2021 Investing Guide

NATIONAL BANK FINANCIAL
WEALTH MANAGEMENT

We’re here to answer your questions.

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Investment basics

Why diversify your investments?

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 (2006 to 2020)

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
32.0	18.6	6.4	52.0	17.6	9.7	16.0	41.3	23.9	21.6	21.1	28.7	4.2	24.8	16.6
26.4	9.8	3.3	35.1	13.0	4.6	15.3	35.9	15.0	19.5	8.1	17.4	1.4	22.9	16.3
20.2	4.4	-16.0	13.8	9.1	1.0	14.0	31.6	10.6	19.5	7.7	15.0	1.4	21.9	14.5
17.3	3.7	-21.2	12.5	6.9	-2.6	13.4	15.8	8.8	5.5	6.6	13.8	0.1	16.5	8.7
15.4	2.1	-25.4	11.1	6.7	-2.7	7.5	13.0	8.5	3.5	4.4	9.1	-1.5	13.4	6.7
13.5	-5.3	-28.8	7.4	6.5	-8.7	7.2	4.3	7.0	2.4	1.7	8.8	-5.6	12.9	6.4
4.1	-7.1	-33.0	5.4	2.6	-9.5	3.6	1.0	4.1	0.6	0.5	2.5	-6.5	6.9	5.6
4.0	-10.5	-41.4	0.6	0.5	-16.1	1.0	-1.2	0.9	-8.3	-2.0	0.6	-8.9	1.6	0.9

- Canadian stocks
- International stocks
- U.S. stocks
- Canadian bonds
- Global stocks
- Balanced profile*
- Emerging markets
- 91-day T-Bill

Click on the numbers in the graph to see the names of the corresponding assets.

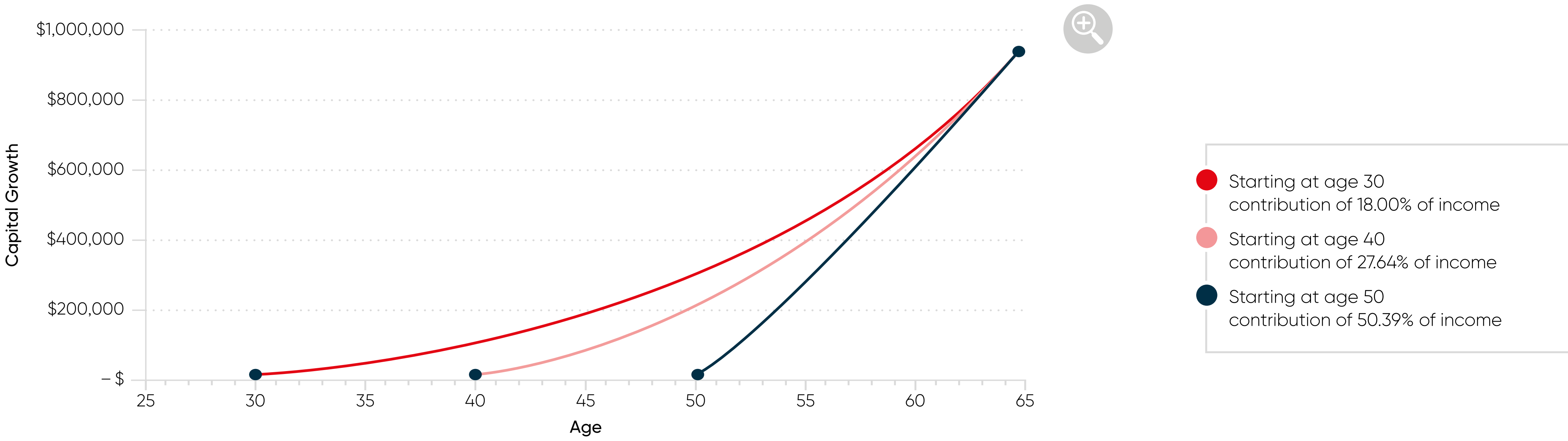
Theory of selecting an efficient portfolio

*The Balanced profile is represented by a combination of the following indices: 40% FTSE Canada Universe Bond Index, 21% S&P/TSX, 21% S&P 500, 12% MSCI EAFE, 6% MSCI EM.
Source: CIO Office (Data via Refinitiv), from January 1 to December 31.

At what age should you start saving for retirement?

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 income. Achieve your goals with ease by beginning as early as possible.

Annual contribution necessary to reach a target amount by age 65



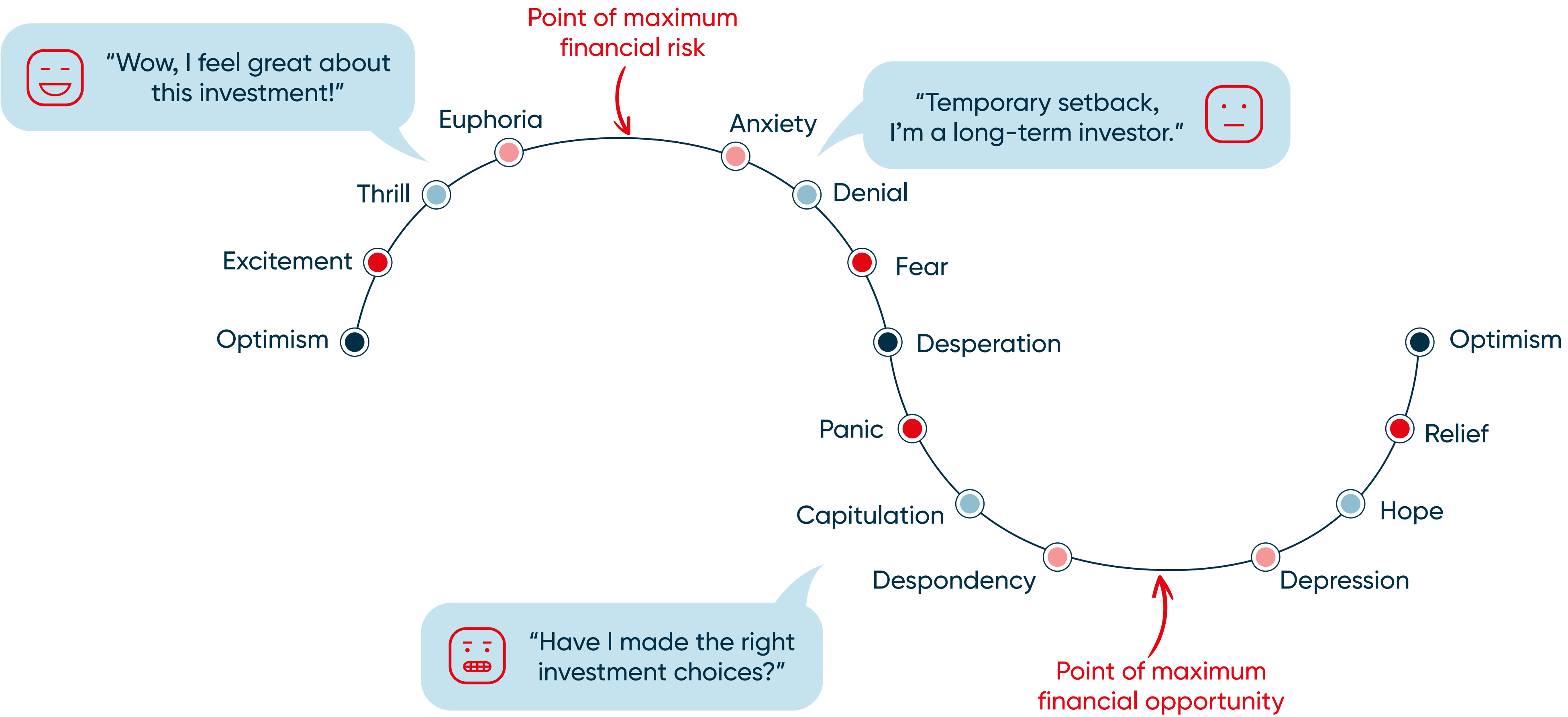
TIP!
A good way to successfully achieve your goals is to set up systematic saving.

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%.

Do you let your emotions influence your choices?

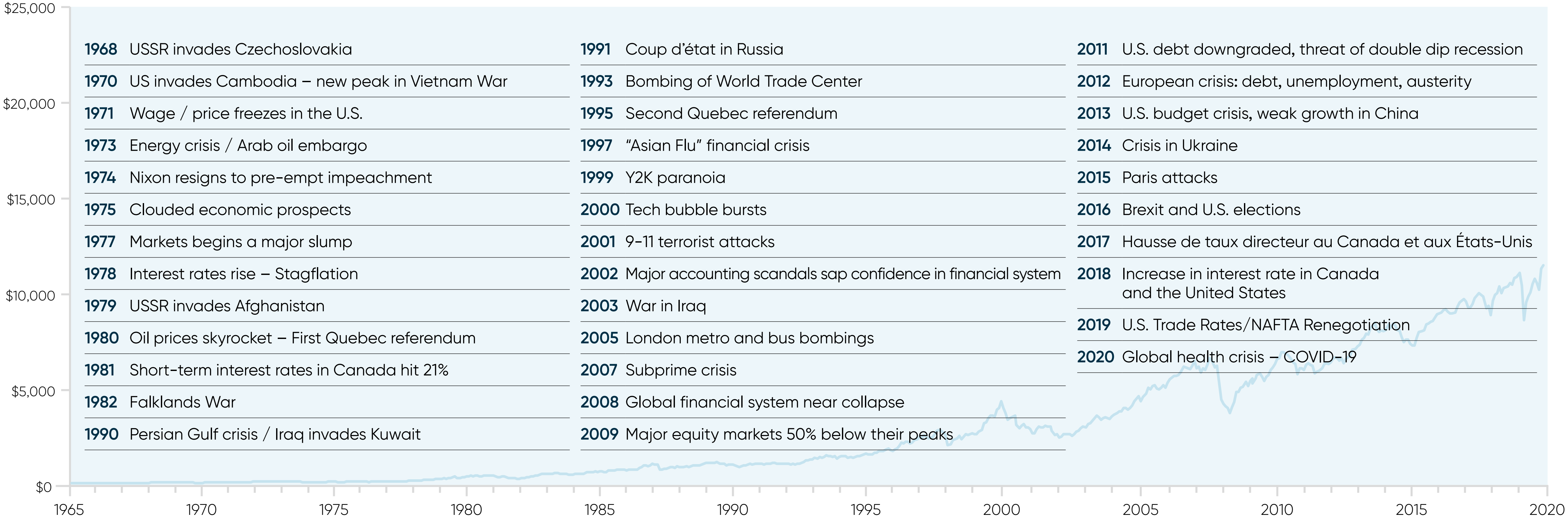
Emotions can cause you to make rushed decisions when it comes to your investments. To manage your emotions, identify the scenarios (market correction, drop in value of securities, etc.) in which you may act irrationally.



How do financial fluctuations impact your portfolio?

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

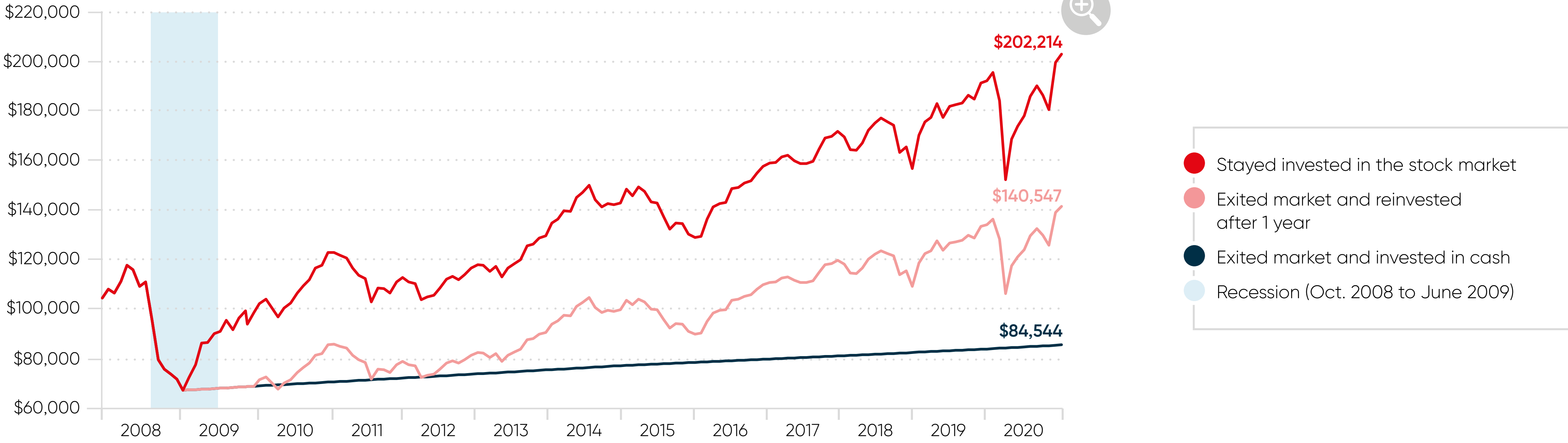


1968	USSR invades Czechoslovakia
1970	US invades Cambodia – new peak in Vietnam War
1971	Wage / price freezes in the U.S.
1973	Energy crisis / Arab oil embargo
1974	Nixon resigns to pre-empt impeachment
1975	Clouded economic prospects
1977	Markets begins a major slump
1978	Interest rates rise – Stagflation
1979	USSR invades Afghanistan
1980	Oil prices skyrocket – First Quebec referendum
1981	Short-term interest rates in Canada hit 21%
1982	Falklands War
1990	Persian Gulf crisis / Iraq invades Kuwait
1991	Coup d'état in Russia
1993	Bombing of World Trade Center
1995	Second Quebec referendum
1997	"Asian Flu" financial crisis
1999	Y2K paranoia
2000	Tech bubble bursts
2001	9-11 terrorist attacks
2002	Major accounting scandals sap confidence in financial system
2003	War in Iraq
2005	London metro and bus bombings
2007	Subprime crisis
2008	Global financial system near collapse
2009	Major equity markets 50% below their peaks
2011	U.S. debt downgraded, threat of double dip recession
2012	European crisis: debt, unemployment, austerity
2013	U.S. budget crisis, weak growth in China
2014	Crisis in Ukraine
2015	Paris attacks
2016	Brexit and U.S. elections
2017	Hausse de taux directeur au Canada et aux États-Unis
2018	Increase in interest rate in Canada and the United States
2019	U.S. Trade Rates/NAFTA Renegotiation
2020	Global health crisis – COVID-19

Source: Morningstar. Total return for the S&P/TSX Composite Index from September 1, 1965, to December 31, 2020. Effective May 1, 2002, the TSE 300 Composite Index was retired and replaced with the S&P/TSX Composite Index. For more information on the changes to this index, please visit tsx.com.

Should you hold on to your investments during financial 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.

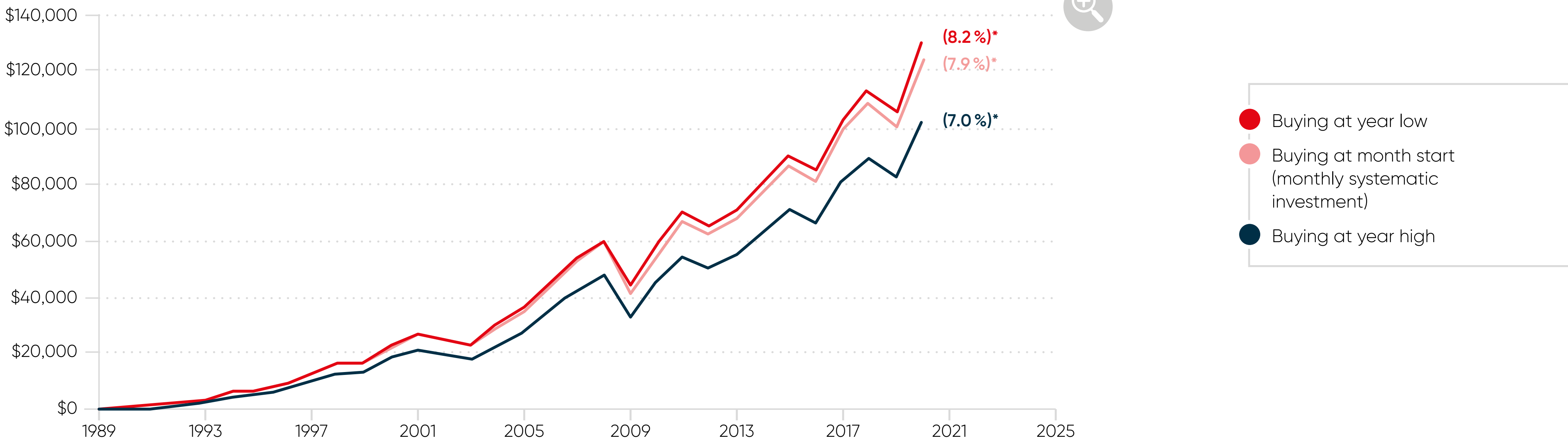


Source: Morningstar and National Bank of Canada GICs's rate, from January 1, 2007, to December 31, 2020.

All values are represented in CAD. 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.

How many times have you successfully timed the markets?

In the long run, the first year's return is superfluous. What truly matters is the frequency of savings and passage of time, not market timing.

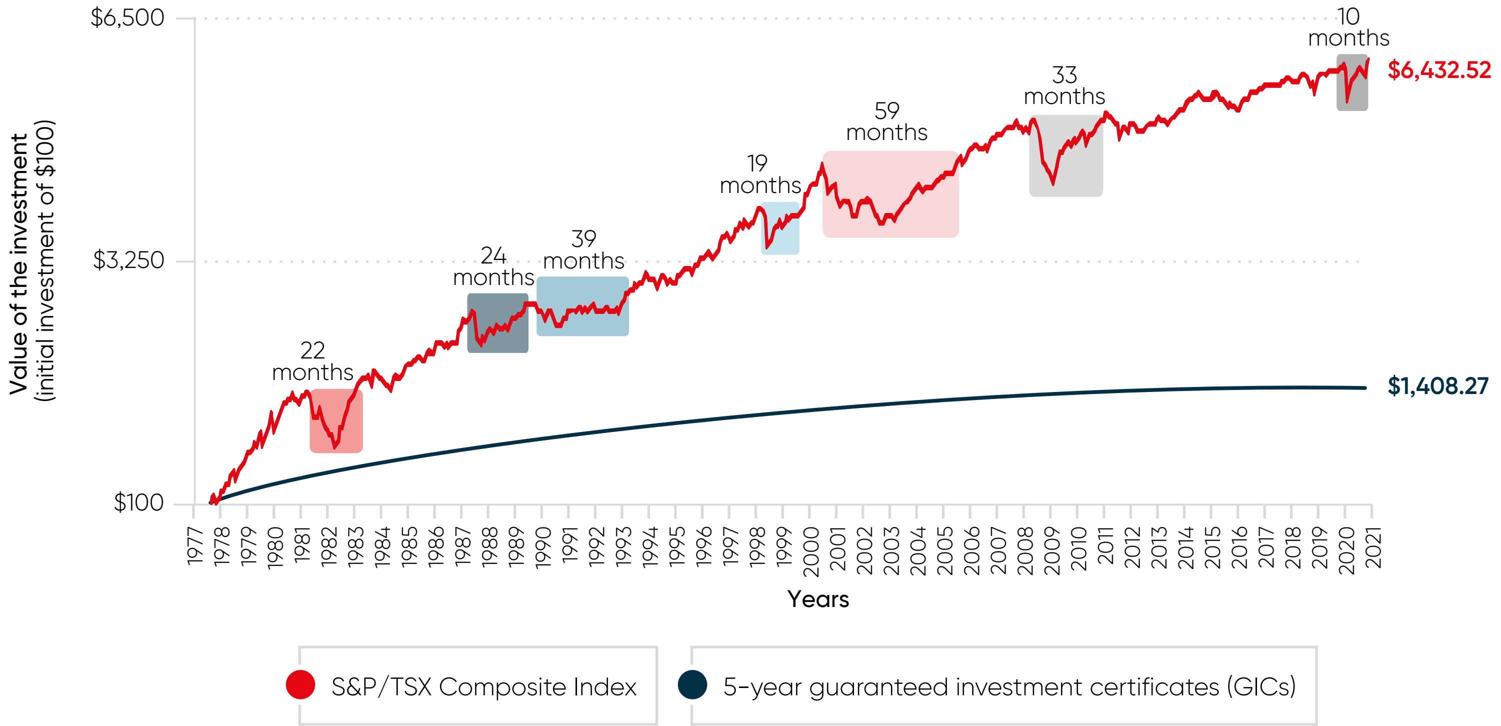


* Annualized money-weighted rate of return.
Source: CIO Office (Data via Refinitiv), from January 1989 to September 2020.

Why 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 October 1, 1977, to December 31, 2020)



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 %	20 months
Dec. 1989–March 1993 (39 months)	20%	29 months
April 1998–Nov. 1999 (19 months)	27%	15 months
Aug. 2000–July 2005 (59 months)	43%	34 months
May 2008–Feb. 2011 (33 months)	40%	24 months
Jan. 2020–Nov. 2020 (10 months)	22%	8 months

Source: Morningstar. Total return for the S&P/TSX Composite Index from October 1, 1977, to December 31, 2020. Effective May 1, 2002, the TSE 300 Composite Index was retired and replaced with the S&P/TSX Composite Index. For more information on the changes to this index, please visit tsx.com.

Repay your debts or save: What are your options?

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

Calculator: Pay down the mortgage or save up?

RRSP or TFSA?

RESP

Our wealth management solutions

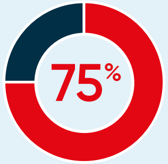
Note: these priorities represent those of a majority of clients; they will be adjusted according to each client's situation.

Saving for school

Do you have a plan for your children's education?

DID YOU KNOW?

- **Average tuition** for a full-time undergraduate student in Canada was **$7,377 for the 2019–2020 school year[1].**
- Canadians leave school with an average **student debt of $27,000[2].**
- **75% of students** think they will not have enough money to finance their studies, even with loans and scholarships[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?

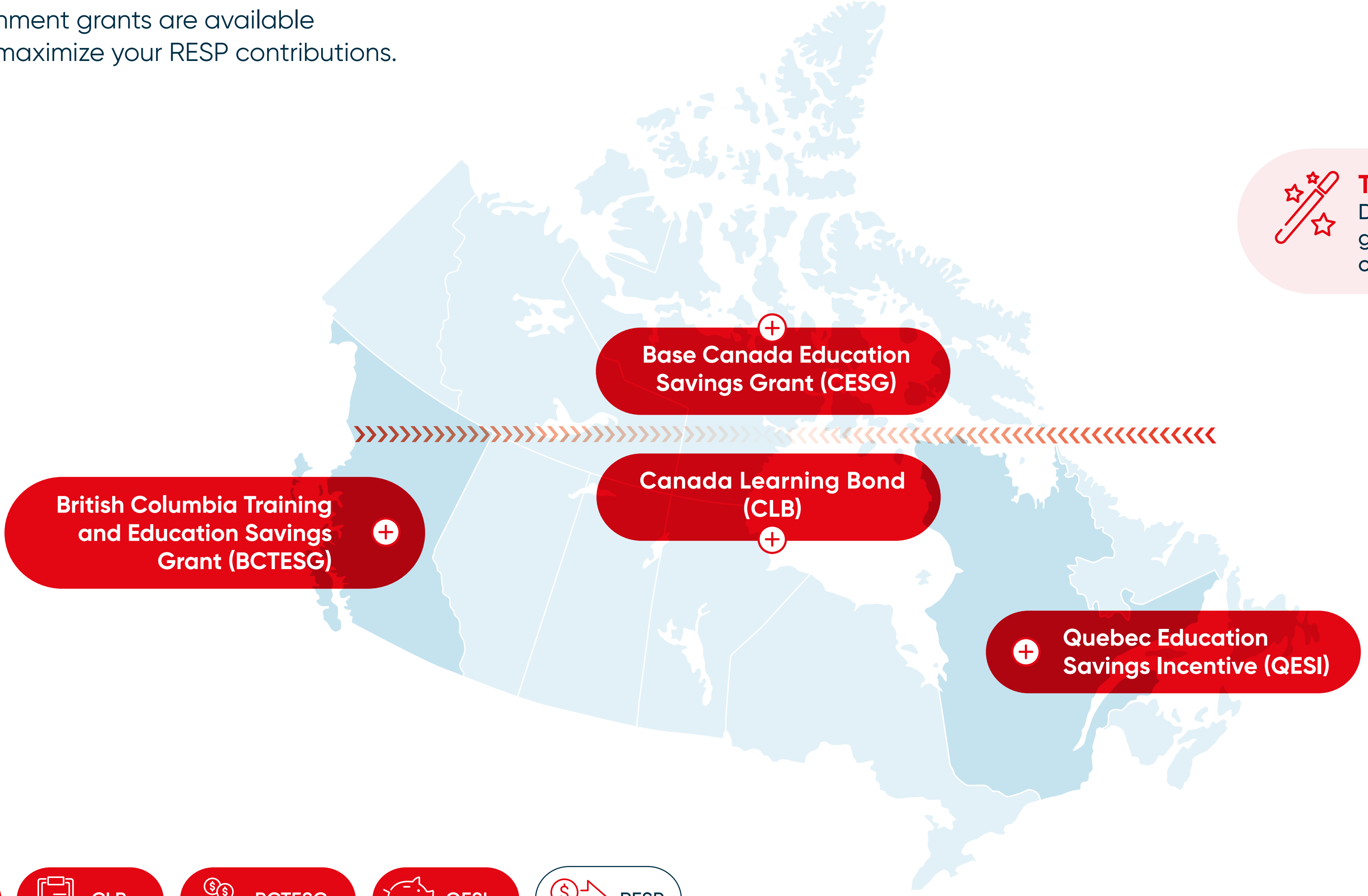
- Do you plan to help pay for your children's postsecondary education?
- What portion of your children's studies do you plan to pay for?
- How and how much are you saving for your children's education?
- What kind of education do you wish for your children?
- Where do your children want to study, and in which program?
- Are you fully benefiting from government grants?
- During their studies, will your children live with you, in a student residence or elsewhere?
- Have you estimated the potential costs according to the level of studies, housing needs, etc.?
- Will your children be able to benefit from loans, scholarships or income from a part-time job?

Prepare a budget | Government grants | RESP

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.
2. Canadian Federation of Students. 3. Adapted from Statistics Canada.
This does not constitute an endorsement by Statistics Canada of this product.

Are you fully benefiting from government grants?

Many government grants are available
to help you maximize your RESP contributions.



TIP!
Did you know that the federal government can subsidize up to $7,200 of your children's education?

CESG CLB BCTESG QESI RESP

How do RESPs work?

An RESP is a registered savings plan that allows you to save for your children's postsecondary 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.

Tax benefits +

How the payments work +

What happens if the child does not pursue his studies? +

Learn more about RESPs

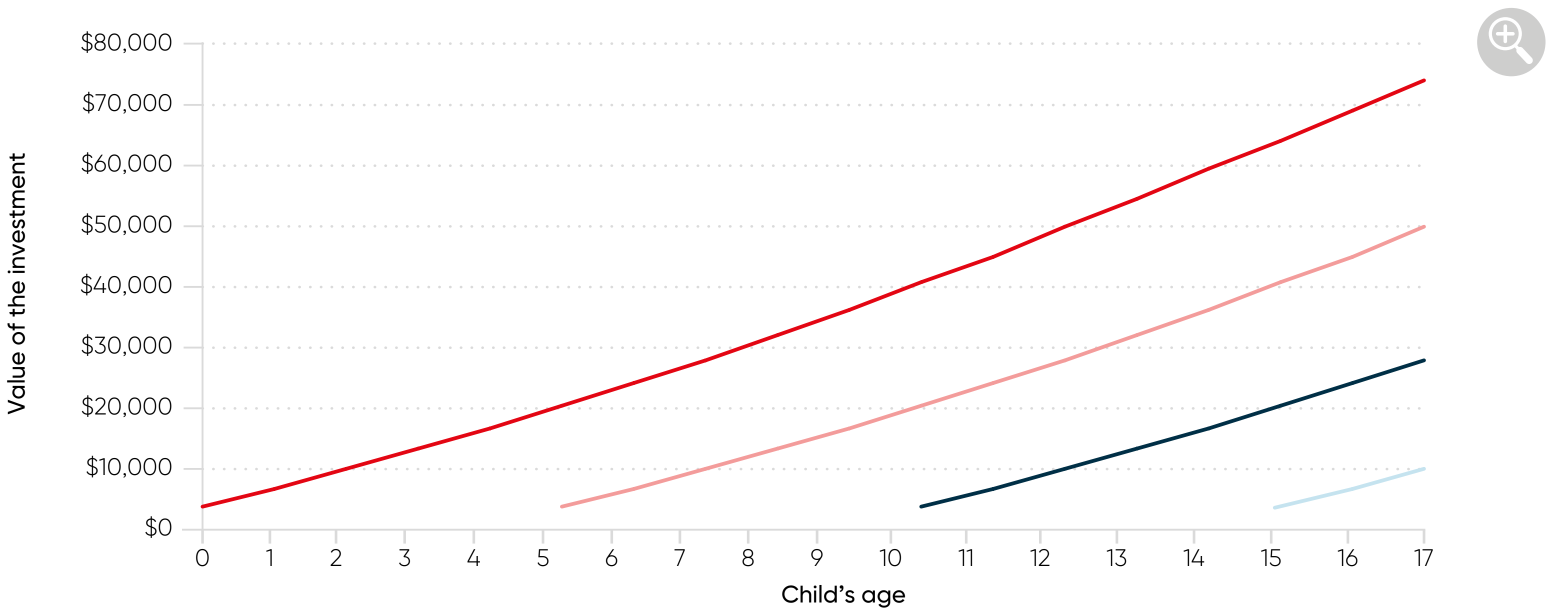
Why save early in an RESP?

Government grants

Why save early in an RESP?

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 greater your gains will be.

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



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.

Systematic saving

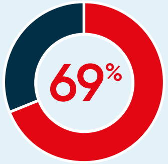
*The figures in this chart are assumptions only and are provided to illustrate the potential advantages of investing in an RESP under identical conditions.

Saving for a project

Do you have a clear plan for saving for a project?

DID YOU KNOW?

- **1/3 of Canadians,** rarely or never, put aside savings at the end of the month once their expenses are paid[1].
- The **3/4 of Canadians** who save are confident they'll feel better the following year[2].
- The households that seek the help of an advisor accumulate **69% more assets** than those without an advisor[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 secondary residence?
- 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 landscaping in your yard?
- If you won $10,000 in the lottery tomorrow morning, 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?

How to plan a project

Sources: 1. *Recouvrez votre santé financière*, Article in *La Presse*, June 7, 2009.
2. CPA Canada survey on expenses, November 2018.
3. *Les conseils ont un prix, mais quelle en est la valeur ?*, Article in *Les Affaires*, December 8, 2016.

How should you plan a project?

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 secondary residence
- Planning your retirement

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

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

Systematic saving

Learn more about HBPs

Learn more about LLPs

Save for your children's education

Save for your retirement

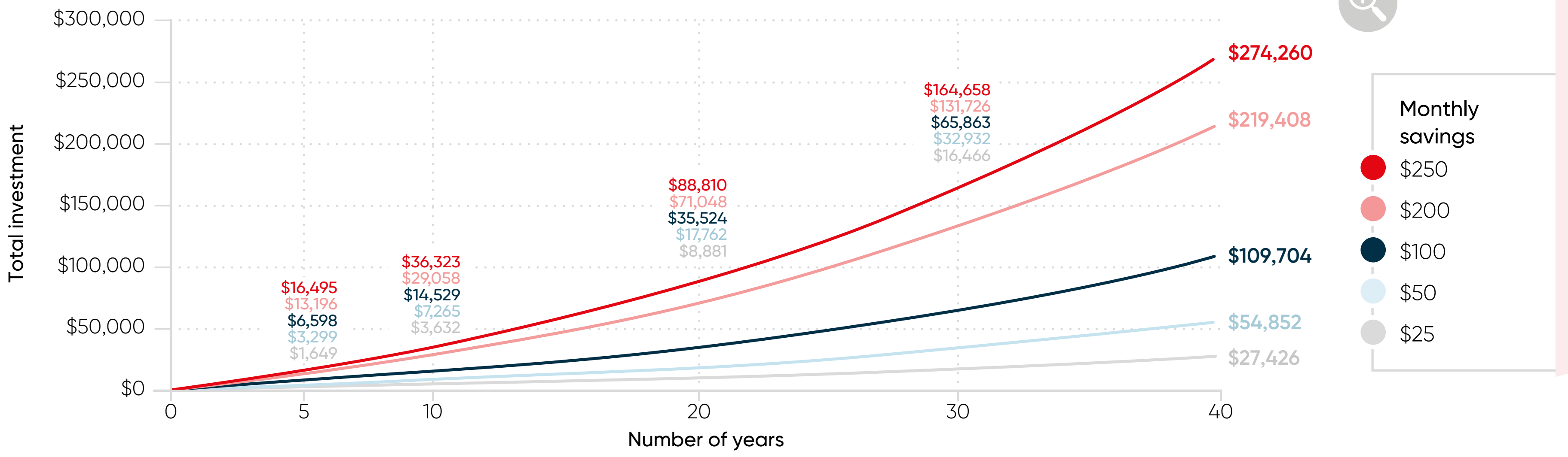
Our wealth management solutions

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	Eligible investment solutions	Minimum contribution
› Savings account › RESP › TFSA › RRSP	› Savings account › Cash-asset solutions › Mutual funds	$25

Evolution of the portfolio value based on the monthly savings amount



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

4 good reasons to save systematically

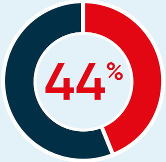
- **It's lucrative:** The earlier you start, the quicker your savings will increase.
- **It's accessible:** Putting aside smaller amounts regularly is easier than putting aside one big sum all at once.
- **It's simple:** Set up automatic debits once, and that's it!
- **It's practical:** Choose the frequency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

Saving for an emergency fund

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

DID YOU KNOW?

- **1/3 of Canadians** aren't sure they could deal with a financial emergency[1].
- **44% of workers** would not be able to miss a single paycheque[2].



- Of the 58% of Canadians who set themselves a budget, **25% always respect it**, while 60% respect it most of the time[3].

Questions to ask yourself

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

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

Prepare a budget | How to set up an emergency fund | Insurance needs

Sources: 1. Financial Planning Standards Council, October 30, 2018. CPA Canada survey on expenses, November 2018. 2. The Canadian Payroll Association, September 2018. 3. Ipsos survey, LowestRates.ca, May 2017.

How do you set up an emergency fund?

An emergency fund is an amount of money that one puts 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**

Prepare a budget

How to make a budget

Discover systematic saving

Saving for retirement

Are you ready to retire?

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 age 50 and over**, acknowledge that they've saved a quarter or less for their retirement[2], the age of retirement (61 years old) has not changed since 2017[3].
- **Half of Canadians** think they still need at least **$1M to retire**[4].
- The fear most commonly cited by workers age 50 and over is **using up their savings before dying**[5].

Questions to ask yourself

Where do you see yourself in 5, 10, 15 years?

What worries you about retiring?

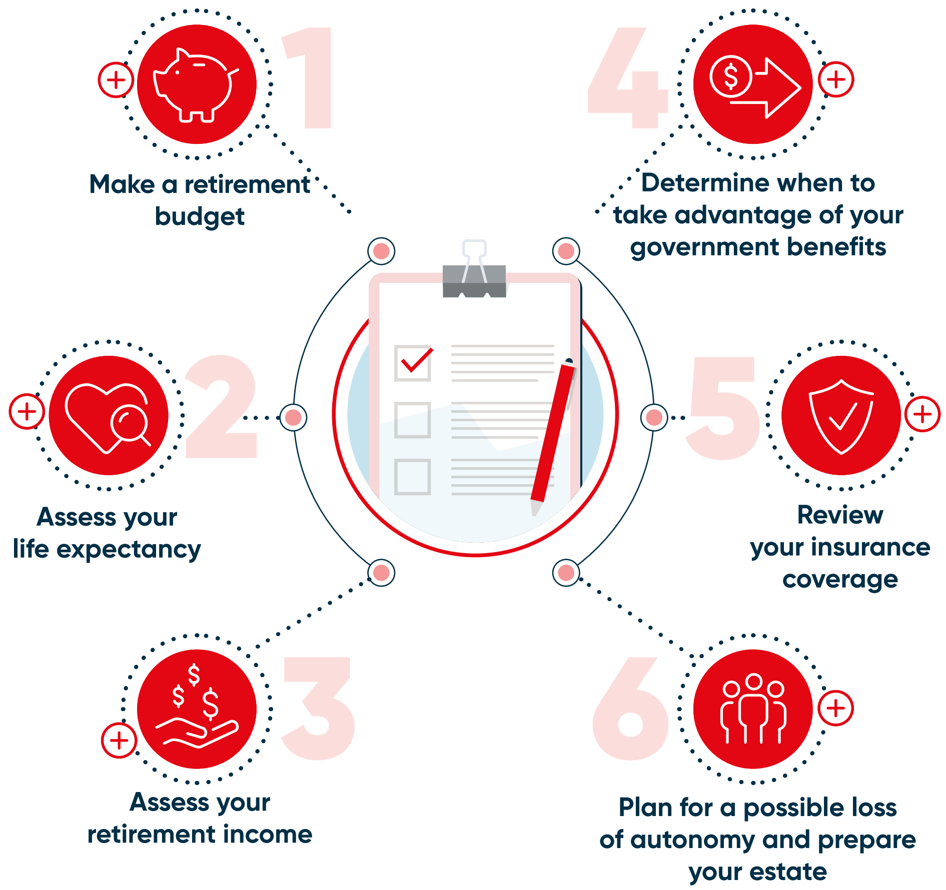
- Where will you live out your retirement? At home? With your children? In a residence for the elderly?
- Have you reviewed your insurance coverage?
- What would you do if you lost your autonomy?
- At what age do you plan on retiring? Have you assessed your life expectancy?
- What kind of lifestyle do you want to have? Have you made a retirement budget?
- What impact will taxes have on your income? What have you planned in order to pay the least amount of taxes during retirement?
- Have you already determined if it would be better to invest in a TFSA for your retirement?
- Have you planned your estate?
- Do you have a good idea of your income during retirement (pension plan, CPP/QPP, part-time work, rental income, savings, etc.)?

All retirement articles | Plan your retirement | 5 risks of retirement | RRSP or TFSA?

Sources: 1. Financial Planning Standards Council, October 30, 2018. 2. CPA Canada survey on expenses, November 2018. 3. The Canadian Payroll Association, September 2018. 4. Ipsos survey, LowestRates.ca, May 2017. 5. "The Current State of Retirement: Pre-Retiree Expectations and Retiree Realities," Transamerica Center for Retirement Studies, December 2015.

Have you started planning your retirement?

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.



Have you considered the 5 risks of retirement?

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 age 94.

(+) Table showing the probability of survival

2. Not accounting for inflation

Essential goods undergo the largest fluctuations. Between 1990 and 2020, the price of clothing remained stable, food increased by 96% and gas by 120%.

(+) Graph showing the consumer price index of some essential goods

3. Forgetting to plan for healthcare expenses

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

(+) Graph showing the government's total healthcare expenditures by age group

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.

(+) Graph showing the projection of different withdrawal rates on a 35-year period

5. Only opting for low-risk investments, thereby reducing potential yield

Sufficiently spreading out your investments helps make your capital last. In the example below, we see that Portfolio C generates a higher yield than Portfolio A for the same level of risk.

(+) Graph showing the theory of efficient portfolio selection

Inflation calculator
Plan your retirement
Sources of income
Disbursement strategy

RRSP or TFSA?

It all depends on your situation. An RRSP is a long-term retirement-savings product that is tax-deductible and taxable upon retirement. TFSAs are versatile, not deductible and not taxable upon retirement. 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.

	TFSA	RRSP
Who is eligible?	Any full-age[1] Canadian resident 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[2]	18% of income earned[2]
How is the contribution ceiling indexed?	According to the consumer price index, rounded to the nearest $500	According to the average industrial salary increase
Can the contributions be deducted from taxable income?	No	Yes
Are contributions to a spouse permitted?	No, but one of the spouses can give the other the necessary funds to contribute without being subject to income attribution rules[2]	Yes
Is there a penalty for overcontributions?	Yes: 1% per month if an overcontribution occurs during the month, regardless of when	Yes: 1% per month ($2,000 max. of penalty-free excess permitted)
Are withdrawals taxed?	No	Yes

The TFSA and RRSP at a glance
Sources of income
Disbursement strategy

1. Contribution rights begin at age 18, regardless of the province's age of majority.
2. Certain conditions may apply.

What are the main sources of income during retirement?

Your retirement income comes from three main sources: personal savings, supplemental pension plans and government plans. Government plans usually aren't enough to ensure you can maintain your quality of life 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.)

SUPPLEMENTAL PENSION PLANS
(pension fund with your employer)

GOVERNMENT PLANS
(Quebec Pension Plan (QPP), Canada Pension Plan (CPP), Old Age Security (OAS) pension, etc.)

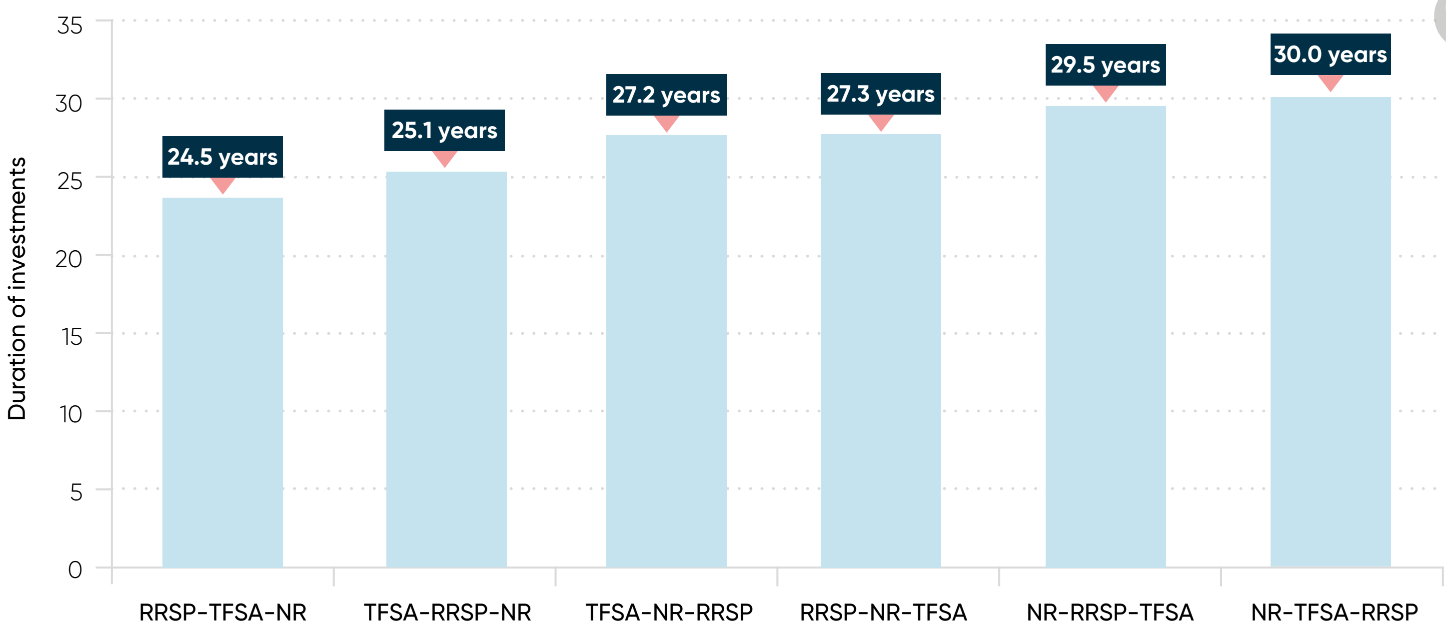
RRSP or TSFA?

When to withdraw money from the CPP/QPP and OAS?

Disbursement strategy

Have you established a disbursement strategy?

The order in which you withdraw your investments significantly affects the duration of your capital.
It is usually better to withdraw non-registered 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.

RRSP or TSFA?

When to withdraw money from the CPP/QPP and OAS?

Sources of income

When should you withdraw your pension money from the CPP (QPP) and OAS?

There is no perfect formula for calculating the ideal age to withdraw your pension money.
It is up to you to assess your personal situation and make decisions according to your needs and priorities.

Factors to consider	It is recommended to withdraw early	It is recommended to wait a bit longer
1 **Sources of income**	I anticipate having **few** additional sources of income.	I anticipate having **several** additional sources of income.
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).
3 **Income at age 65**	My gross income will be **under** $70,000 at age 65.	My gross income will be **over** $70,000 at age 65.

CPP: Canadian Pension Plan

QPP: Quebec Pension Plan

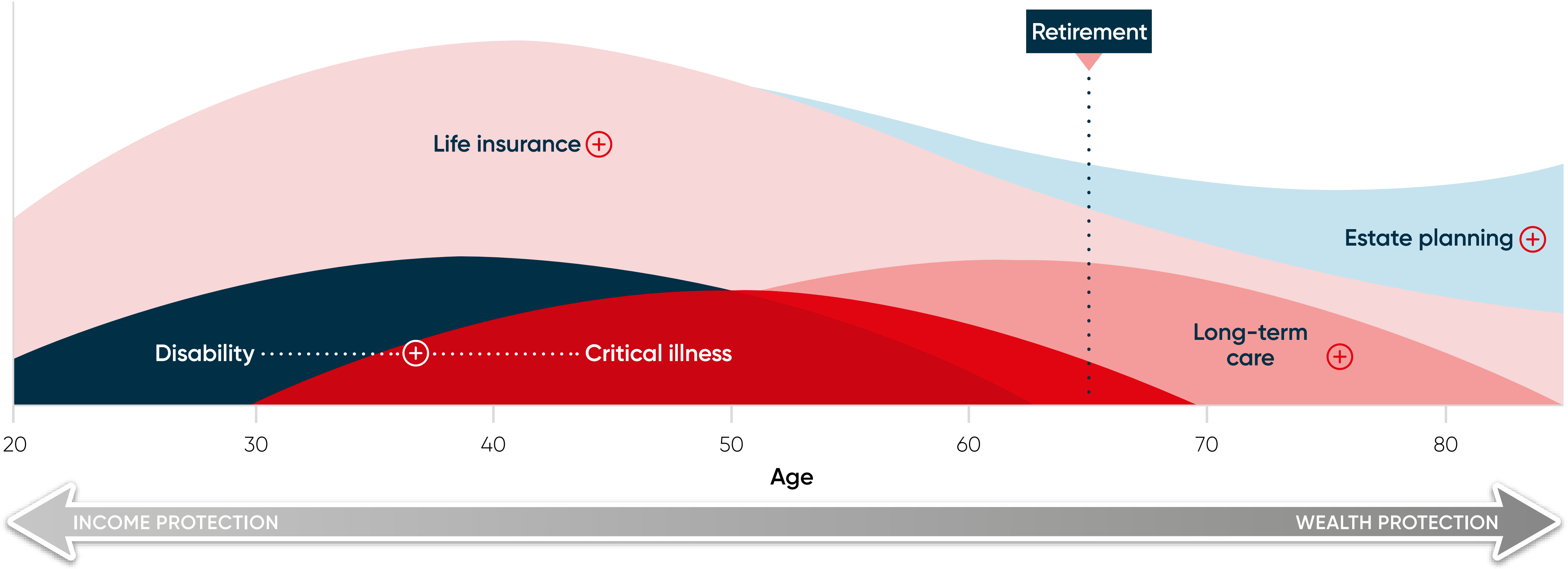
OAS: Old Age Security

Sources of income

Disbursement strategy

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.

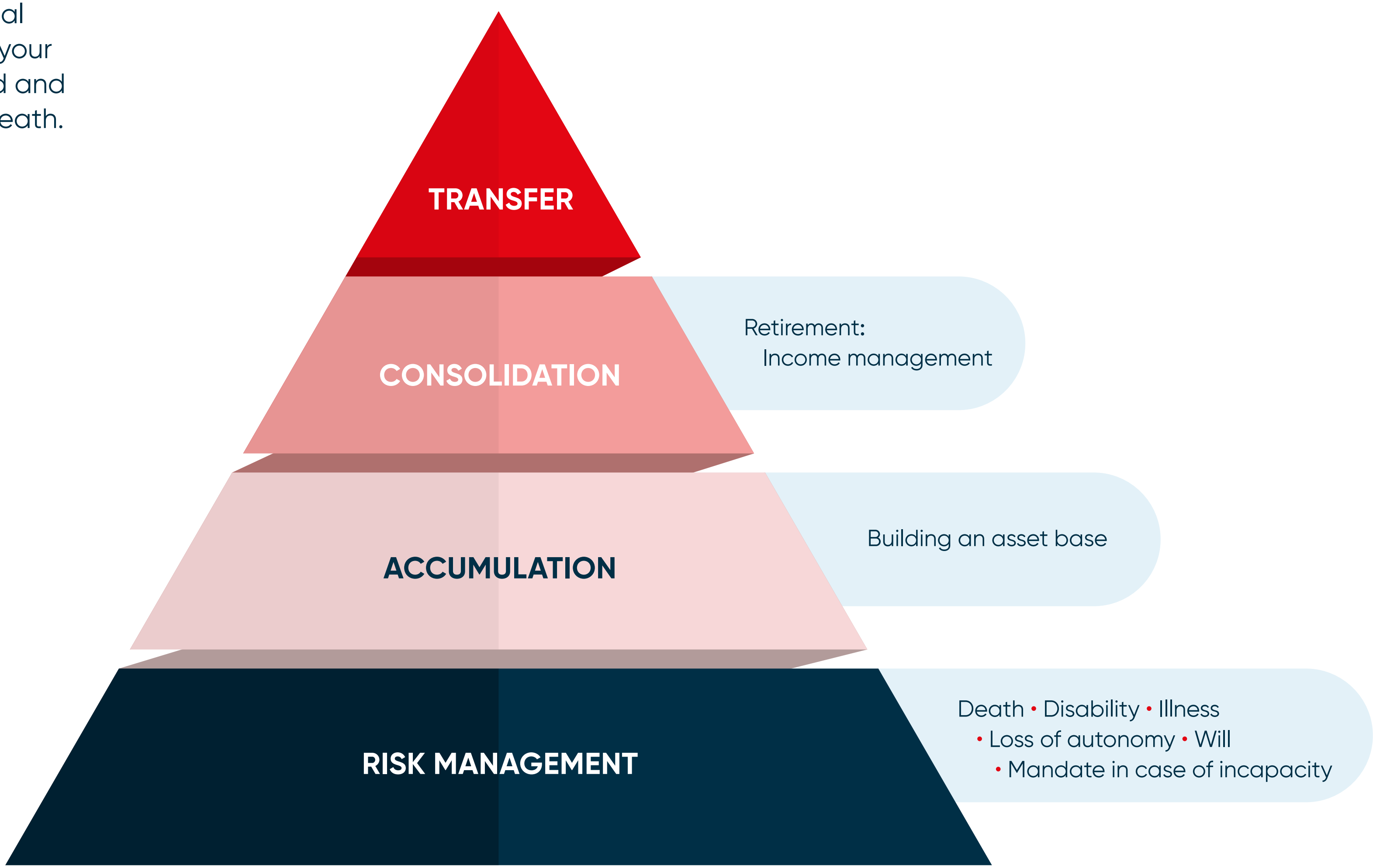


Risk management

Death without a will: Who will inherit?

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.



Insurance needs

Death without a will: Who will inherit?

Death without a will: Who will inherit?

Legal heirs in Quebec

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

Division of an Intestate Estate (Ab Intestato)

	Legal spouse[1]	Children[2]	Mother and father	Brothers/sisters and/or nephews/nieces
With a legal spouse	100%	—	—	—
	1/3	2/3		
	2/3	—	1/3	
	2/3	—	—	1/3
Without a legal spouse[3]	—	100%		
	—	—	1/2	1/2
	—	—	—	100%
	—	—	100%	—

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.

Death without a will
Ontario
British Columbia
Alberta
Manitoba
Saskatchewan
New Brunswick

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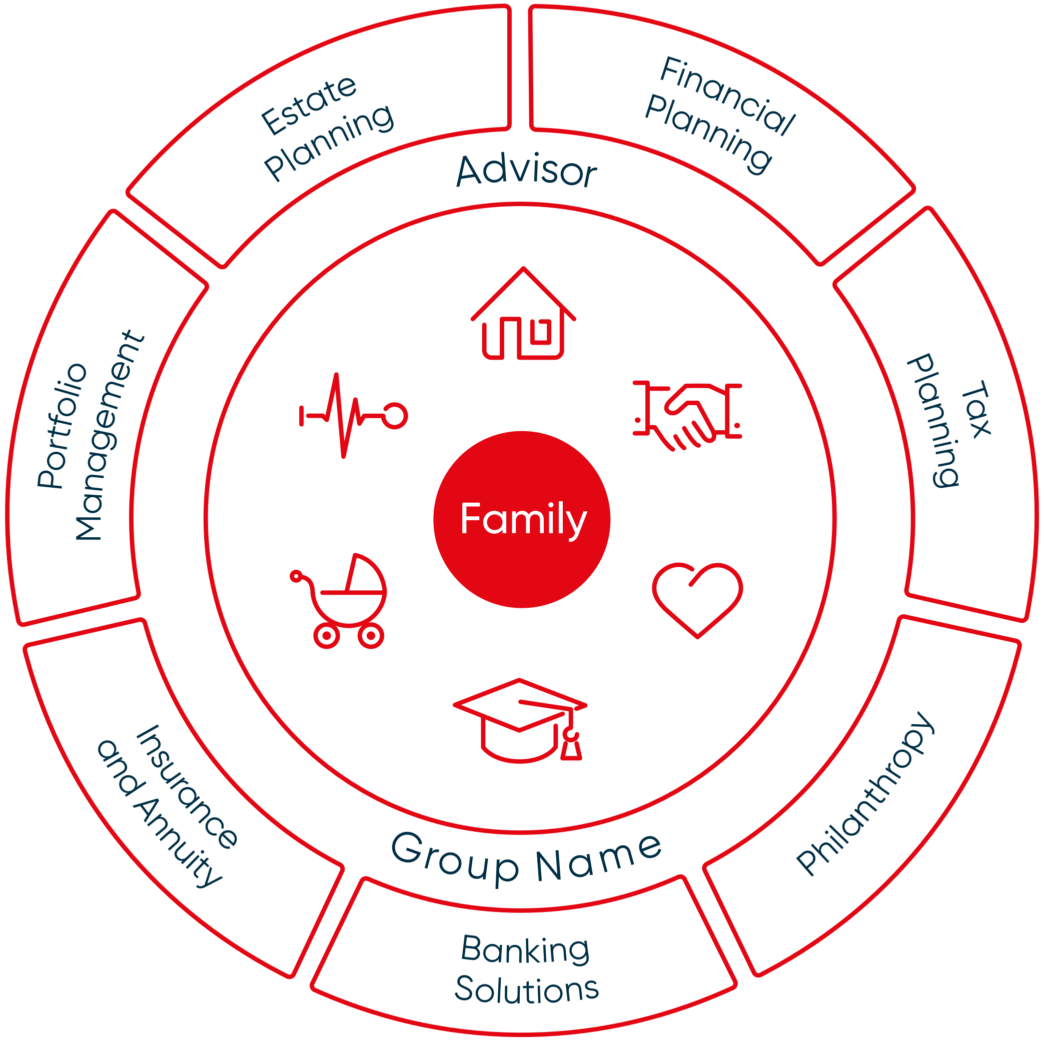


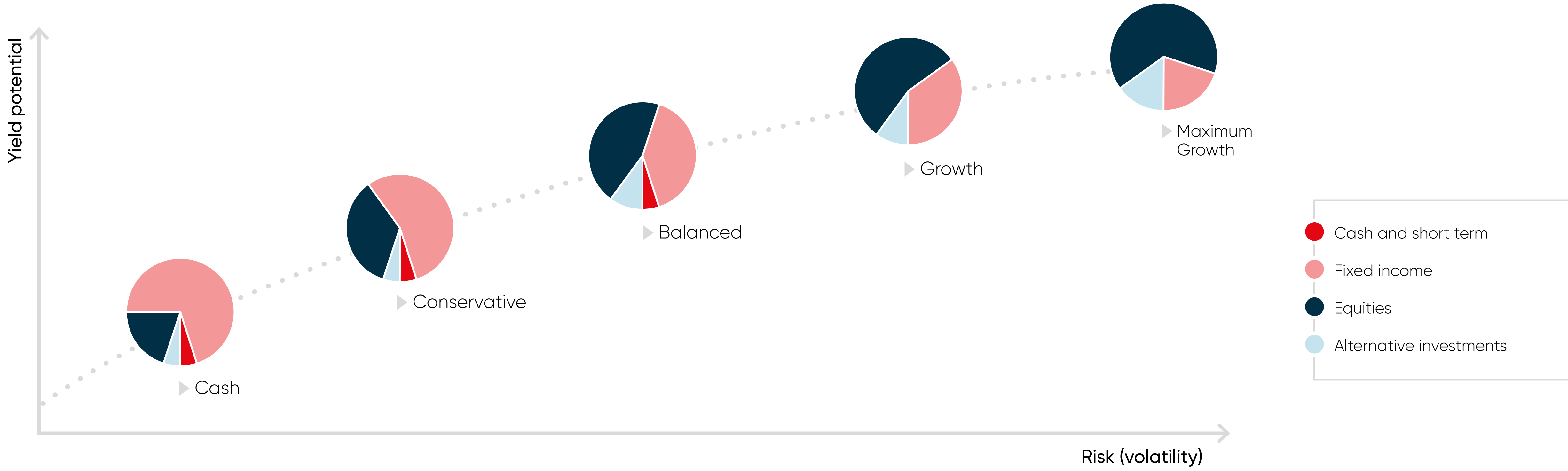
Discover National Bank Financial

Note: The fees paid for services in relation to the custody of your securities as well as the services related to the development of an investment strategy for your portfolio could be deductible (if the conditions of the tax laws are met). We recommend that you consult your tax specialist for more information on this subject.

Certain services are offered by third parties. Insurance products and services are provided by National Bank Insurance Firm (NBIF). NBIF is not a member of Canadian Investor Protection Fund (CIPF). Insurance products are not protected by CIPF.

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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