

What are segregated funds and how can they complement an RRSP portfolio?

With the RRSP deadline coming up fast, it's a good time to review your investments and make any last-minute contributions.

But when thinking about the types of funds to choose, keep in mind that as you approach retirement, your financial needs, your goals and the ways you invest will start to change.

While retirement may still be in the distant future, eventually you'll want to protect the money you've worked hard to save, while still making it grow enough to carry you through retirement. In fact, according to an RBC Insurance® survey, 87% of Canadians aged 55 and over agree that they'd like an investment product that guarantees the money they invest, but also offers opportunities for growth. Yet 60% are not aware that this option is available with segregated (seg) funds.¹

Growth and guarantees for your investments

Seg funds are an investment solution only available through insurance companies. They help grow and protect your hard earned savings with the added security of principal guarantees. Think of it as a combination of a mutual fund and an insurance policy. The money is invested in professionally managed and diversified assets with the potential to grow, similar to mutual funds. Plus there's an insurance component that protects the original amount invested.

Seg funds offer several other unique benefits that other investment products don't including:

- Protection through guarantees.² A maturity guarantee helps protect your initial investment (at contract maturity), while a death benefit guarantee helps to ensure that your named beneficiaries will receive 75% or 100% of the amount that was invested (depending on the guarantee option chosen by you) on your death.
- Reduced estate-planning costs. After a person dies, there is a legal approval process required to validate their Will. This process is called probate, and can be a lengthy administrative hassle that incurs fees. As an insurance product, seg funds are not subject to the probate process, meaning the funds go directly to the beneficiary without any estate or probate fees.³



Insurance

- Potential protection from creditors. Seg funds are considered an insurance contract, so they may be protected under provincial law from seizure by creditors in the event you declare bankruptcy. This may be an important benefit for professionals, entrepreneurs and business owners who might be involved in an unexpected lawsuit or bankruptcy.
 - Option to increase your protected amount. If your investment has earned money, you may be able to “reset” the guaranteed value of your investment, which would lock in the gains you’ve earned.
- These guarantees and benefits, combined with the growth potential, are what make seg funds so appealing to those who are planning or approaching their retirement.

Interested in learning more about seg funds?

Seg funds can only be purchased through a life insurance advisor.

For more information, please speak with your Insurance Advisor today.



Insurance

¹ <http://www.rbc.com/newsroom/news/2017/20170124-ins-seg-funds.html>

² Guarantees are proportionally reduced by withdrawals.

³ Probate fees and requirements vary by province.

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