**Segregated Funds vs. Mutual Funds**

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|  | **Segregated Funds** | **Mutual Funds** |
| Who offers these products? | Life Insurance companies | Investment management companies |
| Who regulates these products? | Provincial Life Insurance Acts | Securities Legislation |
| Regulatory documents | * Application
* Fund Facts
* Deferred Annuity Contract
* Information Folder
 | * Application
* Fund Facts
* Prospectus
 |
| Product Structure | * Segregated Funds are a deferred annuity contract between an insurance company and a policy owner
* Money is pooled together with a large group of other policy owners
* Each fund will have its own investment mandate
 | * Mutual funds are a pool of investments made on behalf of a large group of individual investors
* Each fund will have its own investment mandate
* Mutual funds can be organized as a trust or corporation
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| How do you invest in this product? | Clients make deposits to their contacts and money is allocated to the available funds of their choice | Clients make deposits to their contacts and money is allocated to the available funds of their choice |
| Available registrations | Non-registered, RRSP, RRIF, LIRA, LIF, RLIF, RESP, TFSA | Non-registered, RRSP, RRIF, RDSP, LIRA, LIF, RLIF, RESP, TFSA |
| Are you protected if the issuer becomes insolvent? | * Yes, segregated funds are separate from the general assets of the insurer and therefore not accessible by the insurer’s creditors.
* In addition, clients have Assuris protection in the event the insurer is unable to pay a guaranteed maturity or death benefit (link below)
 | Mutual funds do not have deposit insurance |
| Does this product have capital gains potential | Yes | Yes |

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|  | **Segregated Funds** | **Mutual Funds** |
| Does this product have maturity and death benefit guarantees | * Yes, usually maturity guarantees are either 75% or 100% and are 15 years from the deposit date (see insurer’s information folders for exact details)
* Yes, death benefit guarantees of 75% or 100% of deposits are available (see insurer’s information folders for exact details)
 | No, mutual funds do not offer guarantees |
| Can the guarantees be reset? | Yes, both maturity and death benefit guarantees can be reset (see insurer’s information folder for exact details) | No |
| What are the tax implications for non-registered versions of this product | * Segregated funds are deemed to be a trust for tax purposes. They flow out all interest, dividend and capital gains to contract holders on a proportional basis.
* In addition, segregated funds flow out capital losses to contract owners to use against capital gains from other sources
* This taxable income is reported on a T3
 | * Mutual funds are a trust and flow out interest, dividends and capital gains to investors in the mutual funds
* This taxable income is reported on a T3
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| Does this product offer probate avoidance? | Yes, in non-registered cases when an annuitant passes away and there is a named beneficiary, the death benefit can avoid probate | No |
| Does this product offer potential creditor protection? | Yes, the potential to protect the contract from creditors is available | Not as robustly as segregated funds |
| How much does this product cost? | Segregated funds cost between 2% and 4% of invested assets | Mutual funds cost between 1% and 3% invested assets |

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