

## What is a **GUARANTEED INVESTMENT CERTIFICATE?**



A Guaranteed Investment Certificate (GIC) is a guaranteed investment product commonly sold by credit unions and banks

### GIC FEATURES

- Fixed INTEREST RATE**  
A GIC offers a guaranteed interest rate for a specified period of time
- Fixed TERM LENGTH**  
You leave your money in a GIC for the term you've agreed to (typically three months to five years)
- Fixed MATURITY DATE**  
A GIC is held until a maturity date, at which time the funds can be withdrawn and interest is paid

### GIC BENEFITS

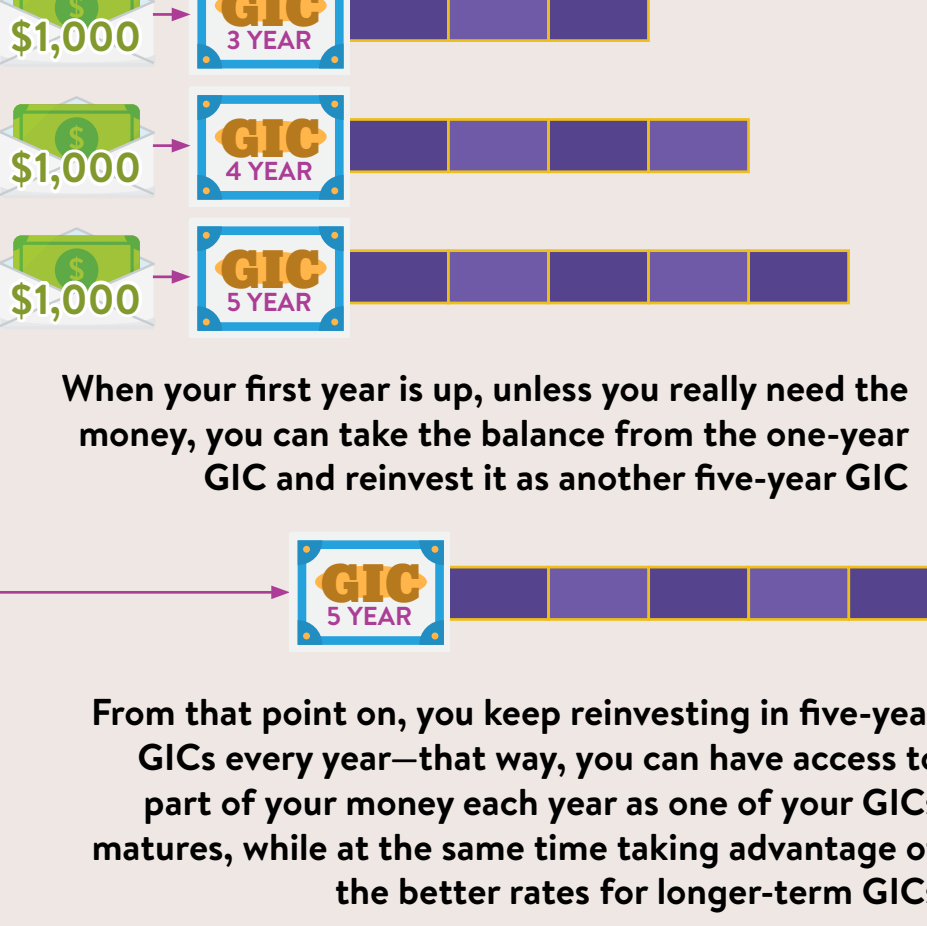
- PREDICTABLE RATE OF RETURN**  
GICs offer a guaranteed interest rate, so you know exactly how much your investment will increase in value over time
- GOVERNMENT INSURED**  
Most GICs held in credit unions are protected from up to \$100,000 to unlimited, depending on the province; most GICs held in banks are protected up to \$100,000 by the Canada Deposit Insurance Corporation (CDIC)
- LESS SUSCEPTIBLE TO MARKET DYNAMICS**  
Unlike stocks or mutual funds, your investment in GICs is guaranteed to increase in value, no matter what happens to the economy or the financial markets

### GIC LADDER STRATEGY

*A way to maximize your income potential while still maintaining some access to your funds is by using a GIC ladder strategy*

Basically, you divide your money into smaller chunks and deposit them at different times, so that you end up with some of your money in a long-term GIC with a high interest rate, but also have some of it available for withdrawal or reinvestment every year. This way, you get the benefits of the long-term rate without locking up all your money.

#### GIC LADDER EXAMPLE



When your first year is up, unless you really need the money, you can take the balance from the one-year GIC and reinvest it as another five-year GIC

From that point on, you keep reinvesting in five-year GICs every year—that way, you can have access to part of your money each year as one of your GICs matures, while at the same time taking advantage of the better rates for longer-term GICs

**KEY TAKEAWAY**  
A GIC ladder can decrease both interest rate risks and reinvestment risks for GICs while maximizing returns

### OTHER CONSIDERATIONS

- 1**  
You will find lots of options for term lengths and interest rates when you shop around for GICs
- 2**  
If you think that interest rates are about to rise, then you should keep the term lengths of your GICs shorter, so that you can take advantage of higher rates on your next GIC purchase
- 3**  
If you think that interest rates will fall, then you should invest in longer-term GICs and lock in the higher interest rates right now
- 4**  
If you need even more flexibility, there are also cashable and redeemable GICs, which allow you to withdraw your funds before the term is over, but may not offer as much interest

BROUGHT TO YOU BY



Sources: Forbes, Investopedia, NerdWallet