

SEGREGATED FUNDS: PROTECTING YOUR WEALTH WITH GUARANTEES

Unlike mutual funds, segregated funds provide a guarantee to protect part of the money you invest (75% to 100%). Even if the underlying fund loses money, you are guaranteed to get back some or all of your principal investment. To qualify for this guarantee, you have to hold your investment for a certain length of time (usually 10 years) and pay an additional fee for this insurance protection.

QUICK FACTS ABOUT SEGREGATED FUNDS

Segregated funds are unique financial assets available only through life insurance companies. They are called 'segregated funds' because life insurers hold them separate from the general assets of the company.

Consumers can participate in segregated funds by purchasing a segregated fund contract (an "Individual Variable Insurance Contract") which combines the growth potential of investment funds with unique guarantee features that provide downside risk protection.

\$3.2 million Canadians own Individual Variable Insurance Contracts.

More than 38% of those assets (\$246.9 billion) are held in segregated funds. Of that, \$101.7 billion represent individual contracts (the remainder are pension products)¹.

Assets in those contracts form 9.3% of the total investment fund industry of \$1.1 trillion; although down slightly from a 2012 level of 9.8%, segregated funds as a proportion of that industry have remained fairly stable over the past decade in the 9-10% range.³

Life and health insurance companies are subject to marketplace regulation:

- They can only use licensed agents to offer their products
- They must provide disclosure about the product before you purchase the contract
- Disclosure is made through an "Information Folder" which includes a brief summary of your contract and your rights in a "Key Facts" document, as well as two-page "Fund Facts" documents describing each of the segregated funds offered in your contract.

Life and health insurance companies have total assets of \$646.6 billion².

You can only buy a segregated fund contract through an agent who holds a life insurance license issued by the provincial regulator.

