

Guaranteed: By Who, For What?

When someone says guaranteed, you should ask: By whom? For What? It may only mean that they or the organization are guaranteeing it. It might not mean anything, or it might mean that some other organization is guaranteeing it. Think about it. When someone borrows money from a bank, the loan is guaranteed by them. Should that give the bank a warm fussy feeling? Is that equivalent to being guaranteed by the government of Canada?

The term guaranteed is often used when referring to investments. Unfortunately, it is not always clear who is doing the guaranteeing, and what they are guaranteeing. To help clarify this issue, we have compiled the following summary. Please remember that this list only applies to Canada and is only a summary. Members of the industries should be able to provide detailed pamphlets and further information.

Canadian Deposit Insurance Corporation: Insures deposits in approved Financial Institutions (banks and trust companies) for losses up to \$60,000.

Canadian Investor Protection Fund: A fund sponsored by The Stock Exchanges, their members and the Investment Dealers Association of Canada. The fund covers losses of securities and cash balances of its member's clients in the case of insolvency. The fund covers losses from accounts up to \$250,000, of which up to \$60,000 can be cash. There is no coverage for trading losses.

Canadian Life & Health Insurance Compensation Corporation, (CompCorp): A corporation sponsored by Canadian Life Insurance companies. It protects the following for policy holders of member companies. Monthly payments (pensions, annuities, disability payments, etc.) of up to \$2,000 per month. Life insurance policies up to \$200,000, and \$60,000 cash withdrawal values for RRSP's, RRIF's, cash values of life policies and similar accounts. Only amounts guaranteed by the insurer are covered by CompCorp.

Some warnings: First, just because an institution is covered by one of the above, does not mean that all its securities are covered, and there may be restrictions on different combinations of investments or policies, etc. Second, mutual funds are not guaranteed by any of the above plans. You need to look at the securities in the fund, to determine that fund's level of security.

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The word Guaranteed, does not always mean Government Guaranteed, it could mean an Industry plan, or the Company's plan. Then again, sometimes it means nothing.

