

# 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. GIFs can have a mutual fund or an ETF as the underlying investment component. 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:

- ✓ 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.<sup>1</sup>
- ✓ Lock in your investment gains via monthly maturity<sup>2</sup> and triennial death guarantee resets.<sup>3</sup>
- ✓ Transfer money to heirs in a timely, cost-effective, and private way i.e. bypass probate.<sup>4</sup>

### Segregated funds, mutual funds, or ETFs: what’s the difference?

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

	Segregated funds	Mutual funds	ETFs
Does my money have growth potential?	Yes. All of these investment vehicles allow you to participate in the growth potential of the markets.		
Is my investment protected from creditors?	Yes, depending on set up circumstances. Note that <a href="#">creditor protection</a> varies by province and isn’t guaranteed. Consult a legal advisor.	No, though there may be exceptions. Consult a legal advisor.	No, though there may be exceptions. Consult a legal advisor.
Is there a deposit guarantee?	Yes <sup>4</sup>	No	No
Are there built-in estate planning advantages?	Yes. Segregated fund contracts offer many estate planning and <a href="#">wealth transfer advantages</a> .	No	No
Do they offer a wide range of investment options?	Yes. You can choose funds that fit your investment goals and style.		
What are the fee considerations?	Often have higher fees to cover the cost of additional benefits.	May have lower fees as they do not include guarantees.	May have very low fees as they do not have guarantees and are often passively managed.
Can they be included in an RRSP or TFSA?	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 probate<sup>4</sup> 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

Probate<sup>4</sup> 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 probate<sup>4</sup> process can be lengthy and delay payments to beneficiaries – and may take between six months and two years to finalize.<sup>6</sup> 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 protection<sup>1</sup> provisions of personal assets, potentially shielding the assets from claims.<sup>7</sup> 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.<sup>5</sup> 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 protection<sup>5</sup>
- ✓ 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 death<sup>8</sup>
- ✓ 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 Group<sup>9</sup>

### Who we are

**8<sup>th</sup>** largest bank  
in North America by assets

**\$1.4 trillion**  
in total assets

**1817**  
Serving customers for  
206 years and counting

### Our operating groups



Personal and  
Commercial Banking



BMO Wealth Management



BMO Capital Markets

### Who we serve

**13 million**  
customers globally

Nearly  
**8 million**  
personal and commercial  
customers in Canada

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



BMO has been recognized by Ethisphere as one of the **world's most ethical companies** for seven consecutive years.<sup>10</sup>

**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:



1-855-639-3867



[bmoinsurance.com/gif](https://bmoinsurance.com/gif)



[ClientServices.BMOLifeGIF@bmo.com](mailto:ClientServices.BMOLifeGIF@bmo.com)

1 Creditor protection 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 Automatic resets of the Death Guarantee Amount occur every 3<sup>rd</sup> policy anniversary up to and including the last policy anniversary before the Annuitant's 80<sup>th</sup> birthday for BMO GIF 75/100 (optional feature for BMO GIF 100/100, additional fee applies)

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

5 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

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

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

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

9 BMO Q3 2024 corporate fact sheet. <https://www.bmo.com/ir/files/Live-Files/CorporateFactSheet.pdf>

10 BMO named one of the world's most ethical companies by Ethisphere. [newsroom.bmo.com/2024-03-04-BMO-Named-One-of-the-Worlds-Most-Ethical-Companies-by-Ethisphere](https://newsroom.bmo.com/2024-03-04-BMO-Named-One-of-the-Worlds-Most-Ethical-Companies-by-Ethisphere)

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.

Insurer: BMO Life Assurance Company

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