



## Looking for guarantees?

An overview of products offering guarantees for volatile times

Volatility in the financial markets is always a concern and can be upsetting when you are trying to grow your savings in market-based investments.

That's why many advisors may recommend investing a portion of your portfolio in investments that can guarantee your principal investment – no matter what the financial markets are doing. What follows is an overview of some of the products and guarantee features available in today's market.

### **GUARANTEED INTEREST CONTRACTS (GICs)**

GICs can allow you to receive your principal investment along with a guaranteed rate of interest when you hold them to maturity. The guaranteed rate of interest available depends on current market conditions.

A GIC issued by an insurance company may have benefits that are not available from bank-issued GICs. For example, an insurance-based non-registered GIC

can allow you to designate a beneficiary so the proceeds of the GIC, on your death, flow outside your estate and directly to the named beneficiary. The proceeds could potentially avoid expenses, such as probate fees and legal fees, as well as delays that could tie up the investment. With a non-registered GIC you can also defer taxes on the interest for up to one year, and if you are 65 or older, your interest income will qualify for the pension income tax credit and for pension income splitting purposes.

Insurance-based GICs have the potential to protect your personal assets from creditors. They can also offer flexibility through a unique selection of investment options and terms ranging from six months to 10 years.

### **SEGREGATED FUND CONTRACTS**

Segregated fund contracts offer the growth potential of mutual funds and wealth protection features that are only available from an insurance company. One of the most valuable is a death benefit guarantee.

Segregated fund contracts provide exposure to a broad selection of investment options such as equities, bonds and money market funds. They also feature a selection of guarantees that can help to protect your investment during volatile markets.

Segregated fund contracts generally assure that either 75 per cent or 100 per cent of the value of your principal investment will be guaranteed at death or after a specific period of time. Some segregated fund contracts allow you to “reset” the value of your contract to a higher amount by capturing any market growth experienced by the underlying investment. For example, if your segregated fund portfolio grew by 10 per cent over a certain time period, a reset could occur to lock in that higher value, which becomes the new value upon which the guarantees are based.

Since segregated fund contracts are insurance products they can also provide additional benefits such as potential protection from creditors and the ability to bypass probate (assuming that there is a named beneficiary). Other benefits of segregated fund contracts may include access to your capital (fees may apply) should the need arise. However, withdrawals will affect the guarantee features associated with segregated fund contracts.

### **GUARANTEED MINIMUM WITHDRAWAL BENEFIT (GMWB)**

Segregated fund contracts that feature a Guaranteed Minimum Withdrawal Benefit (GMWB) allow you to access your savings and provide the same investment growth potential of other segregated fund contracts, but also include distinctive income protection features.

The unique advantage of GMWBs is that they can provide guarantees that protect your income from market downturns. This type of guarantee can help ensure that you receive predictable, sustainable, potentially increasing income. Many GMWBs now offer a lifetime benefit – guaranteeing income for life.

GMWBs can provide predictable sustainable lifetime income regardless of market conditions provided that withdrawal thresholds have not been exceeded. In good market conditions, resets can increase the amount of income you receive over time.




















An additional benefit of many GMWB products is an annual income bonus that may be available to you in years when no withdrawals are made. This feature is ideally suited for investors looking ahead to their retirement years, since it can guarantee a higher income amount regardless of market conditions.

### **ANNUITIES**

For those looking to generate the highest guaranteed rate of income possible from their investment, annuities are a popular choice. Annuities can provide income for life or a chosen period of time. Life annuities, which can only be purchased through life insurance companies, remain one of the few ways to guarantee income for the rest of your life. Choosing a payment guarantee option with a life annuity ensures that if you pass away before the end of the guarantee period you selected, payments continue to your named beneficiaries until the end of the guarantee period.

Annuities are purchased as a simple one-time investment. You give up control of capital in exchange for income that is guaranteed to last for life or a pre-determined period of time and that is not affected by market or interest rate fluctuations.

## GUARANTEED INVESTMENTS: A SUMMARY OF FEATURES AND BENEFITS

NEED	GUARANTEED INTEREST CONTRACTS (GICs)	SEGREGATED FUNDS	GUARANTEED MINIMUM WITHDRAWAL BENEFITS (GMWBs)	ANNUITIES
Predictable income guaranteed to not decrease no matter how the investment performs*				
Sustainable income guaranteed to last for your life*				
Potentially increasing guaranteed income				
Flexibility to change your investment or access your savings**				
Tax efficient non-registered income				

\*Exceeding the withdrawal thresholds may have a negative impact on future payments.

\*\* Fees may apply

 = Yes    = Possibly    = No

### WHEN CHOOSING A FINANCIAL SERVICES COMPANY...

With hundreds of financial services companies operating in Canada, how do you choose the one that will best help you make your financial dreams a reality? You want to make sure you choose a company with the financial strength and stability to be there for you – not only today, but years from now. Consider:

- **Size** – In today's rapidly changing and highly competitive world, you need to be sure that the company you choose has both the size and resources to offer a broad range of solutions, as well as the ability to weather unexpected storms
- **Profitability** – A company's profitability is an indication of how well the company manages its operations. Profits increase a company's capital base, thereby improving the security it offers. And security means the company will be there in the long run

■ **Capital** – Capital is a measure of the resources available to the company. It provides a "cushion" or protection against adverse conditions, such as a downturn in the economy or poor investment markets

■ **Diversity** – Diversity can help reduce risk and improve risk-adjusted returns. Earnings derived from different businesses, different geographical markets and a diversified investment portfolio can help protect against significant changes in any one area

■ **Ratings** – Most financial services companies in Canada are examined by independent rating agencies. The agencies review a company's financial statements and operations in detail. And they meet with senior management to review business plans and long term strategies before assigning a rating of the company's financial strength or claims-paying ability

These five factors can give you a snapshot of a company's ability to be there when you need them.

## SPEAK WITH YOUR ADVISOR

If market volatility is keeping you up at night, it may be time to speak with your advisor about adding some guaranteed investments to your portfolio. He or she can guide you through the options available in today's market and help you select specific products that combine the features and benefits you are looking for. Whether you want a basic investment that protects your capital while paying simple interest, or a permanent solution that pays you guaranteed income for life, your advisor is there to provide you with the advice you need about the many solutions that offer guarantees.

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