

What are segregated funds?

Segregated funds are insurance products. The premiums you pay on these products are invested into segregated funds administered by fund management companies. Insurance companies then provide additional guarantees associated with segregated funds. As a result, these funds combine the growth potential of investments with the security of insurance.

Segregated funds vs. mutual funds

What distinguishes a segregated fund from a mutual fund? First, let's look at the things they have in common: both invest in stocks, bonds, and money market funds; have good growth potential; provide investment diversity; and can be purchased under the auspices of either an RRSP or a non-registered investment.

However, segregated funds offer certain advantages not available through mutual funds:

Advantages	Segregated Funds	Mutual Funds
Payout guaranteed at maturity	Yes	No
Payout guaranteed upon death	Yes	No
Potentially creditor protected	Yes	No
Simplified estate settlement	Yes	No
Beneficiary designation for non-registered contracts	Yes	No

Guarantee at Maturity : Segregated funds have a guaranteed payout of between 75% and 100% of deposits upon maturity.

Payout guaranteed upon death : Your beneficiaries receive up to 100% of the higher of the guaranteed benefit payable upon your death or the market value of the fund certificate.

Potentially creditor protected : Appropriate designation of one or more beneficiaries protects your funds from potential seizure by creditors.

Simplified estate settlement : Upon your death, all funds payable are distributed directly to your designated beneficiary or beneficiaries and do not become part of your estate, potentially avoiding any applicable probate fees.

Insurance protection : Your funds are eligible for coverage of up to \$60,000 subject to certain conditions.

These features of segregated funds help you to protect your capital.

In summary, segregated funds offer good potential for both diversification and growth. Given the nature of their guaranteed payouts at death or maturity, they merit serious consideration by investors nearing retirement or seeking to secure their investments.

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