

GIC Strategies

Helping you Build Security



Planning to receive income from your investments represents a new and exciting phase of investing. Call me today to arrange an appointment.



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Building security into your investment portfolio is a key component of a sound investment strategy, especially now in more volatile times.

One of the best ways to boost the security of your portfolio is with Guaranteed Investment Certificates (GICs). Here's how to make these highly secure investments work for you.

Security and capital preservation are top of mind with many investors. While market volatility is an expected part of investing, there are steps you can take to minimize its effects and increase your overall portfolio stability.

Asset Allocation

Asset Allocation is the process of determining the mix of equity, fixed-income and cash-type investments you want to hold in your portfolio.

Each type of investment plays a unique role in your portfolio, helping you establish a level of risk that you are comfortable with. GIC holdings, for instance, can act as a stabilizing influence, offsetting the fluctuating values of bonds and equities in your account.

Watch the Risk on Fixed-Income Options

While GICs may offer Government Guarantees, other fixed-income options may not. Choices range from highly secure government bonds and mortgage-backed securities, to less secure corporate bonds.

Diversify to Manage Risk

Once you have diversified by the class of investment, you then need to diversify within each class. With the fixed-income portion of your portfolio, you'll want a mix of holdings that can reduce risks specific to fixed-income investments, such as:

- Credit risk - the risk that the issuer will default on interest payments and return of principal,
- Interest rate risk - the risk that interest rates will rise, decreasing the value of bonds,
- Reinvestment risk - the risk of reinvesting your funds at a lower interest rate.

Consider GICs for Government Guarantee

Guaranteed Investment Certificates, issued and guaranteed by the financial institutions and insurable by Canada Deposit Insurance Corporation (CDIC), represent an ideal fixed-income investment for preserving capital. Most GICs pay a specified interest rate until maturity and some even offer flexibility to redeem early. To bring you the best rates, BMO Nesbitt Burns offers a choice of GICs from many banks and trust companies.

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Laddering Reinvestment Risk

Innovative GIC strategies and investment options allow you to minimize the risks associated with fixed-income investing. One of the most effective GIC strategies is called laddering. This involves scheduling the maturity dates of your GICs. Through averaging, you reduce the risk of reinvesting all of your money when rates are low.

Here's how it works: GIC assets in your portfolio are split into five portions and invested for terms of one through five years. As each GIC matures, the money is reinvested in a 5-year GIC. The end result is that you have a portfolio of 5-year GICs, with only a portion of your money maturing at any one time.

What to Consider Before Investing

When evaluating your GIC options, remember that the GICs you choose and the strategies you use will depend on your financial goals and liquidity requirements, time horizon, and comfort with risk.

Be sure to consider how long your money will remain invested and when you may need to access funds. In addition, think about what you want to do with your investment earnings. With GICs you can choose to receive interest earnings as income paid to you as frequently as monthly, or you can elect to have interest compound until your investment matures, increasing the growth of your investment.

Our offerings

At BMO Nesbitt Burns, we are able to provide you with many different GIC offerings. We have access to the best possible rates from BMO, as well as other banks and trust companies.

One of the most important benefits GICs can bring to your portfolio is capital preservation. Because of the guaranteed principal, the original principal you invest in a GIC will never decline.