GIC

SECURITIES

Protect first. Grow next.

A GIC is the key.

iA Securities

If you're not satisfied with the low rates of return from savings and chequing accounts, or the higher risk associated with mutual funds, a Guaranteed Investment Certificate (GIC) can be a reliable option to grow your savings.

The basics

What you need to know about GICs.

Guaranteed means guaranteed

The principal and interest on a GIC are guaranteed by the bank or financial institution issuing it and by the Canadian Deposit Insurance Company[1] up to $100,000.

Rate of return

Unlike a mutual fund or stock, you know that a GIC's fixed or variable interest rate will provide you with a guaranteed return. However, because GIC rates are often low, you'll need to earn at least the rate of inflation or risk seeing the buying power of those funds decrease over time. For instance, if your money earns 2% interest in a GIC, but the rate of inflation is 3%, the purchasing power of those funds will actually go down.

Fees and expenses

When you buy a GIC, the interest you earn doesn't have any fees or charges deducted, unlike other investments such as mutual funds.

Liquidity

Non-redeemable GICs which typically have a higher rate of return often require that you lock in your savings for an agreed upon length of time before they reach maturity – at which time you can access them again. For other types of GICs, fees and penalties may apply if you need to access your funds early.

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[1] The Canadian Deposit Insurance Company (CDIC) is a federal Crown corporation that insures eligible deposits to banks and other financial institutions. CDIC insures deposits in Guaranteed Investment Certificates (GICs) and other deposits (up to $100,000 in savings held in one name, plus up to $100,000 in savings held in a joint account) with an original date to maturity of 5 years or less held in Canadian dollars at a CDIC member. To learn more, visit cdic.ca.

FAQ5

Five questions and answers about GICs

1 Can I buy a GIC within my RRSP?

Yes. In fact, you can buy a variety of GICs inside your RRSP, TFSA or RESP accounts. These include non-redeemable GICs that generally yield a higher return, cashable GICs that can be cashed after 30 days without penalty, market-linked GICs that offer the potential for returns linked to the stock market while keeping your principal protected, as well as a host of other GIC options.

2 Can I invest any amount in a GIC?

Most financial institutions require a minimum initial investment of $500 to buy a GIC.

3 How are GICs different from bonds?

With a bond, you loan your money to a company, city or government and they agree to pay you back in full when the bond matures with interest (referred to as a yield). Bonds resemble GICs in that they are less risky than stocks or mutual funds, but where some high-yield (high interest) bond issuers can be risky, a GIC is guaranteed by the Canadian government up to $100,000, so it's virtually risk-free.

4 What do I do when my GIC matures?

You have three options: You can roll over the GIC into the same or a similar GIC investment, you can use the principal and interest to buy another kind of investment – like a mutual fund, mortgage or bond – or you can cash it in.

5 What is a laddered GIC strategy?

This GIC strategy is structured so that part of the principal matures and is accessible each year. For instance, a $10,000 investment could consist of five $2,000 GICs in which one of the GICs would mature in each of the following five years. This would allow the investor to either reinvest, or cash 20% ($2,000) on each anniversary date.

Did you know?

GICs are insured for up to

$100,000

from each financial institution that is a member of the CDIC.

This coverage is automatic. You don't have to do anything.

GIC

TFSA

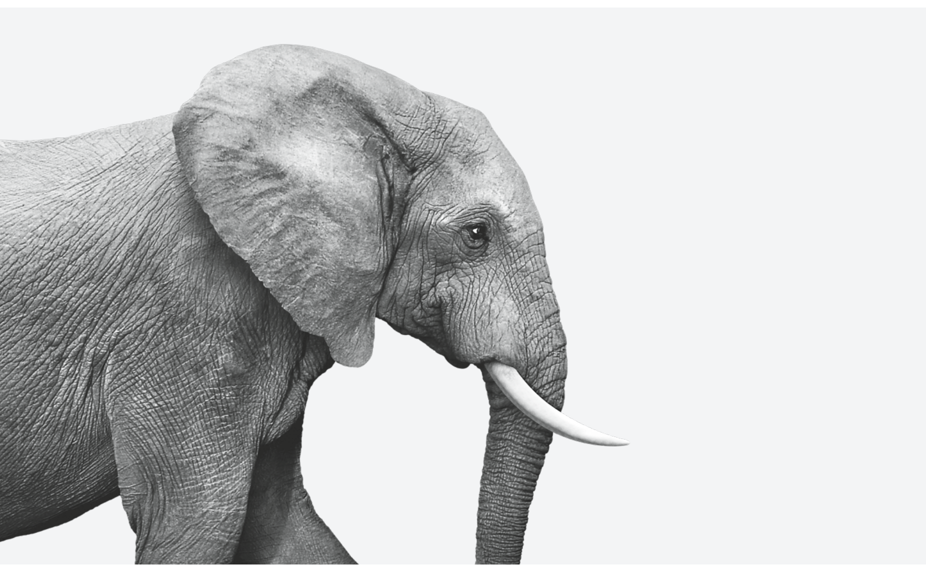
RRSP

A good way to maximize your return on a GIC is to purchase it in a tax-deferred plan like an RRSP or TFSA.

Notes

GICs are a safe and reliable investment that offer a guaranteed return. Ask an iA Securities Investment Advisor which GICs are right for you.

iasecurities.ca



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