NATIONAL BANK

The Financier

Fall 2019

Planning for retirement at any age

October is Financial Planning for Retirement month, so it's a great time to ask yourself: How prepared are you for this significant and much-anticipated stage of life?

Having no plan is planning for failure

Retirement requires proper planning well in advance. Start by asking yourself the right questions:

> What are your retirement plans?
> At what age will you be able to retire?
> How much income will you get?

Start planning early!

Although we are fortunate enough to receive partial support through public pensions, we know that to live comfortably, these funds need to be supplemented with revenue from other sources. Getting an early start on saving will prove to be beneficial.

If you've already started to prepare for retirement, take a moment to evaluate all of your retirement savings, including your retirement plans, savings accounts and registered and non-registered investment accounts.

Contribute small amounts on a regular basis

Putting aside a relatively small amount of money automatically and at regular intervals, without having to think about it much, is far easier than raising a much larger amount to deposit once a year.

That being said, the larger the systematic investment amount, the more sharply the curve of the total investment value accrued increases.

Get help from experts

When planning your retirement, it's wise to seek support from recognized financial planning professionals. They will guide you through your thinking to help determine your needs and establish a strategy that will enable you to achieve your goals.

The Financier is going digital!

In order to offer you more frequent advice in an eco-friendly way, The Financier is making way for our e-newsletter.

The newsletter offers:

- monthly advice
- a more eco-friendly format
- related articles for more in-depth information

You will also find **market perspectives from our external portfolio managers** on a quarterly basis (January, April, July and October).

This newsletter is the final edition of The Financier.

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Retirement planning for women: What's different?

Retirement planning is not always the same for men and women. The are several factors that could explain this disparity, including a higher life expectancy and different concerns and priorities. Adequately preparing and applying these tips will set you up for a more relaxed retirement.

Why should you change your approach?

Looking closely at these figures shows that the differences between men and women go beyond pay inequality:

- **60%** of women are concerned about running out of money;
- **50%** of women entrusted retirement planning to their spouse in 2018;
- Yet, **50%** of these women will go through a separation in their lifetime.

Consider these five factors

To establish the right retirement plan for you that takes into account your situation and goals, consider the following **five factors:**

1. Time

Will you be retired in 20 or 40 years? How long will your retirement last? Today, the average life expectancy for Canadian women is 84, and this number is likely to keep rising.

2. Inflation

Inflation has a direct impact on your purchasing power. For example, the trip you plan to take in 15 years will cost more than if you took it tomorrow morning.

3. Healthcare

If, upon retirement, certain expenses decrease or disappear completely, others will emerge, such as domestic help and home care.

4. Asset allocation

Think diversification—the more you diversify your investments, the lower your risk.

5. Rate of withdrawal

Determine how often and how frequently you will spend your income during retirement.

Set up your retirement plan

These steps are the foundation of a sound retirement plan:

- **Set your life goals**, then rank your priorities.
- **Gather your documents** before meeting with your advisor. Make sure you have all the necessary documents: current investments, contributions to government plans, etc.
- **Set up your plan** with help from your advisor, who will recommend solutions based on your situation, concerns and goals.
- **Update your plan** as soon as there is a major change to your situation, such as the arrival of a baby or a change of employment.

Tip:

An advisor plays a key role in devising your strategy, so it's essential that you pick someone you are comfortable with.

Markets reviewed by our external portfolio managers

NBI *SmartBeta* Global Equity Fund
Sub-advised by Rothschild & Co. Asset Management US Inc.

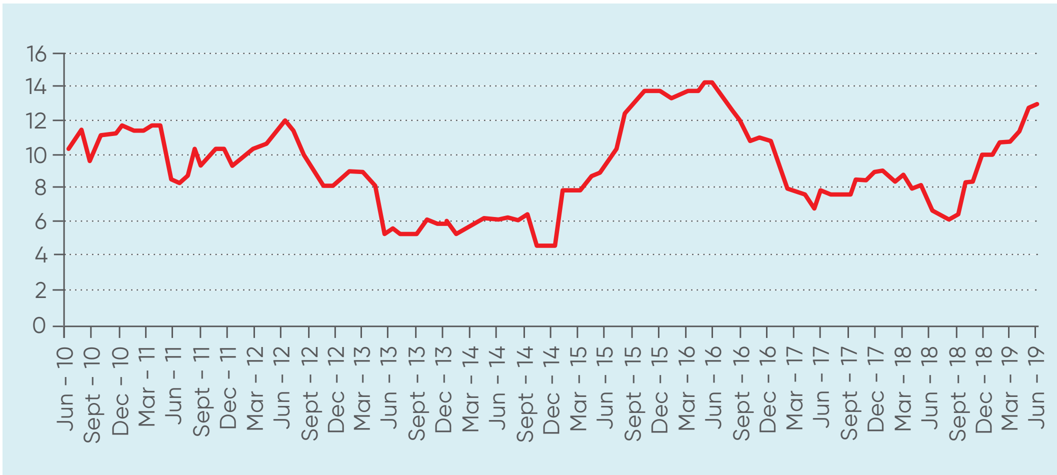
In short

Make no mistake about it: Stock market volatility has increased over past years and, consequently, equity risk has risen as well. This year, the month of May represented the first monthly loss of the year for the MSCI World Index, taking a toll with a large drop of -5.2%. It also marked the third decline of 5% or more in the last ten months. Prior to these recent declines, the last time the Index lost at least 5% was more than nine years ago, in May 2010. The increased market volatility is highlighted in the chart below.

MSCI Word Index*

Rolling one-year volatility

For the period
June 2010 to June 2019



Source: Morningstar.
Calculated using monthly return data.
* MSCI World Index GR CAD.

Market perspectives

Global stock markets have delivered strong returns since the financial crisis ended more than ten years ago. Recently, however, stock market volatility has increased, forcing many investors to face a dilemma of whether to remain invested in a more volatile environment or sell and miss out on potential further gains. Although many strategists state that the current business cycle is now late in its innings, not everyone is holding out for a looming recession. As always, the best course of action for investors is to stay invested rather than attempt to time the market.

Given this, the portfolio manager's focus has always been to smooth out more difficult periods of market turbulence by investing in lower-risk stocks selected from a methodology that combines volatility and correlation.

Portfolio manager's strategy

As a systematic risk-based manager, he does not forecast future market events or use expectations of future occurrences (i.e., Central Bank rate hikes or cuts) to influence or change his strategy. The portfolio manager instead consistently and systematically applies a strategy that puts risk management at the heart of the portfolio-construction process. Using this systematic process every quarter, the portfolio manager sells higher risk stocks and buys lower risk stocks, with the lower risk ones receiving the largest weights in the Fund.

The goal is to maintain equity exposure while seeking to moderate the impact of stock market pullbacks.
Over a long-term time horizon, the portfolio manager strongly believes the Fund has the potential to outperform broad market benchmarks with less risk, disproving the belief that one must take on more risk to outperform.

Three new incentives for purchasing a first home

For those dreaming of buying their first home, the 2019 federal budget did not go unnoticed. Here are three new incentives implemented by the Canadian government to help you afford property more easily.

1 A loan from the CMHC to reduce monthly payments

First-time buyers should always make a down payment that's at least 5% of the property's purchase price. But they could apply for a no-interest mortgage loan from the Canada Mortgage and Housing Corporation (CMHC) and receive **5% of the property's value if it is an existing home, and 10% if it is new.**

This loan, which is available to households whose income does not exceed $120,000 a year, will only have to be repaid upon resale of the property.

2 Increase in the maximum amount under the HBP

Thanks to the Home Buyers' Plan (HBP), a first-time Canadian homebuyer can withdraw money from their Registered Retirement Savings Plan (RRSP) for a down payment. The 2019 federal budget increased the withdrawal limit from $25,000 to $35,000.

For a couple, that means a total of $70,000 can be withdrawn from their RRSPs and used as a down payment to purchase property.

3 The HBP is now available to people who are separated

As of January 2020, people who are divorced or separated will also be able to benefit from the HBP, even if they do not meet the requirement of being a first-time buyer.

The HBP can be used for a second time—if the RRSP withdrawal has been fully repaid—by people who are separated or divorced and decide to buy new property or buy back their ex-partner's share.

To learn more

1-888-270-3941 or 514-871-2082
Monday to Friday, 8:00 a.m.–8:00 p.m. (Eastern time)

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30609-002 (2019/09)