



GICS – A DEAL WITH THE DEVIL?

“They made a deal and they liked the deal, until they had to pay the price.” - Brent Weeks.

In the current economic environment, buying GICs can feel like making a deal with the devil. With interest rates at lows, with little to no projection to increase in the near term, what is the real price you pay to guarantee and lock in your return?

1 to 5 Year GIC Rates Currently Available

1 year	2 year	3 year	4 year	5 year
0.50%-1.10	0.75%-1.60%	1.05% - 1.75%	1.15% - 1.80%	1.25% - 2.00%

*NATCAN Trust as at July 17, 2020

As of July 17, GIC rates fall between 0.50% and 2.00% while locking in your money from 1 to 5 years. Inflation by definition is “a general increase in prices and fall in the purchasing value of money”. Inflation is targeted at 2% for the long term - meaning on average the yearly price of goods you purchase will increase by 2% per year. With the rates of GICs being low, the real return after inflation at 2% is negative to flat across the board (GIC return - Inflation).

From Brent Weeks’s quote above, investing in GICs seem like a deal someone would like, until they pay the price. Real rates of return with inflation at 2% will fall between -1.50% for a 1 year GIC to 0.00% every year for 5 years in 5 year GIC.

There are options to generating returns in different asset classes while participating in the rebound of the global economy. We feel that active management is as important as ever to generate a positive real return within an investment portfolio.

Tom Stachiw, CIM
Portfolio Manager



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