NEI

» DEMAND MORE. WE DO.

THE FOUR PILLARS OF INVESTING

Simple steps to help secure your financial future

At NEI Investments, we know that you've worked hard to **save for your retirement**. Maybe you have big plans: places to go, things to do and people to see. Or maybe your ideal retirement involves sticking close to home and spending time with family. Whatever retirement means to you, have you saved enough to do all the things you want to do?

The four pillars of investing

1 » **Start early**

2 » **Invest regularly**

3 » **Stay invested**

4 » **Diversify**

1 » Start early

The sooner you start investing for the future, the more time you'll have to benefit from compound growth.

What is compounding? Simply put, it means reinvesting any income you earn on your investments. If you invest in mutual funds, for example, you usually have two choices. You can take your interest income, capital gains or dividend payments in cash. Or, you can have these payments automatically reinvested in more units or shares of the mutual fund.

It can be tempting to take your investment income payments in cash. But reinvesting it gives you the potential to earn money on the amounts you're reinvesting – and that means more investment growth over the long term.

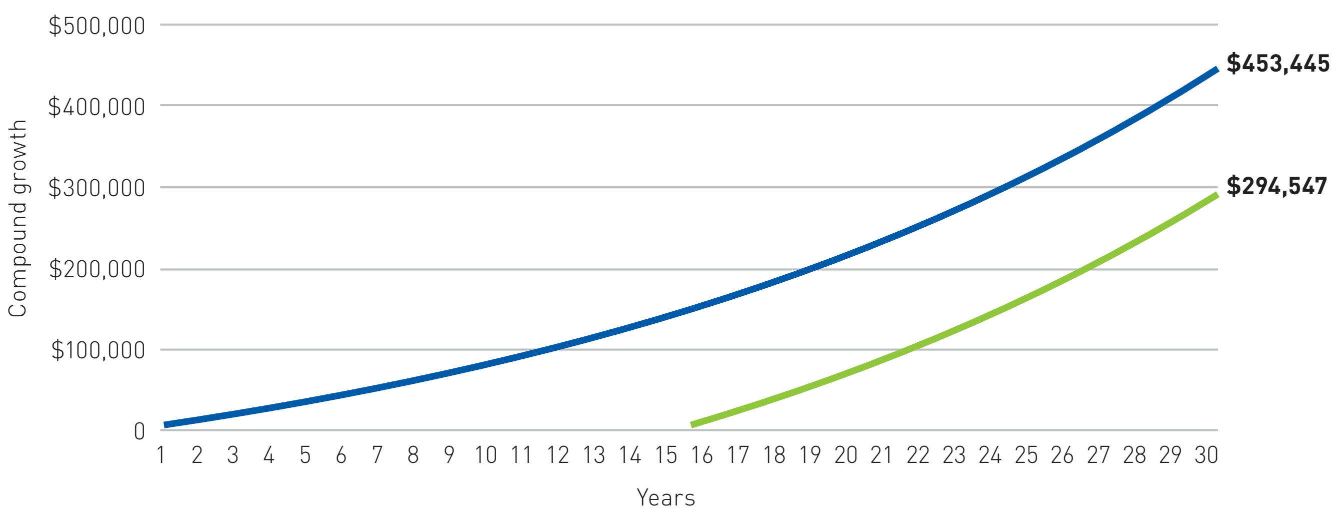
Compounding in action

In Chart 1, you'll see how starting early increases the power of compounding and can help you reach your goals.

The top line shows what would happen if you started investing $6,500 per year as of today. The bottom line shows what would happen if you invested nothing for the next 15 years, and then started investing $13,000 per year after that. In the end, you'll have invested the same total amount in both scenarios.

In both cases, we've assumed a 5% annual return on your investments. As you can see, starting today puts you in a much better position 30 years from now. You'd have $150,000 more than if you'd waited. That's the power of compounding.

Chart 1: Starting early makes a big difference



For illustration purposes only.

2 » Invest regularly

Making regularly scheduled contributions to your retirement savings lets you benefit from dollar-cost averaging (DCA).

That means you'll automatically buy more units or shares of an investment when prices are low – and fewer when prices are high. Everyone knows they should "buy low and sell high" but timing the market is next to impossible. When you make regularly scheduled contributions, you dramatically increase your odds of capitalizing on short-term dips and buying low. When this happens you are able to buy more mutual fund units with the same contribution amount.

For example, in Chart 2, a lump sum $600 investment in month 1 would purchase 60 units ($600/$10 per share = 60 units). But, by investing $100 regularly over six months, the same $100 will buy more units (67.7) as well as lowering your average unit cost to $9.33. With time and consistent investing, you will become more comfortable when prices decline and recognize that short-term weakness can be a long-term opportunity.

Chart 2: Investing regularly takes advantage of dollar-cost averaging

Price per unit

For illustration purposes only.

Some people think of investing regularly as "paying yourself first." You can make it simple by deciding how much you want to contribute each month and having that amount come directly out of your regular bank account. That's called a pre-authorized contribution, or PAC.

3 » Stay invested

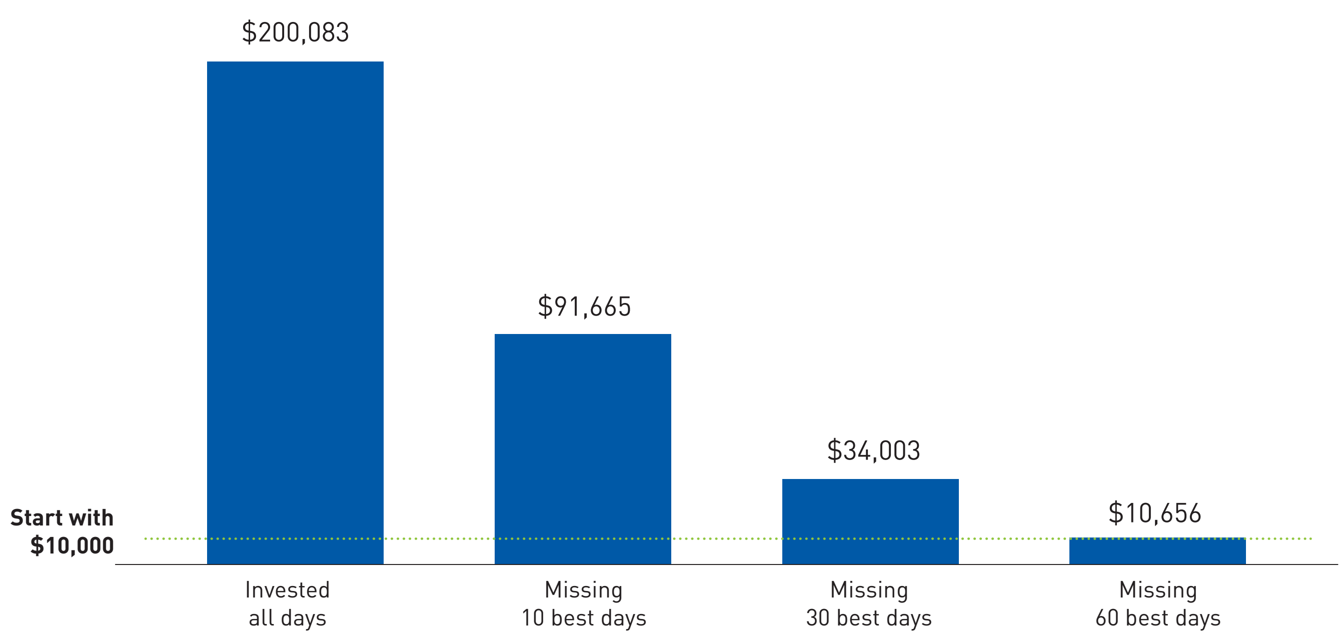
When markets decline for an extended period of time, it can be hard to stay invested.

Most investors tend to be risk-averse, and they may be tempted to stop investing for a while or to sell certain investments until markets improve. You've worked hard to make progress toward your investing goals, so of course you don't want to see the value of your investments fall too far or for too long.

Here's the thing, though: markets are always rising and falling, and historically speaking, strong gains tend to follow weak performance. Also, periods of rising markets have tended to last longer than periods of declining markets. If you stop investing when times are tough, you'll certainly miss out on the bad days, but you'll miss out on the good days as well. And that's why the best course of action is to stay invested through all the ups and downs.

Chart 3 shows what happens when you miss the market's best days. In this example, someone who started with $10,000 and stayed invested every day over a 30–year period would have a value of $200,083. However, an investor that missed the market's 10 best days over the same period of time would have given up roughly $108,000 – more than half their money. No one knows when the best days will occur – that's why staying invested is a core pillar of investing success.

Chart 3: Missing the best days in the market has an impact



Data source: Morningstar[1]. Growth of a hypothetical $10,000 investment made in the S&P 500 Index from January 1993 to December 2023. The S&P 500 Index is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 Index is unmanaged and unavailable for direct investment.

4 » Diversify

Certain types of investments tend to move higher when others are declining.

For example, stock prices rarely move in tandem with bond prices. That's why it's a good idea to put your money into several different types of investment products. This is called "diversification."

One way to diversify is to invest across all the major asset classes. Over the long term, equities tend to produce higher returns than bonds and cash, but they also come with more volatility and higher risk. Bonds tend to be lower risk, but they also provide lower expected returns than equities.

Chart 4 shows how different asset classes can change position drastically from one year to the next, with one year's top performer becoming the next year's worst. A diversified portfolio can reduce that volatility.

Chart 4: Diversification is a time-tested strategy

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
21.7	17.0	41.3	23.9	21.6	21.1	28.3	6.3	24.8	18.8	35.1	6.5	22.9
12.3	15.6	35.2	14.4	18.9	17.6	14.4	5.9	22.9	16.3	27.6	2.9	20.5
9.7	13.4	20.5	12.1	11.9	8.1	13.8	4.2	22.8	16.2	25.1	-5.8	14.7
6.3	13.3	13.0	10.6	6.9	7.3	9.9	1.7	21.2	13.9	20.8	-11.5	11.8
4.6	10.6	3.9	10.4	3.5	4.0	9.6	1.4	15.6	11.0	11.5	-11.7	9.8
1.9	7.2	1.6	8.8	2.0	4.0	9.1	1.1	12.4	8.7	1.0	-11.8	6.9
0.8	6.5	0.6	8.6	1.6	3.8	5.4	0.3	12.1	5.6	-1.4	-12.2	6.7
-3.2	3.7	-1.2	7.1	1.4	3.7	2.6	-0.5	7.4	5.3	-2.5	-12.2	6.3
-8.7	3.6	-5.5	6.6	-4.6	1.7	2.5	-6.9	6.9	1.3	-3.4	-14.3	3.9
-16.4	1.6	-23.9	1.9	-8.3	1.4	1.4	-8.9	2.1	-13.1	-5.1	-17.0	2.6

BEST
Highest % return

WORST
Lowest % return

- U.S. stocks
- Canadian stocks
- Canadian REITs
- Global stocks
- 60/40 Portfolio
- Emerging market stocks
- Gold
- Global bonds
- Canadian bonds
- Average 5-yr GIC

Data source: Morningstar[1]. Index returns do not include fees; you cannot invest in an index. U.S. stocks: S&P 500; Canadian stocks: S&P/TSX Composite Index; Canadian REITs (real estate investment trusts): S&P/TSX Capped REIT Index; Global stocks: MSCI World Index; Emerging market stocks: MSCI Emerging Markets Index; Gold: S&P GSCI Gold Index; Canadian bonds: FTSE TMX Canada Universe Bond Index; Global bonds: Bloomberg Barclays Global Aggregate Bond Index, C$ hedged; 60/40 Portfolio: 60% global stocks (MSCI World Index), 40% global bonds (Bloomberg Barclays Global Aggregate Bond Index, C$ hedged). The 60/40 Portfolio was rebalanced quarterly.

Well-diversified investments can help reduce risk and smooth out the ride. Some mutual funds provide instant diversification, because they already invest across various asset classes, geographies, investment styles and market capitalizations. A financial advisor can help you build and maintain a well-diversified portfolio.

When you invest with NEI, you're taking steps to build a **stronger future**.

Along with your financial advisor, we're committed to helping you achieve your goals so you don't have to compromise your lifestyle, now or in retirement.

Talk to your advisor today about how you can succeed with investment solutions from NEI.

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