What are GICs?

A **Guaranteed Investment Certificate (GIC)** is a low-risk deposit investment issued by Canadian banks and other financial institutions, such as credit unions. When you purchase a GIC, you are lending money to the issuer for a specified term and will receive interest as compensation, typically paid annually. At maturity, your principal will be returned to you.

Predictable Returns:

- Standard GICs provide a fixed and guaranteed interest rate throughout the term.
- This predictability appeals to risk-averse investors who prioritize capital preservation and steady returns, allowing them to know exactly what they will be receiving, and when to expect it.

Security and Insurance Coverage:

- GIC deposits are almost always eligible for coverage from entities like the **Canadian Deposit Insurance Corporation (CDIC)** or provincially run deposit programs.
- Coverage will vary by provider, but as an example, CDIC coverage is up to $100,000 per deposit category. If the issuing institution fails, coverage ensures that eligible deposits are protected.
- Provincially run deposit programs may support credit unions that operate outside federal regulation, with coverage amounts varying.
- This safety net provides peace of mind for investors.

Interest Rates and GIC yields:

- GIC rates are influenced by the **Bank of Canada's (BoC)** interest rate policy. When the BoC modifies its policy rate, GIC rates tend to follow suit.
- GICs are also influenced by the overall yield curve, and the specific issuer's funding needs.

GIC Offerings at Raymond James

Raymond James offers a variety of **GICs** with different features to meet your individual needs. Key factors include maturity, liquidity, and payment frequency.

Term Options:

- Our GICs range from **one-year** to **five-year** terms.
- **Fixed-Term GICs**: These have a set maturity date and cannot be redeemed before that date.
- **One-Year Cashable GICs**: These allow investors to redeem their investment after **30 or 90 days** without penalty. However, Cashable GICs typically offer **lower rates** due to their flexibility.

Liquidity Considerations:

- **Cashable GICs** provide liquidity, making them suitable for investors who may need access to their funds sooner.
- **Fixed-term GICs** require holding until maturity. There is no secondary GIC market available at Raymond James, so investors should be aware that the funds will not be accessible until the security comes due.

Payment Frequency and Compounding:

- Interest payments can occur **monthly** or **annually**. Most investors choose annual payments for higher rates if cashflow is not required.
- Investors can choose to have their interest **reinvested** (compounded) until maturity. **Compound interest** occurs when interest earned from a previous period is added back to the principal, allowing you to earn interest on interest.

In summary, GICs offer a secure and predictable way to invest. By purchasing a GIC, investors lend money to the issuer for a specified term and receives interest. At maturity, the principal is repaid along with any unpaid interest. The safety net provided by entities like the CDIC ensures peace of mind for investors. Raymond James offers various GIC options, allowing you to tailor to your investment needs.