STEPUP

Sales Tax Estate Planning Underwriting & Product Newsletter

Why invest in segregated funds during a down market?

My session entitled; "Why Segregated Funds" covers a lot of reasons why advisors and clients should consider incorporating segregated funds as part of a client's portfolio. I share some consumer insights and strong preferences, product benefits and advantages which support the premise that having some guarantees in a portfolio make sense. Some of the content emphasizes the advantages of segregated funds under current volatile market conditions. I encourage you to register for this webinar and if you have heard it before, listen to it again.

A financial opinion article in a national newspaper focused on the maturity benefit, advising readers not to buy a product that protects you from losing money in the stock market after markets have crashed. The following important points were missed.

1. The death benefit guarantee protects deposits and hence beneficiaries and estate values during a roller coaster ride where:
   a. markets fall, then rise again, only to fall again and
   b. later on, the annuitant passes away.
   c. The reset feature locks in higher values on policy anniversary dates which vary by contract. That helps to keep the guarantee relevant over time.

2. The death benefit guarantee is available regardless of the health of the annuitant or the policyholder.

3. The writer states that the best time to buy a segregated fund might have been before the markets crashed, not after, though that advice wasn't shared back then. Prudent investors and advisors recognize that this akin to timing the market. It's time in the market that counts. Death does not time the market. A maturity guarantee available on the maturity date of the contract is not the same as a death benefit guarantee that is available anytime during the contract period. The death benefit guarantee amount may even be higher if market values are higher than initial deposits on reset dates.
   There are problems with the argument that the stock market always generates an increase in the value of an investment in any 10 years. These are not normal times other than the reality that volatility and unpredictability have become the new norms. The argument assumes a "buy and hold strategy", something that many advisors and clients

Peter A. Wouters,
Director, Tax
Retirement &
Estate Planning
Services, Wealth

Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He provides 1000s of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As an accredited Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

Peter can be reached at
peter.wouters@empire.ca

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have a tough time sticking to for that long. It also assumes that investors put their money in at precisely the same time as the beginning of the measured index and leave it there throughout.
There is plenty of research[1] that shows the average investor underperforms the comparative index, something that hasn't changed in decades. Investor behaviour is a major contributor.[2]

4. Almost 9/10 Canadians, aged 55 and over want investments with guarantees on the principal and they want growth opportunities for those investments. The financial literacy gap is that 6/10 don't know this option exists with guaranteed investment funds, available from insurance companies. (Source: Ipsos poll, Nov. 2016 ; Could guaranteed investment funds help your business and corporate clients? Advisors Edge, Nov. 10, 2018)

5. 69% of surveyed Gen Zers and 66% of Millennials say they find investing in the stock market to be intimidating and/or scary. (Source: Ally Invest "Someday Scaries" Survey, 2018)

6. Now think of the concern that small business owners may have with protecting their assets in the event of problems or issues with their business. Why segregated funds? These contracts allow investors to name beneficiaries which in turn may protect the value of a business owner's personal investments at maturity or death from creditors.

In fact, for people letting their money grow for the long term, the death benefit guarantees can only go in one direction…up! Guarantees are reduced proportionately for withdrawals. And potential gains can be periodically locked in during the investor's lifetime. That keeps the guarantee relevant. We offer all of that and you can too.

Improving the financial literacy level of your clients and incorporating product solutions that offer guarantees into your recommendations can be a win-win for clients and advisors. These and all the other points I bring up during my session; "Why Segregated Funds," answer the question; why incorporate segregated funds into your discussions and recommendations when structuring your client's portfolios. Incorporating segregated funds into your discussions and recommendations as part of a client's written financial plan helps to take anxiety out of the investing process. And there are so many more features and benefits of segregated funds beyond the legislative requirement for a maturity guarantee.

Once again, watch and listen to "Why Segregated Funds". Take the opportunity to learn more about guaranteed investment funds in other presentations and articles. Reach out to your sales team at Empire Life for support material.

Peter A. Wouters
Director, Tax Retirement & Estate Planning.

1. Most investors didn't come close to beating the S&P 500, CNBC Jan. 6, 2017; Average Investor 20 Year Return Astoundingly Awful, July 18, 2012; Investor Returns Vs. Market Returns: The Failure Endures, Sept. 21, 2017;

2. Why Average Investors Earn Below Average Market Returns, Jan. 28, 2019

The Empire Life Insurance Company
259 King Street East, Kingston, ON K7L 3A8

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empire.ca info@empire.ca 1 877 548-1881