

The GIC Dilemma – Will You Have Enough?

AGF SOUND CHOICES

Many investors like the safety and predictability that a GIC offers. However, while GICs can fill a specific need in an investor's portfolio, it is important to consider both inflation and tax implications into your real after-tax return.

The GIC rate needed to break even with inflation and taxes

Inflation	1.0%	1.2%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%	2.8%	3.0%	3.2%	3.4%	3.6%	3.8%	4.0%
Tax Rate at 20%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%	3.50%	3.75%	4.00%	4.25%	4.50%	4.75%	5.00%
Tax Rate at 22%	1.28%	1.54%	1.79%	2.05%	2.31%	2.56%	2.82%	3.08%	3.33%	3.59%	3.85%	4.10%	4.36%	4.62%	4.87%	5.13%
Tax Rate at 24%	1.32%	1.58%	1.84%	2.11%	2.37%	2.63%	2.89%	3.16%	3.42%	3.68%	3.95%	4.21%	4.47%	4.74%	5.00%	5.26%
Tax Rate at 26%	1.35%	1.62%	1.89%	2.16%	2.43%	2.70%	2.97%	3.24%	3.51%	3.78%	4.05%	4.32%	4.59%	4.86%	5.14%	5.41%
Tax Rate at 28%	1.39%	1.67%	1.94%	2.22%	2.50%	2.78%	3.06%	3.33%	3.61%	3.89%	4.17%	4.44%	4.72%	5.00%	5.28%	5.56%
Tax Rate at 30%	1.43%	1.71%	2.00%	2.29%	2.57%	2.86%	3.14%	3.43%	3.71%	4.00%	4.29%	4.57%	4.86%	5.14%	5.43%	5.71%
Tax Rate at 32%	1.47%	1.76%	2.06%	2.35%	2.65%	2.94%	3.24%	3.53%	3.82%	4.12%	4.41%	4.71%	5.00%	5.29%	5.59%	5.88%
Tax Rate at 34%	1.52%	1.82%	2.12%	2.42%	2.73%	3.03%	3.33%	3.64%	3.94%	4.24%	4.55%	4.85%	5.15%	5.45%	5.76%	6.06%
Tax Rate at 36%	1.56%	1.88%	2.19%	2.50%	2.81%	3.13%	3.44%	3.75%	4.06%	4.38%	4.38%	4.69%	5.31%	5.63%	5.94%	6.25%
Tax Rate at 38%	1.61%	1.94%	2.26%	2.58%	2.90%	3.23%	3.55%	3.87%	4.19%	4.52%	4.84%	5.16%	5.48%	5.81%	6.13%	6.45%
Tax Rate at 40%	1.67%	2.00%	2.33%	2.67%	3.00%	3.33%	3.67%	4.00%	4.33%	4.67%	5.00%	5.33%	5.67%	6.00%	6.33%	6.67%

For example, if the inflation rate is **4.0%** and your tax rate is **32%**, you'd need a GIC paying **5.88%** annually to break even.

Source: AGF Investments Inc. For illustrative purposes only. All rates referenced above are hypothetical.

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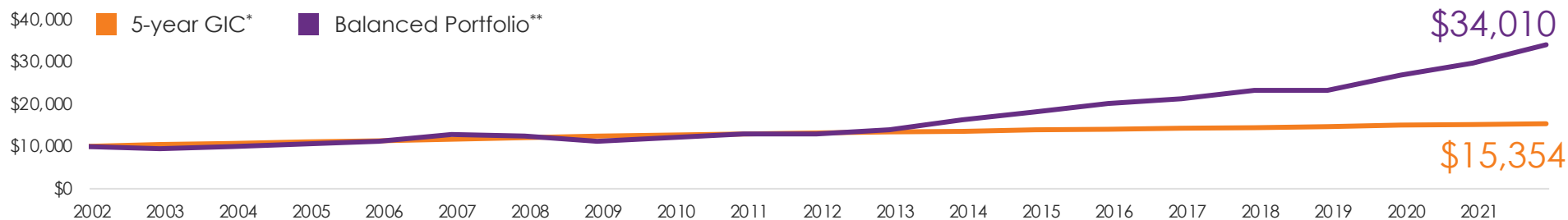
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Balanced Investing vs. GICs

So how can you stay ahead of inflation? Although the returns of balanced mutual funds aren't guaranteed, the returns have been considerably stronger than those of GICs over longer periods of time.

Growth of \$10,000 investment on January 1, 2002 until December 31, 2021



Calendar Return

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Balanced Portfolio**	-5.56%	6.52%	6.37%	5.47%	13.95%	-3.44%	-6.40%	8.02%	6.24%	0.94%	8.32%	19.17%	12.11%	12.74%	4.88%	8.46%	1.15%	14.41%	10.40%	11.44%
GIC Rates*	3.91%	3.13%	2.92%	2.70%	3.16%	3.30%	3.00%	1.95%	1.96%	1.87%	1.65%	1.63%	1.92%	1.43%	1.42%	1.39%	1.69%	2.07%	1.28%	1.01%

Source: AGF Investments Inc. December 31, 2021. For illustrative purposes only. You cannot invest directly in an index. All information in Canadian dollars unless otherwise stated. **Past performance is not indicative of future results.** The rate of return shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the investment fund or returns on investment in the investment fund.

* Five-year average GIC Rate Index. ** The hypothetical portfolio weights and rates of return are for illustrative purposes only and should not be interpreted as a guarantee of future rates of return. The hypothetical portfolio is based on pre-determined investments in the following indexes with the portfolio weights rebalanced monthly. The hypothetical portfolio is comprised of 30% Bloomberg Global Aggregate Total Return Index, 10% FTSE Canada Universe Bond Index, 45% MSCI World Index and 15% S&P/TSX Composite Index.

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