

## What Segregated Funds Are and Why Business Owners Need to Know

Segregated funds (also known as Guaranteed Investment Funds) have the look and feel of Mutual Funds and in many respects are much the same, but there are some important differences.

In Segregated Funds, like Mutual Funds, money received by investors is pooled together and invested in various stocks, bonds, and other investments. Investors have the freedom to choose which type of fund they wish to invest in based on their desires and goals and a professional portfolio manager makes the investment decisions for these funds based on their investment philosophy and the type of fund they are managing.

Segregated Funds are owned by insurance companies, therefore the legislation governing them falls under the insurance act, and this provides some advantages over Mutual Funds. **What are the Benefits of Segregated Funds?**

They have several unique advantages over Mutual Funds that may or may not be appropriate for a particular investor. Of course, these features don't come without a cost; typically, Segregated Funds charge a slightly higher management fee than Mutual Funds to pay for these costs.

Depending on the particular company, Segregated Funds have a **Death Benefit and Maturity Guarantee of principal** that ranges from 75% to 100% of deposits less any withdrawals. Now, the money must be invested for a period of 10 years, and different companies have different requirements around this guarantee, but it is still an appealing feature for those conservative investors who find that they must participate in the equity markets because of low interest rates, but are worried about losing their investment. Segregated fund units are **redeemable in whole or in part at any time at prevailing market prices**. In a Segregated Fund a person has the ability to name a beneficiary. In doing this, these funds go directly to this named beneficiary and avoid probate fees. Mutual Funds cannot avoid probate fees.

**Creditor protection** is also a potential benefit for investors. A recent court case has upheld the creditor-protected status of Segregated Funds, but there are rules and limitations around this; expert professional advice should be sought regarding this feature.

**Who Should Invest?**

In short, Segregated Funds are for all investors who are currently invested or looking to invest in the markets. Because interest rates are very low, many people find themselves forced to

invest in these and other similar types of investments in order to achieve their financial goals; as well, most people don't have the time or expertise to build and manage their own investment portfolio.

Segregated Funds are doing this job for people and should be considered in any portfolio.

**Segregated Funds Summary**

**What are they?**

- Similar to mutual funds in that they pool the assets of investors and invest in different funds based on the objectives of the particular fund.
- Managed by a professional portfolio manager
- They are owned by an insurance company
- Some insurance companies own both Mutual Fund companies as well as Segregated Funds, but these companies are separate legal entities with different legislation and tax laws

**What are the Benefits?**

- A portfolio manager devoted to managing the fund based on its objectives
- A guarantee of between 75% and 100% deposits (varies from company to company) on death or maturity
- Invest in name-brand funds such as AGF, Fidelity & Trimark
- Reset feature allows you to lock in your gains
- Free transfers between funds (varies depending on company and details of contract)
- Assets avoid probate fees on death
- Potential creditor protection
- Free withdrawals up to certain limits (varies from company to company)
- RRSP and RRIF eligible

**Who Should Invest?**

- People of any age as there are no advantages to being younger or older at the time you invest.
- People who like a guarantee of their principal and are willing to pay a small fee for it.
- Those who want to participate in equity markets but are not able to build and manage their own portfolio.
- People who must save for retirement and want better potential returns than GICs currently offer.
- Those who want the tax advantaged returns that an equity or dividend fund can produce as compared to an interest bearing investment.

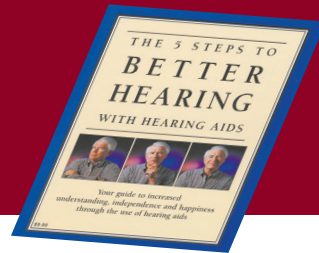
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### MYTH:

**“A hearing loss means sounds need to be louder”.**

# FREE



The 5 Steps to Better Hearing with Hearing Aids Booklet (valued at \$9.99) is yours at NO CHARGE when you return this offer with your complimentary consultation.

**FACT:** In most cases, you can hear people talking but have difficulty understanding. Perhaps you can understand fine in quiet environments, but have trouble in noisy surroundings or in groups. Making sounds louder just makes understanding harder. Hearing aids are designed to amplify the specific frequencies you need for better understanding.

We combine experience and superior levels of service with the newest, most innovative techniques and digital technology available today.

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### SEARCH FOR OLDEST CONTINUOUSLY OPERATING BUSINESS IN HALTON HILLS

The Chamber of Commerce is searching for the oldest continuous business in Halton Hills. Show us your age, with proof, by email, fax or mail (using the form below). The oldest businesses will receive a plaque at the Business Achievement Awards, Friday, February 24, and a profile on their history and contributions in the July issue of **BusinessLink**.

**BusinessLink** is mailed quarterly to 490 Chamber members and distributed through The Independent and Free Press to 21,000 residents.

The last day for submissions is January 29th 2006. The Halton Hills Chamber of Commerce will celebrate its 100th anniversary in 2011!

Name: \_\_\_\_\_  
 Age of company: \_\_\_\_\_  
 Proof: \_\_\_\_\_  
 Person submitting: \_\_\_\_\_  
 Title: \_\_\_\_\_  
 Tel. # \_\_\_\_\_  
 Date submitted: \_\_\_\_\_