

Segregated funds vs. mutual funds

	Segregated funds	Mutual funds
Overview	A segregated fund policy represents an investment in the units of a segregated fund of an insurer which, in turn, invests in securities such as stocks, bonds and money market investments. Segregated funds are an insurance product.	Money is pooled and invested on behalf of unit holders in securities such as stocks, bonds and money market investments.
Regulated by	Provincial life insurance acts	Provincial securities legislation
Capital growth potential	Yes	Yes
Diversify investments	Yes	Yes
Financial protection	At death and maturity, premiums minus withdrawals are usually guaranteed, between 75 and 100 per cent.	No guarantees on investment performance.
Death benefit	Beneficiaries receive either the guaranteed death benefit or the market value depending on which is greater.	The estate or beneficiaries will get the market value only – there are no guaranteed minimums. Potential risk to deferred sales charge (DSC) fee.
Probate protection	At death, proceeds can be paid directly to a named beneficiary, avoiding the estate administration process, and the cost of probate fees.	At death, proceeds are an asset of the estate and are subject to the estate, administration process and legal fees. It could be some time before the estate can distribute the mutual funds.
Potential creditor protection <small>*Creditor protection depends on court decisions and applicable legislation, which can be subject to change and can vary from each province; it can never be guaranteed. Talk to your lawyer to find out more about the potential for creditor protection for your specific situation.</small>	Designations in favour of a parent, spouse, child or grandchild may result in the insurance money being exempt from seizure. This is sometimes referred to as “creditor protection”. The money cannot have been deposited as: <ul style="list-style-type: none"> • Part of a fraudulent conveyance (transferring money to keep it out of reach of existing creditors) • Within a specific time period before bankruptcy 	No protection against the claims of creditors.
Under what circumstances might these be more suitable?	<ul style="list-style-type: none"> • Non-registered or registered funds • Investors approaching retirement • Investors who like the security of guarantees • Business owners who want creditor protection 	<ul style="list-style-type: none"> • Non-registered and registered funds • Investors who want a wide variety of specialized fund choices in their investments • Investors willing to give up guarantees for potential increased returns

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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Fund Facts before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The information provided is based on current laws, regulations and other rules applicable to Canadian residents. It is accurate to the best of the writer’s knowledge as of the date submitted for publication. Rules and their interpretation may change, affecting the accuracy of the information. The information provided is general in nature, and should not be relied upon as a substitute for advice in any specific situation. For specific situations, advice should be obtained from the appropriate legal, accounting, tax or other professional advisors. The views expressed are those of the author and not necessarily those of the issuer of any financial products for which the author may act as a distributor.



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