



## There is no such thing as a 100% risk free investment

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### The Risk of “No Risk” Investments

Many investors believe they face “no risk” by investing in Guaranteed Investment Certificates (GIC’s) and Term Deposits. These types of investments guarantee that the principal invested is safe from any losses...on the surface. Once you factor in taxes and inflation, your investment’s “real” return can look quite different....

Did you know there is no such thing as a 100% risk free investment? It’s important for you to understand that even GIC’s and term deposits carry a certain amount of risk.

Investors face many different types of risks. One example is inflation risk which reduces the purchasing power of your investment dollars over time due to the rising cost of living. Interest rate risk refers to interest rates moving up and down,

causing fluctuation in the amount of income you receive from your investment. Safe “no risk” investments like savings accounts, GIC’s and Canada Savings Bonds are subject to the risk of very low and most recently negative rates of return.

The tax treatment of your investment product choice can also have a dramatic affect on your overall rate of return. Generally returns on market investments, such as capital gains and dividends are taxed at a lower rate than “no-risk” guaranteed investment certificates which pay interest. By including some investments with higher return and longer-term growth potential in your portfolio, you can reduce the risk of an income shortage during retirement.

Real return on your investments after considering taxes and inflation - GIC’s versus a Balanced Portfolio				
	1 Year (2012)		20 Year Average	
	GIC	Balanced Porfolio	GIC	Balanced Portfolio
<b>Rate of Return</b>	2.25% (1 Year term)	8.9%	3.9% (5 Year term)	8.1%
<b>Less taxes</b>	-.79%	-1.21%	-1.37%	-1.21%
<b>Less inflation</b>	-1.25%	-1.25%	-1.83%	-1.83%
<b>REAL RETURN</b>	0.21%	6.32%	.71%	5.06%

Sources: 2013 Morningstar Andex Chart for returns and Bank of Canada [www.bankofcanada.ca](http://www.bankofcanada.ca) for historical inflation

Assumptions: Taxes are calculated using a 35% effective tax rate on GIC’s and 14.95% on balanced portfolio.  
 Consumer Price Index used to calculate inflation.

Now that you’ve seen the real picture, will owning only “no risk” investments allow you to meet your retirement needs?

Every investor’s situation is unique to them. Getting advice from the trusted professionals at TCU Wealth Management is a great first step to understanding all of your investment options and which solutions will be the best fit for you along your financial journey. Come and talk to us today!

Mutual funds and securities related financial planning services are offered through Qtrade Asset Management Inc., Member MFDA.

**About Andrea**

*Andrea’s clients benefit from skills and experience gained through the various roles she has enjoyed as a dedicated TCU employee since 2000. Her friendly nature along with her diverse knowledge guides clients on their journey to personal financial success.*

*She is best known for her outstanding client service and attention to detail as a Certified Financial Planner and Registered Retirement Consultant. On game day Andrea enjoys cheering on the Riders as a proud supporter and season-ticket holder.*

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