

What are **segregated funds** and are they right for you?

Segregated funds go by many names. They're also called *guaranteed investment funds*, *GIFs*, *seg funds*, or more formally, *individual variable insurance contracts*. They're only available from insurance companies. At BMO Insurance, **GIF** is the chosen terminology.



Whatever term you choose, they all share two basic components:



Investment Component

GIFs are similar to mutual funds in that you choose from a selection of professionally managed funds that invest in a diversified portfolio of assets. They give you access to the growth potential of the markets.



Insurance component

GIF contracts also offer guarantees that ensure the value of your investments will never be less than a specified percentage when your contract matures (the maturity guarantee), or when you pass away (the death guarantee).



You can use GIFs to help:

- ✓ Tap into the growth potential of the markets.
- ✓ Protect your investment capital when your contract “matures” and in case of death.
- ✓ Shield your assets from creditors.¹
- ✓ Lock in your investment gains via monthly death guarantee or triennial maturity² resets.
- ✓ Transfer money to heirs in a timely, cost effective, and private way i.e. bypass probate.³

Segregated funds vs. Mutual funds: what’s the difference?

Whether you choose segregated funds or mutual funds, you’ll benefit from pooled, professionally managed investments. Here’s a rundown of similarities and differences.

	Segregated funds	Mutual funds
Does my money have growth potential?	Yes	Yes
Is my investment protected from creditors? ¹	Yes, depending on set up circumstances.	No, though there may be exceptions. Consult a legal advisor.
Is there a deposit guarantee?	Yes	No
Can they preserve capital growth? ⁴	Yes	No
Are there built-in estate planning advantages?	Yes	No
Do they offer brand name fund investment options?	Yes	Yes
What are the fee considerations?	Often have higher fees to cover the cost of guarantees.	May have lower fees, as they do not include guarantees.
Can they be included in an RRSP?	Yes	Yes

Estate planning advantages of a segregated fund

The death benefit proceeds of a segregated fund contract are paid directly to a named beneficiary instead of your estate – bypassing probate, a public process that can be both costly and lengthy. This helps provide several wealth transfer advantages.

Privacy

The probate³ process is a public process which can increase the risk of a court challenge from family members or creditors. Unlike wills, segregated funds operate outside the public probate process, providing privacy for the estate. Moreover, the policyholder has control over the beneficiary designations and can make changes as needed throughout their lifetime.

Expense

Probate³ fees plus other estate, legal, accounting and executor fees – not to mention payments to other specialists and possibly unintended beneficiaries – can add up quickly. Segregated fund contracts help your estate avoid these fees and pass more wealth to your beneficiaries.

Speed

The probate³ process can be lengthy and delay payments to beneficiaries – often taking between 12 months and two years to finalize.⁵ Segregated fund contracts feature a built-in beneficiary designation, allowing assets to bypass probate and transfer directly to the named beneficiaries. This expedites the wealth transfer process.

Protection

Segregated funds often come with creditor protection¹ provisions of personal assets, potentially shielding the assets from claims.⁶ This ensures that the intended beneficiaries receive the allocated funds.

Control

If you're concerned about how quickly beneficiaries will spend their inheritance, you can control how quickly they receive the money by using [an annuity settlement option](#). This option is easy to set up, and you can use it to transfer wealth gradually. This option also offers increased privacy and creditor protection.

Growth

Segregated funds combine the growth potential of investment funds with built-in death and maturity guarantees.⁴ These guarantees can help protect the capital and ensure a predetermined minimum payout to beneficiaries upon the owner's death.



Consider BMO Insurance GIFs

BMO Guaranteed Investment Funds offer choice and flexibility that can provide:

- ✓ Guarantees that protect 75% or 100% of your investment for capital and estate protection⁴
- ✓ Automatic monthly locking-in of market gains to potentially increase the guaranteed amount you would receive at the “maturity date” or in the event of your death⁷
- ✓ A range of fund choices managed by BMO Global Asset Management, one of Canada’s leading investment managers
- ✓ A full suite of non-registered and registered savings and retirement income plans, including TFSA
- ✓ The strength and stability of BMO Financial Group, one of Canada’s premiere financial institutions

About BMO Financial Group⁸


Who we are


8th largest bank
in North America by assets

\$1,249B
in total assets

1817
Serving customers for 205
years and counting

Our operating groups

 Personal and
Commercial Banking

 BMO Wealth Management

 BMO Capital Markets

Who we serve

13 million
customers globally

8 million
personal and commercial
customers in Canada

4 million
personal, small business and commercial
customers in the United States



BMO was ranked **North America's most sustainable bank** by Corporate Knights for the fourth consecutive year in 2023.⁹


BMO



BMO Insurance

Let's connect

For more information about BMO Insurance or our products,
please consult with your insurance advisor or contact us at:

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 bmoinsurance.com/gif

¹ May vary by province. It cannot be guaranteed. Please consult a legal advisor for your specific situation

² Available on BMO GIF 100/100. Automatic monthly resets of the Maturity Guarantee Amount occur up to and including 10 years from the Maturity Date

³ May vary by province. Probate is not applicable in Quebec

⁴ Segregated fund products guarantee that at least 75% of the deposit (less a proportional amount for withdrawals) will be returned at the Maturity Date or the death of the annuitant. BMO GIFs offer 100% or 75% deposit guarantee levels depending on the guarantee option you select. Refer to the BMO GIF Information Folder for more details

⁵ [Is it Time to Consider a Corporate Executor for Your Will? - BMO Private Wealth](#)

⁶ Creditor protection rules depend legislation and vary by province. It cannot be guaranteed. Please consult a legal advisor for your specific situation

⁷ Available on BMO GIF 100/100 contracts up to 10 years prior to maturity.

⁸ BMO Q3 Fact Sheet bmo.com/ir/qtrinfo/1/2023-q3/Q323_CorporateFactSheet.pdf

⁹ [BMO ranks as most sustainable bank in North America for fourth consecutive year and eighth in the world - About BMO](#)

Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value. The information in this publication is intended as a summary of our products and/or services and may include projected values based on a set of assumptions. Actual results may not be guaranteed and may vary. Please consult the appropriate policy contract for details on the terms, conditions, benefits, guarantees, exclusions and limitations. The actual policy issued governs. Each policyholder's financial circumstances are unique, and they must obtain and rely upon independent tax, accounting, legal and other advice concerning the structure of their insurance, as they deem appropriate for their circumstances. BMO Life Assurance Company does not provide any such advice to the policyholder or to the insurance advisor.