



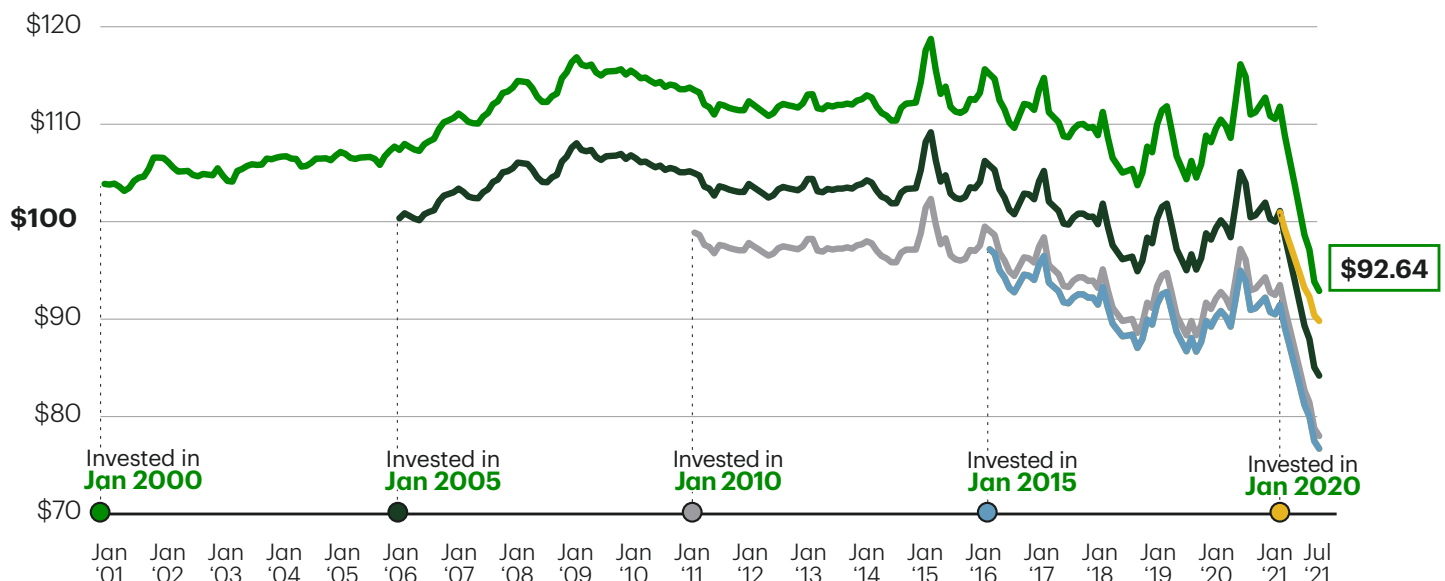
# GICs: Riskier Than You Think?

While your Guaranteed Investment Certificate's (GIC) principal might be insured by the Canada Deposit Insurance Corporation (CDIC), that doesn't necessarily make it risk-free. The biggest risk you may face with GICs is the potential for capital erosion, or the potential for your GIC's interest rate to lag behind the current rate of inflation.

For example – let's say you invested \$10,000 in a 1-year GIC, with an interest rate of 2%, but the inflation rate was 3% over the same term. Would you have generated a positive return? In nominal terms, yes. At the end of the term, your GIC would have paid you \$200 interest, however, in 'real return' terms the investment generated a loss. While you made \$200 in interest you lost \$300 to inflation, which works out to a \$100 loss in purchasing power. This can be an even larger problem with longer term GICs as **high inflation can have a serious impact on your savings.**

In a real-world example, a \$100 investment in January 2000 would be worth approximately \$92.64 today, after factoring in increases in the price of goods and services.

## What is \$100 Worth? Inflation Impacts Your Investment



Note: Beginning value at January 2001 would be one year after initial \$100 investment. GIC rates are based on Banker's Acceptances. Inflation rates are based on the consumer price index (U.S.). Source: TDAM as of October 14, 2021.

In these times of historically low rates and rising inflation, investors may need to look beyond traditional fixed income or GIC investments to generate the returns required to prevent capital erosion.

At TD Asset Management Inc. (TDAM), our diverse group of investment professionals are committed to offering solutions that can help protect your investments against the effects of inflation.

All investments carry risks, but it is worth keeping in mind that some risk, does not have to mean high risk. At TDAM our goal is to help you grow your savings by offering options to diversify your investments at a risk level comfortable to you.

To learn more about these solutions, contact your  
**investment professional.**

# Solutions

## Connect with TD Asset Management



The information contained herein has been provided by TD Asset Management Inc. and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. TD Asset Management Inc. is a wholly-owned subsidiary of The Toronto-Dominion Bank.® The TD logo and other trademarks are the property of The Toronto-Dominion Bank or its subsidiaries.