

## Recently, international funds have done better than Canadian funds

Guaranteed Investment Certificates, term deposits and savings accounts used to be the RRSP investment of choice for security-conscious investors.

The promise of a guaranteed return over a specified period of time, with no loss of principal, was extremely appealing.

But with five-year interest rate at five per cent and one-year returns a couple of points lower, many investors have begun to look further afield.

The fact of the matter is, the "guarantees" in GICs were always something of an illusion. If interest rates go up during the period you're locked in to, you're better off with a six-month or one-year GIC.

If interest rates drop, you're better off with a bond fund. And only equities can provide protection if inflation gallops ahead of your return or if the Canadian dollar plummets.

Mutual funds can obviously pay off. And the longer you hold quality funds, the more confident you can be that your investment will outperform GICs purchased within the same time period.

Inside or outside your

RRSP, a well-diversified mutual fund portfolio, containing a prudent mix of growth and fixed income funds, could provide a better long-term alternative to GICs, along with the prospect of considerably better returns. Your plan will be bolstered by dividends and interest income in the short-term as well as the potential for capital gains in the long-term.

When venturing beyond GICs for the first time, the key is diversification: three to five carefully-selected mutual funds are better than one.

International diversification within the equity portion of your RRSP portfolio offers you additional protection: international funds have tended to do better than Canadian Funds over the past few years and they're also a great hedge against currency fluctuations.

You are allowed up to 20 per cent foreign content in your RRSP and wise investors make the most of this.

One final tip: Stay the course during market corrections.

*This article was submitted by Mackenzie.*

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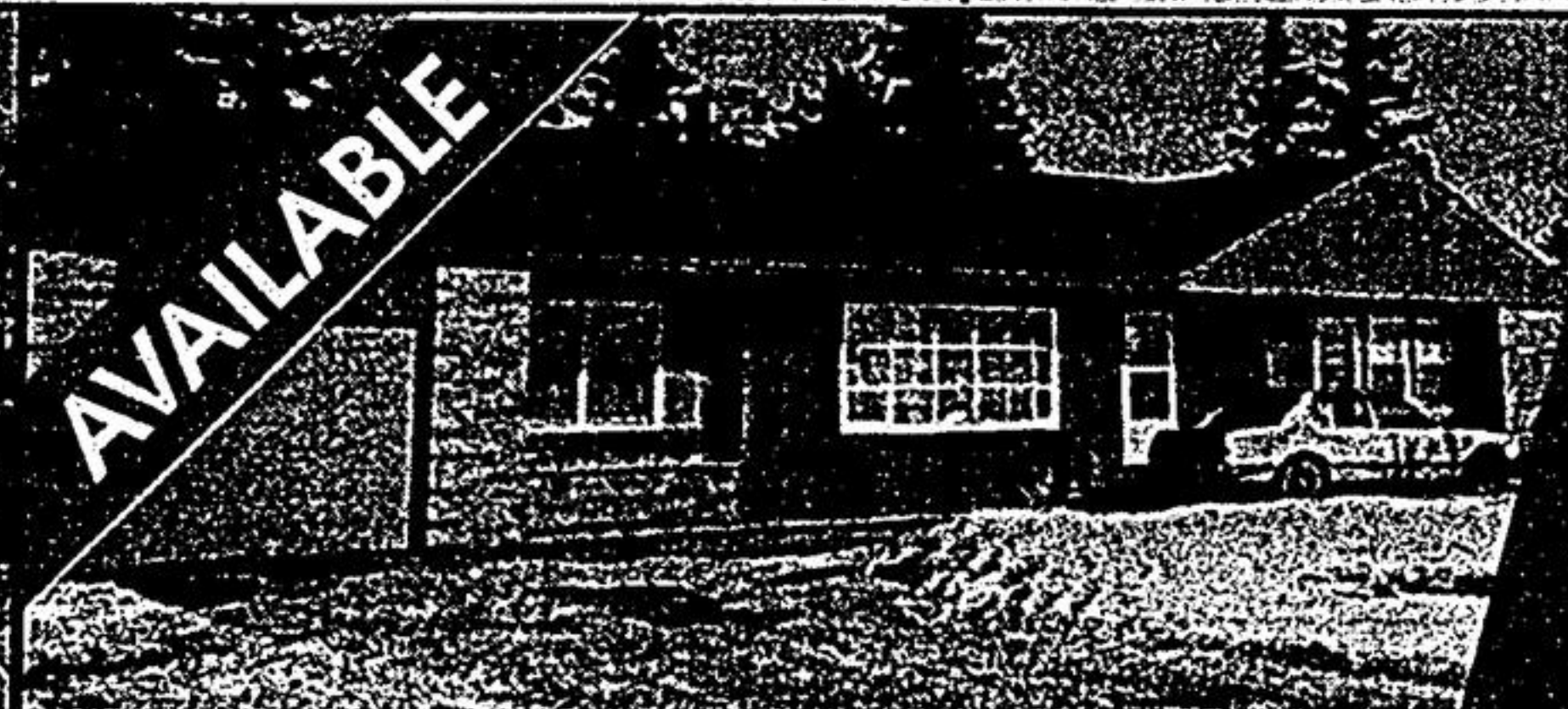
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