



# **CANADIAN INVESTORS' COURSE**

## **Session 1 – Income Investing**



# Terms of Use & Disclaimer



The content of all videos or articles produced by Trusted Wealth Professionals (TWP), or the Financial Literacy Learning Center (FLLC) are for educational purposes ONLY. All ideas, opinions and/or forecasts are for informational purposes only and should not be construed as a recommendation to invest, trade, and/or speculate in the markets. Any investments made in light of these ideas, opinions, and/or forecasts, expressed or implied herein, are committed at your own risk.

The Trusted Wealth Professionals (TWP) website, and FLLC website, and its publishers are not liable for any investment decisions made by its viewers or subscribers.

The author of these videos or articles does express certain opinions in the contents of the videos or articles, but will not assume any responsibility for the actions of any viewer or reader who acts on this educational information. The author of this video may or may not hold positions in the financial instruments discussed in this video.

Investing involves various levels of risk. Future results can be dramatically different from the opinions expressed herein. We STRONGLY believe in the use of an investment professional before investing. NOT ALL advisors are alike. We hope you view our Sessions 8 and 9 on the 'Investment Industry' to become fully aware of ALL the types of various licenced investment professionals in Canada along with their fees and/or compensations, as well as, their services.

Once again -The contents of this website and all videos or articles produced by Trusted Wealth Professionals (TWP) are for educational purposes ONLY.



# Canadian Investors' Course

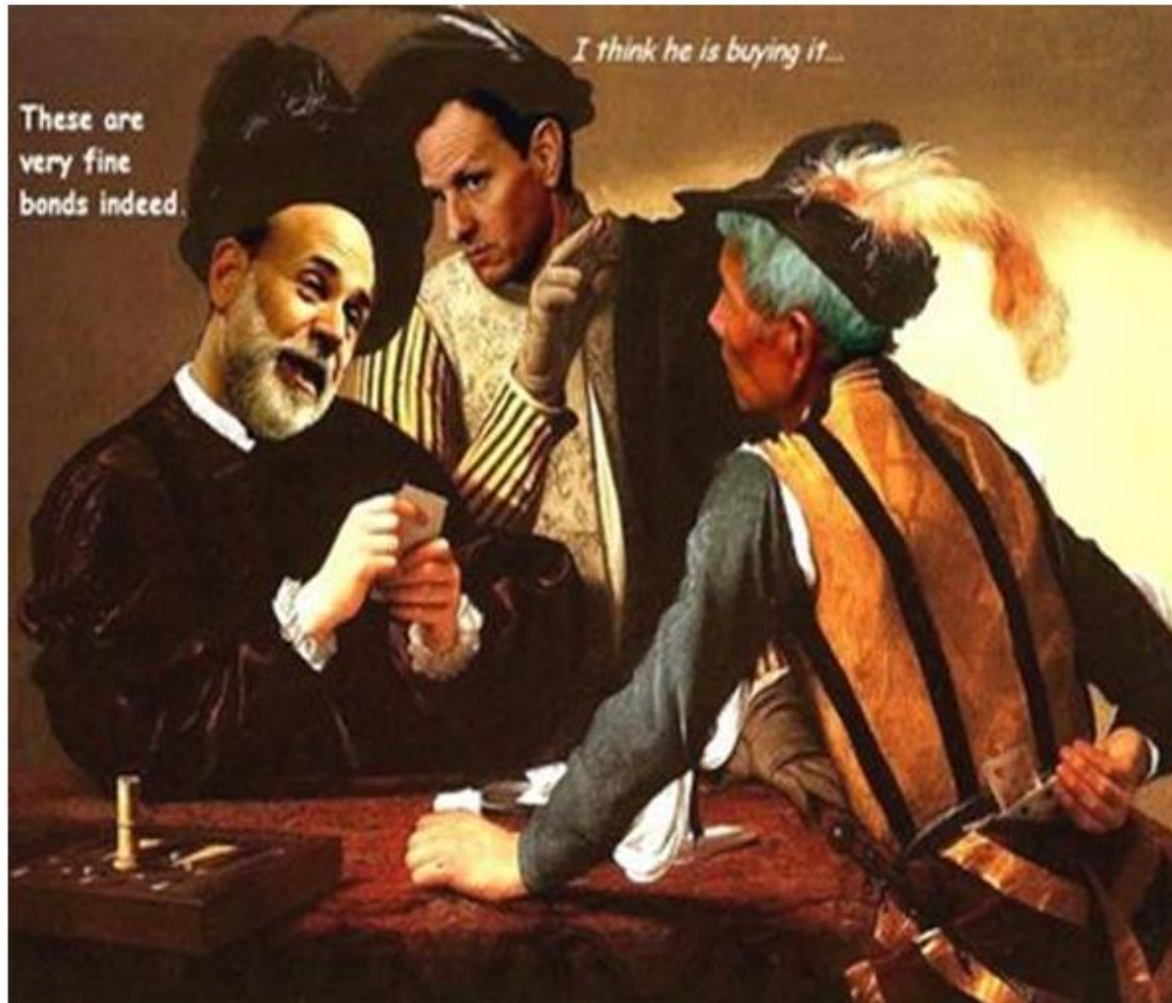


## Session 1 – Income Investing

- Short term



# Canadian Investors' Course





## Fixed Income Investing

- Short Term                      30 days to 5 years
- Medium Term                      6 years to 10 years
- Long Term                      11 years to 30 years



## Short Term

- 30 days to 5 years - Interest Bearing Investments
- Canada Treasury Bills, Provincial Bills
- Term Deposits
- Banker's Acceptances
- Corporate Paper
- Money Market Funds
- CSBs, OSBs
- Term Deposits and G.I.C.s



## Why is 5 years 'Short Term'?

- there is life beyond a bank account
- interest bearing investments available to Canadians range from 30 days to 30 years
- 2 years to 30 years involve the Bond Market



## Canada Treasury Bills

- CDIC Insurance – for what?  
Note: Canadian Deposit Insurance Corporation
- Safest investment in Canada
- Maturities
  - 30, 60, 90, 180, 360 days





## Buying a Canada Treasury Bill

- choose maturity and quantity and then determine how much to invest
- T-Bills are bought at a discount

Example: Buy a \$25,000 90 day Treasury Bill at 3%.

What is the cost of the T-Bill?

Answer: A \$25,000 T-Bill that matures in 90 days will cost \$24,821.21

All T-Bills, BA's and Corps are sold at a discount to their par value.



## Other Short Term Money Market Instruments

- Banker's Acceptances (B.A.s)
  - \$100,000 denomination and then \$1,000 after that
- Corporate Paper – same as BA's
- Money market funds (high interest savings accounts, HISA)
  - SHOP around, make sure they're covered by CDIC
- Credit Rating for Money Market
  - R1, R2, R3
  - R1 high, R1 low, R2 high, etc.
  - Most investors buy R1 paper only!



## Guaranteed Investment Certificates

- When you buy a GIC from a bank, Trust Company, or Credit Union, it's as if you are lending them your money for a while.
- If you think you may need your money back early, buy a GIC that allows you to change your mind without any penalty. (cashable)
- You may have to invest at least \$500.
- Fixed term, such as six months, one year, two years, or up to 10 years
- With some GICs, if you need to get your money back sooner, you won't earn any interest. In fact, you may have to pay a fee or penalty.
- C.D.I.C.
- Can I insure more than \$100,000?



## Secondary GIC Market

- What is a Secondary Market?
- How does it work?
- As a GIC Investor, “Why should I care?”
- How do I have access to the Secondary GIC market?



## Try To Have All GICs Insured

- C.D.I.C. covers up to \$100,000
- If you have 2 GIC's in your RRSP:
  - the first GIC is for \$275,000
  - the second GIC is for \$165,000
  - Then CDIC will only insure \$100,000 (principle and interest)
  - CDIC Details available at this link:  
<http://www.cdic.ca/en/about-di/how-it-works/Pages/default.aspx>
- You can have up to \$2,000,000 in GICs, all qualifying for CDIC.



## How Do You Insure more than \$100,000?

1. Get in your car and drive to open accounts at different Banks
2. Buy G.I.C.'s with an Investment Advisor that is licenced to represent many financial institutions
  - All Canadian Banks own an Investment firm that can do this
  - The Advisor can shop around for the best rates too!

**You pay no fees.**



# Canadian Investors' Course



## Western Canadian based Credit Unions

Each Province in Canada offers Deposit Insurance for Credit Unions and Caisses Populaires. Each Province has different guarantee limits, BC has an unlimited guarantee. Below is information from the BC government site:

The Credit Union Deposit Insurance Corporation of British Columbia (CUDIC) is a statutory corporation that provides deposit insurance for members' deposits with BC credit unions. The Financial Institutions Commission, an agency of the government of BC, is responsible for administering CUDIC and for regulating financial institutions operating in the Province. The following questions and answers address the most common deposit insurance topics. For more information please visit this website at [www.cudicbc.ca](http://www.cudicbc.ca)

### **What is guaranteed?**

All money on deposit and money invested in non-equity shares with a BC credit union is 100% guaranteed, including foreign currencies and accrued interest, regardless of the length of the term to maturity. Which credit unions are covered by the guarantee? How do I apply? Deposit insurance applies to all BC credit unions. It is not necessary to apply for deposit insurance. What is NOT guaranteed? Credit union equity shares and investments.

**Go to your Province's website to find out what guarantees you are entitled to. All Provinces' limits may vary.**



## Be a Smart Investor

- Why place yourself or your family in an exposed position, when you don't need to? Now you are educated.
- But can it happen here? Today Deutsche Bank in Germany is in trouble. No one would have imagined that.
- Why take a risk when you don't need to?
- Go to someone who can insure it all with no extra fees, all in one account.

On the [www.TrustedWealthProfessionals.com](http://www.TrustedWealthProfessionals.com) website, input your postal code, to locate the advisor in your area that can help you.





# Canadian Investors' Course



**Gerry Gabon**

P. Eng (retired), MBA

[AskGerry@TrustedWealthProfessionals.com](mailto:AskGerry@TrustedWealthProfessionals.com)

905-203-1162



**To connect with a local Wealth Professional, please enter your postal code on the website listed below.**

**[www.TrustedWealthProfessionals.com](http://www.TrustedWealthProfessionals.com)**