

Product features and benefits

Creditor protection

Managing the risks of bankruptcy with segregated funds

If you're self-employed or own a business, you have a powerful reason to choose segregated funds: creditor protection. As part of an insurance contract, assets held in a segregated fund contract may be protected from creditors in the event of bankruptcy, so they can be an effective way to safeguard at least part of your financial assets.

Potential protection from creditors

When a named beneficiary of a segregated fund contract is a spouse, parent, child or grandchild of the annuitant¹ (in Quebec, ascendants and descendants of the contractholder¹), or is designated as irrevocable, the assets held in the segregated fund contract may be protected.

Non-registered and registered segregated fund contracts have always enjoyed the potential for creditor protection. With the passing of the new bankruptcy laws, all registered investments held by banks, brokerages, mutual funds, or in self-directed accounts are now able to enjoy the same creditor protection as it relates to bankruptcy.

However, keep in mind that segregated fund contracts have creditor protection outside of bankruptcy situations that other registered investments do not enjoy. And, when it comes to your non-registered assets, segregated funds have creditor protection not provided with other investments (e.g. mutual funds, GICs).

Important points to keep in mind

Creditor protection may not be available in situations where:

- The segregated funds contract or the beneficiary designation was set up to defeat the interests of creditors.
- The policy is held in a nominee-registered account. (For this reason, it is recommended that registered segregated funds remain in a client-name position to ensure the appropriate beneficiary can be named on the contract.)
- You assign your segregated funds contract as collateral for a loan, and then you default on the loan; in that case, the lender (assignee) can seize the asset.
- You owe money to Canada Revenue Agency.
- You have claims against you for dependant or spousal support.

If you are interested in creditor protection, you should seek independent legal advice to see when an insurance contract is exempt from seizure under provincial law and the federal *Bankruptcy and Insolvency Act*.

Simplicity. Strength. Trust.

There is confidence in knowing that your assets are well invested and well protected. RBC® GIFs are a powerful investment solution to help you meet your needs.

For more information regarding RBC Guaranteed Investment Funds, please speak with your advisor.

¹ Annuitant refers to the person on whose life the guarantees and annuity payments are based. Contractholder refers to the owner of the contract and may be different from the annuitant for non-registered contracts.

This summary has been prepared to help you make the most of investment opportunities available through RBC Guaranteed Investment Funds. Other summaries include The Benefits of Segregated Funds, Consumer Protection, Estate Planning and Taxation. Please contact your advisor to obtain copies.

Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.

RBC Guaranteed Investment Funds are segregated funds and are referred to as individual variable annuity contracts. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. Details of the applicable Contract are contained in the RBC GIF Information Folder and Contract at www.rbcinsurance.com/segregatedfunds.