this COVID wave has already occurred.

MARKET PERFORMANCE

2021 Total Returns in Canadian (CAD) as at December 31, 2021	Q4 Total Returns in Canadian (CAD) as at December 31, 2021
-2.5% FTSE Canada Universe Bond Index	**1.5%** FTSE Canada Universe Bond Index
25.1% S&P/TSX Composite Index	**6.5%** S&P/TSX Composite Index
27.6% S&P 500 Index	**10.7%** S&P 500 Index
21.3% MSCI World Index	**7.6%** MSCI World Index
-3.1% MSCI Emerging Markets Index	**-1.5%** MSCI Emerging Markets Index

Source: Morningstar

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Commissions, trailing commissions, management fees and expenses may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed or insured by the Canada Deposit Insurance Corporation or any other government deposit insurer, their values change frequently and past performance may not be repeated.

February 2022