Thinking short term?

The current interest rate environment may leave you hesitant to lock in your assets for a long term, in hopes that interest rates will increase in the future. Locking in your entire investment for a long term could also leave you with fewer options if you need access to your money. Short term investments provide flexibility, but lower rates. Long term investments offer higher rates, but less flexibility. So what to choose? A great solution to get the benefits of both a short and long term investment is a 1-3 year guaranteed investment certificate (GIC)\(^1\) or insurance GIC\(^2\) laddering strategy.

By laddering your investment in 1-3 year terms, you divide your money into three equal investments and then each portion of your investment will mature at staggered dates. This gives you the flexibility to reinvest, move your money to another investment product, or withdraw that money for an immediate need when the GIC matures. For example, using the hypothetical rates below you could invest in a 2-year GIC at 1.25% or invest in a 1-3 year laddered GIC which produces an effective rate of 1.3% for the first year\(^3\).

<table>
<thead>
<tr>
<th>Years</th>
<th>Rate</th>
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<tbody>
<tr>
<td>1 Year</td>
<td>1%</td>
</tr>
<tr>
<td>2 Years</td>
<td>1.25%</td>
</tr>
<tr>
<td>3 Years</td>
<td>1.65%</td>
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*Graph is for illustrative purposes only.

This strategy gives you the flexibility of a short term investment, with the advantage of a better interest rate for your entire investment. You also have the opportunity to catch interest rate changes as your investments mature. To summarize, a 1-3 year GIC laddering strategy can help you:

- **Minimize interest rate risk.** Investing in regular intervals may help to reduce investment risk. Only a portion of your portfolio matures at any one time.

- **Maximize long term rate of return.** By converting maturities to three-year terms, you can take advantage of the possibility of higher interest rates.

- **Respond to interest rate changes.** Depending on interest rates, you may decide to invest in something longer term. An easy decision considering that 33 per cent of your investment is maturing every year.

Talk to your advisor today to learn more about the 1-3 year GIC laddering strategy and how it can help your short term investment strategy, with long term rates!

\(^1\) Guaranteed Investment Certificates are issued by Sun Life Financial Trust (Canada) Inc.

\(^2\) Insurance GICs are accumulation annuities that are only issued by life insurance companies including Sun Life Assurance Company of Canada.

\(^3\) The effective rate shown does not apply to early withdrawals or re-investment of matured investments.