Segregated funds or mutual funds

Which investment option is best suited for you?

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Segregated fund policies

Offer guarantees to help protect your principal investment amount.

Mutual funds

Have lower fees to enhance growth potential, but don't provide protection from down-side market risk.

Both segregated fund policies and mutual funds

- ✓ Give you the opportunity to grow your wealth through financial markets.
- ✓ Pool money from a large group of investors that is invested in a number of investments.
- ✓ Offer a wide variety of funds with varying levels of risk that can be customized to your risk tolerance.
- ✓ Offer professional investment management.
- ✓ Can be held in either registered or non-registered form.

What's important to me when I invest my money?

Segregated funds	Mutual funds
I want to protect my investments during market downturns	
You can work with your advisor to build a diverse portfolio, and you'll also have built-in guarantees at maturity and death that help protect the capital you invest, up to your chosen percentage (75% or 100%), proportionately reduced by any withdrawals.	You can work with your advisor to build a strategically diverse portfolio that has different asset classes and management styles that can help protect against downturns.
I want tax efficiency	
Your advisor can help you determine which policy types are best-suited to hold your investments. You can also maximize your contributions to registered plans for tax efficiency.	Your advisor can help you determine which accounts are best-suited to hold your investments. You can maximize your contributions to registered plans and you can also use corporate class and T series structures for tax efficiency.
I want to make tax season easier	
Your segregated fund policy provider is responsible for reporting all investment income – including gains and losses – on the year-end tax slip, which can simplify tax reporting. This could be important to you if you're taking a regular income from your investment or you frequently rebalance it.	While contribution tax receipts are issued for registered accounts, there is no year-end receipt issued. You're responsible for reporting capital gains and losses based on your mutual fund statements.

Segregated funds	Mutual funds
I want to increase long-term growth potential	
There are a diverse range of equity-based investments available for growth-oriented investors, but these typically have fees higher than mutual funds with comparable mandates due to the maturity and death benefit guarantees.	Mutual funds often have lower management expense ratios (MERs) because there are no guarantees on your investment. They're usually more aggressive and growth-focused, and specialty funds are available.
I want to control how my money is distributed when I die	
Where you've named a beneficiary, the proceeds from your segregated fund policy will go directly to that beneficiary and won't flow through your estate. This means the money in the policy you leave behind isn't reduced by probate taxes and other fees (if any) associated with settling an estate. Proceeds are usually paid out to beneficiaries within a few weeks (once all documentation is received). Options are available for how you want the assets paid to your beneficiaries, including a lump-sum payment, regular payments for a certain period of time, or for the life of your beneficiary.	Mutual funds can be held in registered accounts, which allow you to name a beneficiary, with assets paid out at death. If the assets transfer to your spouse, the process is fairly quick, while other types of named beneficiaries may take longer to avoid potential conflicts with your will. You can't name a beneficiary designation with non-registered accounts, so assets are paid to your estate and will be subject to the estate administration process (probate) if any. Any remaining sales charges scheduled are triggered if the assets are taken as cash.*
I want to protect my assets in case of financial hardship	
If a preferred class of beneficiary is named in the segregated fund policy (spouse, child, parent, grandchild or irrevocable), both registered and non-registered assets have the potential to be protected from creditors.** This feature is an important consideration for business owners and professionals in the service or advice industries.	**The Bankruptcy Act** has provisions to protect registered money held in RRSPs or RRIFs, except for the last 12 months of contributions, in the case that you file for bankruptcy.
I want to make sure my money lasts throughout my retirement	
You and your advisor can develop a plan to manage your draw down rate to help ensure your money lasts, and employ strategies to help manage volatility and lower your tax burden.	Your advisor can manage your draw down rate to help ensure your money lasts. There are also strategies to help manage volatility and lower your tax burden.

* In the province of Quebec you cannot name beneficiaries for non-registered plans or registered plans on a mutual fund account. Probate is not a consideration in Quebec.

** Creditor protection depends on court decisions and applicable legislation, which can be subject to change and can vary for each province; it can never be guaranteed. Talk to your legal advisor to find out more about the potential for creditor protection for your specific situation.

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A description of the key features of the segregated fund policy is contained in the information folder. Any amount allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value. These funds are available through segregated funds policies issued by Canada Life.