Investing Guide

We’re here to answer your questions.
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The different asset types do not all undergo the same fluctuations. Frequently, bonds are up while stocks are down. The more you diversify the types of assets in your portfolio, the more you reduce the risks associated with market volatility.

Annual return in percentage by asset category in local currency (2007 to 2021)

<table>
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</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>-4.9</td>
<td>-28.8</td>
<td>7.4</td>
<td>6.7</td>
<td>-8.7</td>
<td>7.2</td>
<td>4.3</td>
<td>7.0</td>
<td>2.6</td>
<td>1.7</td>
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<td>-5.6</td>
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<td>6.4</td>
<td>-1.0</td>
</tr>
<tr>
<td>Stocks</td>
<td>18.6</td>
<td>8.6</td>
<td>52.0</td>
<td>17.6</td>
<td>9.7</td>
<td>16.0</td>
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<td>23.9</td>
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</tbody>
</table>

*The Balanced profile is represented by a combination of the following indices: 40% FTSE TMX Universe, 21% S&P/TSX, 21% S&P 500 ($CA), 12% MSCI EAFE ($CA), 6% MSCI EM ($CA).
Source: CIO Office (Data via Refinitiv), from January 1 to December 31.
The later you start, the higher your annual contribution will have to be. For example, if you start saving for retirement at age 50, you may have to put aside more than 50% of your yearly gross income. Achieve your goals with ease by beginning as early as possible.

**TIP!**
A good way to successfully achieve your goals is to set up systematic saving.

**Assumption:** Annual RRSP contribution of a person with a salary of $50,000 that increases by 2% annually. Effective annual return of 3.75%.
Emotions can lead to making rushed decisions when it comes to your investments. To manage your emotions, identify the scenarios (market correction, drop in value of securities, etc.) in which you may act irrationally.

“Wow, I feel great about this investment!”

“Temporary setback, I’m a long-term investor.”

“Have I made the right investment choices?”

Point of maximum financial risk

Point of maximum financial opportunity

Optimism

Excitement

Thrill

Euphoria

Anxiety

Denial

Fear

Desperation

Panic

Capitulation

Despondency

Depression

Hope

Relief

Optimism

INVESTING GUIDE
The graph below shows that despite momentary dips during crises, the long-term trend is on the rise.

Growth of $100 invested in the S&P/TSX Total Return Index

Source: CIO Office (data via Refinitiv). S&P/TSX total return index from August 31, 1965, to December 31, 2021. For more information on the changes to this index, please visit tsx.com.
Should you hold on to your investments during market fluctuations?

As the saying goes, a picture is worth a thousand words. As you can see in the graph below, those who stayed invested in the market during the financial crisis of 2008 obtained a much greater yield over 10 years than those who temporarily withdrew their stocks.

All values are represented in Canadian dollars. Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Market: S&P/TSX.
In the long run, what truly matters is the frequency of savings and passage of time, not market timing.

*Annualized money-weighted rate of return.
Source: CIO Office (Data via Refinitiv), from January 1989 to December 2021.
Should you keep pursuing your goals?

All asset categories undergo variations over time, but in the long term, they tend to evolve favourably. Regardless of your portfolio’s composition, it is important to stay the course in pursuing your goals and to think about the long term.


Canadian market fluctuations
(from September 30, 1977, to December 31, 2021)

Value of the investment (initial investment of $100)

$10,000

$8,046.51

$6,000

$4,000

$2,000

$100


Years

S&P/TSX Composite Index

5-year guaranteed investment certificates (GICs)

Fluctuation period:
Total decline:
Return to pre-fluctuation performance:

June 1981–April 1983 (22 months)
39%
10 months

July 1987–July 1989 (24 months)
25%
10 months

Dec. 1989–March 1993 (39 months)
20%
29 months

April 1998–Nov. 1999 (19 months)
27%
15 months

43%
34 months

May 2008–Feb. 2011 (33 months)
43%
24 months

Jan. 2020–Nov. 2020 (10 months)
22%
8 months

**Note**: These priorities represent those of a majority of clients; they will be adjusted according to each client’s situation.

1. **Make your mandatory payments**
2. **Accumulate emergency funds**
3. **Optimize grants for your children’s education**
4. **Repay your debts**
5. **Maximize your RRSP and TFSA contributions**
6. **Do you still have funds left over after priorities #1 through #5?**

*Learn more about HBPs*  
*IQP calculator: Pay down the mortgage or save up?*

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**INVESTING GUIDE**

**Basics**  
**Education**  
**Project**  
**Emergency fund**  
**Retirement**  
**Solutions**
Saving for education

Do you have a plan for your children's education? 13
Are you fully benefiting from government grants? 14
How do RESPs work? 15
Why save early in an RESP? 16
DID YOU KNOW?

› Average tuition for a full-time undergraduate student in Canada was $7,695 for the 2021–2022 school year.¹

› Close to one quarter of Canadians from 18 to 24 years of age (23%) stated in 2019 that their studies were their main expense for the next 3 years.²

› Among Canadians financing their own post-secondary studies or those of their children, close to half (47%) plan on relying mainly on their savings, while 40% plan to take out a loan to pay for at least part of the cost, and 13% do not yet have any plans for payment.³

Questions to ask yourself

How can your children pay for their studies if they don’t have between $10,000 and $15,000 per year?

1. What kind of education do you wish for your children?
2. Where do your children want to study, and in which program?
3. Are you fully benefiting from government grants?
4. During their studies, will your children live with you, in a student residence or elsewhere?
5. Have you estimated the potential costs according to the level of studies, housing needs, etc.?
6. Will your children be able to benefit from loans, scholarships or income from a part-time job?

Do you plan to help pay for your children’s post-secondary education?
What portion of your children’s studies do you plan to pay for?
How and how much are you saving for your children’s education?

Source: 1. Statistics Canada. Table 37-10-0121-01, Canadian students, tuition and additional compulsory fees, by level of study. Reproduced and distributed on an “as is” basis with the permission of Statistics Canada.

Do you have a plan for your children’s education?
Are you fully benefiting from government grants?

Many government grants exist to help you maximize the RESP contributions.

TIP!
Did you know that the federal government can subsidize up to $7,200 of your children's education?
An RESP is a registered savings plan that allows you to save for your children’s post-secondary education tax-free. Moreover, government grants can increase your savings by 20% to 40% per year. If you opened your RESP late, or if you don’t save each year, the unused amount can be carried over so you can catch up one year at a time.

| Who can contribute?          | › Canadian residents age 18 and over  
|                             | › Holders of a social insurance number |
| Who can benefit?            | › Canadian residents  
|                             | › Holders of a social insurance number |
| Beneficiary age limit       | › **Family plan:** last contribution made before the beneficiary’s 31st birthday  
|                             | › **Individual plan:** last contribution made before the end of the 31st year after the plan was opened |
| Maximum contributions       | › $50,000 per beneficiary for the duration of the plan |
| End of the plan             | › The RESP must be closed before December 31 in the 35th year after the plan was opened |
It is best to begin investing in an RESP as soon as your child is born, allowing you to benefit from available grants and establish a solid investment strategy. The earlier you invest, the more you promote the growth of your investments.

Annual investment of $2,500 in an RESP at a 3.75% rate of return*

*The figures in this chart are assumptions only and are provided to illustrate the potential advantages of investing in an RESP under identical conditions.

The Canada Education Savings Grant was added to the annual contributions.

**TIP!**
Investing a small amount each month is easier than investing a large amount each year.
Saving for a project

Do you have a clear plan for saving for a project?
How should you plan a project?
How does systematic saving work?
DID YOU KNOW?
› 65% of Canadians have a major purchase or expense planned during the next 3 years.¹
› 3 out of 4 Canadians who save are confident they’ll feel better the following year.²
› Over half (55%) of Canadians reportedly considered changing jobs in 2021.³

Questions
to ask yourself

What short-, medium- or long-term project do you wish to complete?
What have you put in place to complete it?

Are you planning to purchase a home soon?
Are you dreaming of purchasing a vacation home?
Are you thinking of going back to school or taking a sabbatical year?

What is your annual budget for travelling or going on vacation?
Are you planning construction work or yard landscaping?
Tomorrow morning, if you won $10,000 in the lottery, what would you do?
Do you intend to renovate your home?
Are you planning a wedding in the coming years?
Are you thinking of adopting a pet soon?

2. CPA Canada survey on expenses, November 2018.
3. Léger study commissioned by Allstate Canada, an insurance company, conducted from October 29 to November 1, 2021.
Examples of projects

**Short term**
- Going on a trip
- Organizing your wedding
- Repaying your debts

**Medium term**
- Making a down payment toward the purchase of a home
- Renovating your home
- Taking a sabbatical year

**Long term**
- Saving for school
- Acquiring a vacation home
- Planning your retirement

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**How should you plan a project?**

1. **Define your projects and saving objectives**
2. **Determine the timeline of each project**
3. **Prioritize your projects**
4. **Take advantage of solutions at your disposal (HBP, LLP)**
5. **Choose the investment solutions that suit your goals**

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**Systematic saving**

**TIP!**
Investing a small amount each month is easier than investing a large amount each year.

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**Learn more**
- about HBPs
- about LLPs
- Tool for planning your projects

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**Save for your**
- children’s education
- retirement
- investment solutions
How does systematic saving work?

Systematic saving consists in setting up automatic debits of a specific amount at specific intervals. For example, you may decide to set aside $25 per week for an undetermined duration or $100 per month for one year.

### Eligible accounts
- Savings account
- RESP
- TFSA*
- RRSP

### Eligible investment solutions
- High-interest savings account
- Cash-asset solutions
- Mutual funds

### Minimum contribution
- $25

**4 good reasons to save systematically**

- **It’s worthwhile:** The earlier you start, the quicker your savings will increase.
- **It’s accessible:** Putting aside smaller amounts regularly is easier than putting aside one big sum all at once.
- **It’s simple:** Set up automatic debits once, and that’s it!
- **It’s practical:** Choose the frequency and amount that best suit you.

**Assumption:** Calculation based on an effective return of 3.75%.

*A minimum initial investment of $1,000 is required before making a systematic investment plan.*
Saving for an emergency fund

Do you have enough money to get you through unexpected events?

How do you set up an emergency fund?
Do you have enough money to get you through unexpected events?

DID YOU KNOW?

› 1 out of 3 Canadians doesn’t have an emergency fund covering the equivalent of 3 months of expenses.¹

› 44% of workers work paycheque to paycheque.²

› Among those people who set a budget, 6 out of 10 had saved for unforeseen events, as opposed to only 4 out of 10 who stated they were either too busy or overwhelmed to do so.¹

Do you have enough money to get you through unexpected events?

According to recommendations by the Institut québécois de la planification financière, FP Canada and the Canadian government, an emergency fund should be able to cover the equivalent of 3 to 6 months of expenses.

Questions to ask yourself

1. Do you know how much your monthly expenses are?
2. Do you have an emergency fund?
3. Would your emergency fund be able to cover 3 to 6 months of your monthly expenses?
4. What would happen if you developed health problems that prevented you from working?
5. What would happen if someone took $1,000 from you tomorrow morning?
6. What is your immediate source of funds for unexpected events?
7. Would you be able to spend $3,000 to repair your car tomorrow morning?
8. What would you do if you lost your job?
9. If you have a pet, do you have enough money for an emergency trip to the vet?

Sources:
An emergency fund is an amount of money that you put aside to get through an unexpected event. Don’t confuse unexpected expenses with occasional ones, such as back-to-school shopping, buying winter tires or holiday expenses, as these should already be planned in your budget.

1. Prepare a budget
2. Open a savings account
3. Save small amounts regularly
4. Take advantage of additional income
5. Use your emergency fund in the right situations
Saving for retirement

- Are you ready to retire?
- Have you started planning your retirement?
- Have you considered these 5 retirement risks?
- RRSP or TFSA?
- What are the main sources of income during retirement?
- Have you established a withdrawal strategy?
- When should you withdraw your pension from the CPP/QPP and OAS?
- Do you occasionally revise your insurance plan?
- Have you thought about risk management?
- Death without a will: Who will inherit?
DID YOU KNOW?

› 6 out of 10 Canadians never or rarely maximize their monthly RRSP contributions according to the eligible amounts.¹

› While 72% of Canadians, and 47% of people aged 50 and over, acknowledged that they’ve saved a quarter or less of what they thought they needed for retirement,² the age of retirement (61 years old) has not changed between 2017 and 2018.³

› The vast majority of Canadians who feel anxious about retirement do not yet have a retirement savings plan.⁴

Proper planning is essential to living out a retirement that fulfills your expectations. However, retirement is not just about numbers; it is equally important to take the time to identify your wishes and projects.

1. Make a retirement budget
2. Assess your life expectancy
3. Assess your retirement income
4. Determine when to take advantage of your government benefits
5. Review your insurance coverage
6. Plan for a possible loss of autonomy and prepare your estate
Have you considered these 5 retirement risks?

1. Underestimating your life expectancy
   According to recent statistics, if you are currently 60 years old, you or your partner have a 50% chance of living to the age of 94.

2. Not accounting for inflation
   Essential goods undergo the largest fluctuations. Between 1990 and 2021, the price of clothing remained stable, food increased by 102% and gas by 119%.

3. Forgetting to plan for healthcare expenses
   Starting at age 70, healthcare costs for Canadians tend to nearly double every 10 years.

4. Withdrawing too much money
   It is crucial to properly calculate how much money to withdraw so that you don’t use up your capital too quickly. In the example chart, we can see that someone who takes out 10% of their assets each year (weighted for inflation) will run out of money at age 80.

5. Only opting for low-risk investments, thereby reducing potential yield
   Properly allocating your investments helps make your capital last longer. In the example below, we see that Portfolio C generates a higher yield than Portfolio A for the same level of risk.
TFSA  RRSP

Who is eligible?  Any Canadian resident aged 18 and over with a valid SIN (no maximum age)  People age 71 and under who earned income in the previous year (subject to pension adjustment)

How much is the authorized annual contribution?  $6,000 18% of income earned up to the allowed annual maximum

How is the contribution ceiling indexed?  According to the Consumer Price Index, rounded to the nearest $500  Indexed for inflation using the Industrial Aggregate average wages and salaries in Canada

Can the contributions be deducted from taxable income?  No  Yes

Are contributions to a spouse permitted?  No, but one of the spouses can lend the other the necessary funds to contribute without being subject to income attribution rules  Yes

Is there a penalty for overcontributions?  1% per month on excess contributions, regardless of when it occurs during the month  1% per month (a lifetime maximum surplus of $2,000 is allowed without penalty)

Are withdrawals taxed?  No  Yes

It all depends on your situation. An RRSP is a long-term retirement-savings product that is tax-deductible and taxable upon withdrawal. Inversely, TFSA are not tax-deductible; however, upon withdrawal, the amount withdrawn is non-taxable. Contrary to RRSPs, withdrawing from a TFSA does not reduce your government benefits. Learn about the main differences and similarities between the two products here.

1. Contribution rights begin at age 18, regardless of the province’s age of majority.
2. Source: Canada Revenue Agency website, canada.ca, TFSA Contributions section.
3. Source: Canada Revenue Agency website, canada.ca, RRSP Contributions section.
Your retirement income comes from three main sources: personal savings, private pension plans and government plans. Government plans usually aren’t enough to ensure you can maintain your cost of living during retirement. Ensure you save enough money to complement the other sources of income!

**PERSONAL SAVINGS**
Registered and non-registered investments (RRSP, TFSA, etc.), other personal assets (real estate, etc.)

**PRIVATE PENSION PLANS**
(pension fund with your employer)

**GOVERNMENT PLANS**
(Quebec Pension Plan (QPP), Canada Pension Plan (CPP), Old Age Security (OAS) pension, etc.)
Have you established a withdrawal strategy?

The order in which you withdraw your investments significantly affects the duration of your capital. Usually, it is better to withdraw non-registered (NR) investments first.

Hypothesis: Start-up capital distributed equally in an RRSP, a TFSA and non-registered investments. The portfolio is continually rebalanced to 50% in equities (return of 6.5%; 80% capital gains, 20% dividends) and 50% in fixed income (return of 4%). The calculations are made at the margin, assuming a tax rate of 40% and a special tax treatment of capital gains and dividends.

Sources of income

RRSP or TFSA?
When to withdraw money from the CPP/QPP and OAS?
Sources of income
There is no perfect formula for calculating the ideal age to withdraw your government pension. It is up to you to assess your personal situation and make decisions according to your needs and priorities.

**Factors to consider**

1. **Sources of income**
   - I anticipate having **limited** additional sources of income. My gross revenue will be **lower** than the clawback threshold for OAS at 65.

2. **Life expectancy**
   - I think my life expectancy is **below average** (according to my health and family history).

   - I think my life expectancy is **above average** (according to my health and family history).

---

1. According to your province of residence.
2. Source: Canada Revenue Agency website, canada.ca, Old Age Security Return of Income section.
Do you occasionally revise your insurance plan?

Insurance needs vary with age. It is important to review your coverage to ensure it always suits your needs.

The data presented above are strictly hypothetical and serve to illustrate the various types of insurance protection available.
Have you thought about risk management?

Integrate risk management into your financial planning in order to facilitate the growth of your estate, maintain your way of life once retired and bequeath a part of your estate after your death.

- **Death without a will:** Who will inherit?
- **Insurance needs**
- **Death without a will:** Who will inherit?
- **Transfer**
  - Retirement: Income management
- **Consolidation**
  - Building an asset base
- **Accumulation**
- **Risk Management**
  - Death • Disability • Illness
  - Loss of autonomy • Will
  - Mandate in case of incapacity
Death without a will:  
Who will inherit?

**Legal heirs in Québec**

If you die without a will, your assets will be distributed according to the *Civil Code of Québec*.

**Division of an Intestate Estate (Intestacy Rules)**

<table>
<thead>
<tr>
<th></th>
<th>Legal spouse</th>
<th>Children</th>
<th>Mother and father</th>
<th>Brothers/sisters and/or nephews/nieces</th>
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<td>1/3</td>
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<td>None</td>
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<td>1/3</td>
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<td>100%</td>
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<tr>
<td>Without a legal spouse²</td>
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<td>1/2</td>
<td>1/2</td>
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<td>None</td>
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<tr>
<td>None</td>
<td>100%</td>
<td></td>
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</tr>
</tbody>
</table>

1. Under the *Civil Code of Québec*, the term “spouse” refers only to people who are legally married or in a civil union and does not include common-law spouses, regardless of the number of years they have cohabited or whether they have children together.

2. The share of a deceased child reverts to their descendants (children or grandchildren).

3. There are particular laws that protect common-law spouses. Example: pension funds.
Our investment solutions

Do you know which saving and investment solutions are right for you?

Do you know your investor profile?

A partner for all your financial needs
To know which solutions meet your needs, first identify your projects and goals. Next, ask yourself what your target timeline is, i.e., when you will want to start withdrawing your money. Lastly, the final solution you choose will depend on your risk tolerance and amount to be invested.

**Horizon of 0 to 18 months**

Establish your investor profile

- **Risk tolerance**
  - High-interest savings account
  - Cash-asset solutions
  - Fixed GICs

**Horizon of over 18 months**

Establish your investor profile

- **Risk tolerance**
  - NBI Portfolios
  - NBI Private Wealth Management
  - Fixed/market-linked GICs
Do you know your investor profile?

Your investor profile helps you find the type of investment that suits you best. It is determined by your risk tolerance, goals and time for which you are willing to invest.
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