



**Financial Literacy Month! ~ Laurel Hickey & Garth Bluekens**

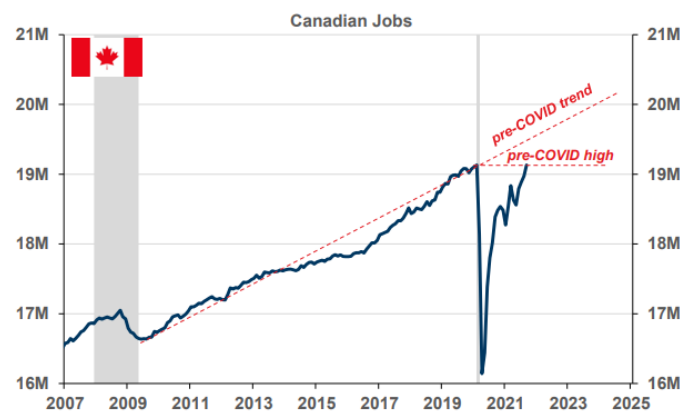
## Comments from the CIO's office

**Martin Lefebvre is National Bank Investments Chief Investment Officer and Strategist. Please see below for key takeaways from his November Asset Allocation update.**

At a conference in late October, Fed Chairman Jerome Powell left little room for ambiguity regarding his intention to begin reducing the pace of asset purchases in November, by saying, "I do think it's time to taper." This process should lead to the end of the asset purchase program by the middle of next year. However, he made sure to add, "I don't think it's time to raise rates." With still 5 million fewer jobs than before the pandemic, one can understand why the Fed, whose mandate is to ensure maximum employment in addition to price stability, is not rushing to raise rates.

It's a different situation on our side of the border, where not only has employment returned to pre-pandemic levels (see chart below), but the overall economic recovery is proving to be the strongest of the G7 countries, in nominal terms. This reflects, among other things, the sharp rise in the terms of trade associated with the increased prices of many commodities which Canada exports.

### 14 | ... and much less in Canada...



Under the circumstances, the Bank of Canada, whose mandate is centred on maintaining stable and predictable inflation, announced the immediate end of its asset purchase program and opened the door to rate hikes in the second or third quarter. Specifically,

our colleagues on the NBF Economics and Strategy team are now projecting a first-rate hike as early as next April (as opposed to July, previously) and a total of 4 hikes in 2022. In the U.S., the first hike is projected for Q3-2022 (as opposed to Q4-2022 previously)

Such a divergence between the interest rate outlook between our two countries combined with a rise in oil prices is a traditionally positive backdrop for the Canadian dollar, which did indeed appreciate by 2.2% during October. In theory, this environment should continue to support the Loonie over the next few months, although the upside potential does not seem as high as suggested by the historical relationship between these variables, which has been visibly weaker since 2019.

## What's Financial Literacy Got To Do With It?

In our September Monthly Newsletter, we talked about family wealth planning and how it is never too early to begin talking about money. In the upcoming year, we are focusing on providing more resources to help you and your family with your global financial learning. November is financial literacy month and with that we wanted to expand on this subject. The term Financial Literacy can be a bit ambiguous. The definition is "the ability to understand and effectively use various financial skills including financial management, budgeting and investing"<sup>1</sup>. We like to think of the term as feeling empowered and in control of your finances, no matter what phase of life you are at.

When and where to start when it comes to planning for retirement can be a tricky situation. We often think that investing is the first place to begin, but if you don't have a proper budget and savings plan in place, investing may not be as effective. On the National Bank website, there are a lot of useful personal finance resources, including an article on How to Manage Your Money Better<sup>2</sup>. After you have created your personal balance sheet by listing your assets and liabilities, as well as created a budget to understand your monthly spending, you can then decide where to put any extra money you have each month.

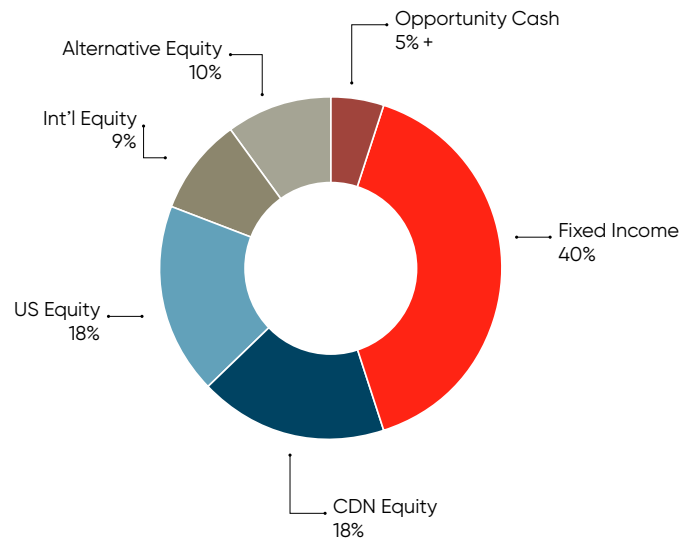


Your first step should be paying off expensive debt. Listing your debt from highest to lowest interest will help you determine what to pay off first. Any high interest debt like credit card debt should be your priority for putting money towards. After you have dealt with your debt, an emergency for 3 to 6 months of expenses should be set aside. This will ensure that you can still pay your expenses if your cash inflows were to change. Once these 2 items are complete, investing can become your priority. Even if you are just setting aside \$50 a month into a TFSA this can be an effective step towards reaching your financial goals due to the power of compounding and the tax efficiency of a TFSA.

We know that your finances can be overwhelming, but we are here every step of the way. When talking about money with your family, we want to help even if a family member isn't at the investing stage. We will continue to cover this topic, so watch for more financial literacy resources in the months to come!

<sup>1</sup> [Financial Literacy Definition \(investopedia.com\)](http://investopedia.com)  
<sup>2</sup> [How to manage your money better? | National Bank \(nbc.ca\)](http://nationalbank.com)

### Balanced Investment Model Sleeve Goal Allocation



### Your Investment Policy

**BALANCED PROFILE:** You give equal importance to achieving growth in your investments and receiving income. You can tolerate moderate changes in market value to ensure growth, but you prefer having a mix of fixed income investments and equities for reasons of stability. If you feel that your risk tolerance is shifting, please let us know!

**Source:** This information is for illustration purposes and subject to change. Your portfolio may not hold all of these positions. We enhance the composition of your portfolio with additional equity solutions that are not illustrated. The weightings change with market fluctuations and model rebalancing.



**Laurel Marie Hickey** CFP® CIM® FCSI®  
**Wealth Advisor & Portfolio Manager**  
239 8<sup>th</sup> Avenue SW Calgary Alberta T2P 1B9



**Garth Bluekens** CPA CA PFP® CIM®  
**Senior Wealth Advisor & Portfolio Manager**  
404 6<sup>th</sup> Street S Lethbridge Alberta T1J 2C9

Tel.: 403-531-8429 | Toll Free: 1-877-506-7900 | Email: laurel.hickey@nbc.ca

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