

THE MANULIFE INVESTMENTS GIC LADDERED STRATEGY

Take the guesswork out of your fixed-income portfolio



When building your fixed-income portfolio, one of the most difficult decisions is deciding on the length of term to select for your guaranteed interest products. The Manulife Investments Guaranteed Interest Contract (GIC) Laddered Account Strategy can help by removing the guesswork.

In selecting a longer term in a guaranteed interest product, you will typically earn a higher rate than a short-term one, but your investment is locked-in for the entire term. So, if interest rates rise during that term, you'll miss the chance to take advantage of better rates. Alternatively, by selecting short-term guaranteed interest products, you sacrifice higher long-term rates. Both of these strategies entail a certain amount of risk if the future does not unfold as predicted.

Instead of trying to guess where interest rates are heading, why not reduce your risk and level out your guaranteed returns by laddering your guaranteed interest products? The Manulife Investments GIC Laddered Account strategy allows you to do just that by building a fixed-income portfolio with a diversified maturity structure. In equally dividing the initial investment* over multiple terms (one to five, see green bars in Figure 1, or one to 10 years) with the same rate applied to each term, you can create a rolling maturity cycle so that part of the investment comes due each year. Upon maturity of each individual term, unless otherwise specified, funds

are automatically reinvested into a Basic Account (cashable), based on the original Laddered Account option chosen (i.e. five or 10 years). With a rolling maturity cycle, if rates fall, only one portion of your investment is immediately affected; if rates rise, you'll be able to capture that increase as you reinvest. For this reason, the Manulife Investments GIC Laddered Account strategy has been popular with investors.

THIS STRATEGY PROVIDES A NUMBER OF BENEFITS:

- **Reduced risk** – diversified maturities help reduce the impact of interest rate fluctuations
- **Flexibility** – take advantage of attractive long-term interest rates
- **Disciplined approach** – eliminates chasing interest rates or waiting out low rates
- **Liquidity** – with a part of your portfolio maturing each year, you gain access to your money without penalty

MANULIFE INVESTMENTS GIC 5-YEAR LADDERED ACCOUNT STRATEGY

Manulife Investments has created a special type of account, available within the Manulife Investments Guaranteed Interest Contract (GIC), that gives an investor one attractive initial rate on all the terms invested.

FIGURE 1

Initial Investment \$50,000	Annual Compound Rate ¹	Year 1	Year 2	Year 3	Year 4	Year 5
\$10,000	2.15%	1-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	2-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	3-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	4-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	5-Year Term (Reinvests for 5-Year Term)				

¹Interest rate shown is for illustrative purposes only and reflects the Manulife Investments GIC 5-Year Laddered Account rate at January 7, 2011. Rate is subject to change.

Upon maturity of each individual term, unless otherwise specified, funds are automatically reinvested into a Basic Account (cashable), based on the original Laddered Account option chosen (i.e. five years).

Consider two investors – Sean and Monica (Figures 2 and 3). Both have concerns about preserving their capital, so both have dedicated a portion of their portfolio to GICs. Each began with \$50,000, and each built a 5-year ladder – Sean structuring his own laddered approach, and Monica using the Manulife Investments GIC Laddered Account strategy.

In the first year, Sean’s ladder was earning an average of 1.75%, and by the end of five years, Sean’s investment has earned him an overall total return of 10.34%.

By using Manulife’s Laddered Account strategy, Monica has generated a better return and eliminated the need to invest in lower rate GICs. In the first year alone, Monica’s average rate of 2.15% has outperformed Sean’s, allowing her to reinvest more, earlier in the process. This gets her money working for her faster, contributing to her higher overall total five-year return of 12.50%. By the end of five years, Monica’s ladder has generated 2.12% more than Sean’s – a \$1,097 difference!



FIGURE 2

Sean – Structuring his own 5-Year Laddered Approach

Initial Investment \$50,000	Annual Compound Rate ¹	Year 1	Year 2	Year 3	Year 4	Year 5
\$10,000	1.25%	1-Year Term (Reinvests for 5-Year Term)				
\$10,000	1.70%	2-Year Term (Reinvests for 5-Year Term)				
\$10,000	1.80%	3-Year Term (Reinvests for 5-Year Term)				
\$10,000	1.85%	4-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	5-Year Term (Reinvests for 5-Year Term)				

Portfolio value after five years: **\$55,171**

For Figure 2, the reinvestment rate is 2.15% for a 5-Year Term. This is based on the average five-year rate of the five major retail banks as of January 7, 2011.

FIGURE 3

Monica – Manulife Investments 5-Year Laddered Account Strategy

Initial Investment \$50,000	Annual Compound Rate ²	Year 1	Year 2	Year 3	Year 4	Year 5
\$10,000	2.15%	1-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	2-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	3-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	4-Year Term (Reinvests for 5-Year Term)				
\$10,000	2.15%	5-Year Term (Reinvests for 5-Year Term)				

Portfolio value after five years: **\$56,268**

Upon maturity of each individual term, unless otherwise specified, funds are automatically reinvested into a Basic Account (cashable), based on the original Laddered Account option chosen (i.e. five years). For Figure 3, the reinvestment rate is 2.75% for a 5-Year Term. This is based on Manulife Investments’ 5-Year Basic Account (cashable) rate as of January 7, 2011.

¹Interest rates shown are for illustrative purposes only and are the average of the five major banks’ retail Guaranteed Investment Certificate rates as at January 7, 2011. Rates are subject to change.

²Interest rate shown is for illustrative purposes only and reflects the Manulife Investments GIC 5-Year Laddered Account rate at January 7, 2011. Rate is subject to change.



**TO FIND OUT MORE ABOUT THIS INNOVATIVE SOLUTION,
SPEAK TO YOUR ADVISOR, OR VISIT [MANULIFE.CA/INVESTMENTS](https://www.manulife.ca/investments)**

This document is for information purposes only and is not intended to provide specific financial, investment, tax, legal, accounting or other advice and should not be relied upon in that regard. Individuals should not act or rely on the information without seeking the advice of a professional in order to ensure that any action taken with respect to this information is appropriate to the specific situation. Manulife Investments is the brand name identifying the personal wealth management lines of business offered by The Manufacturers Life Insurance Company (Manulife Financial) and its subsidiaries in Canada. As one of Canada's largest integrated financial services providers, Manulife Investments offers a variety of products and services including: segregated fund contracts, mutual funds, annuities and guaranteed interest contracts. The Manufacturers Life Insurance Company is the issuer of the Manulife Investments' Guaranteed Interest Contract (GIC), which offers the Laddered Account investment option. Manulife, Manulife Investments, the Manulife Investments For Your Future logo, and the Block Design are trademarks of The Manufacturers Life Insurance Company and are used by it, and by its affiliates under license.

MK1501E 01/11 TMK1075E

 **Manulife Investments**

strong reliable trustworthy forward-thinking

| For your future™