

GICs: savings or investments?

During times of market volatility, a natural tendency for some investors is a mindset shift from capital growth to capital preservation. Guaranteed investment certificates (GICs) provide regular interest payments and a degree of safety, but may fail to provide appropriate long-term investment results.

GICs have limited growth potential, and maintaining exposure to markets is important to offset inflation and generate real positive returns. For investors seeking to grow their capital over the long-run, allocating funds across a broad set of asset classes and strategies offers the potential for more attractive returns. While GICs can have a place in a portfolio, we believe they should not be seen as a substitute for a well-diversified range of holdings.

This belief is due to GICs' comparatively low liquidity, tax inefficiency and low returns:

Features	Mutual funds / ETFs	GICs	
Liquidity	High	Low	Non-redeemable GICs typically offer higher interest rates, but your money is generally locked in until maturity. If early withdrawal is allowed, penalties may apply. Redeemable or cashable GICs offer more flexibility, usually at lower rates.
Tax efficiency	Efficient	Low	Interest income from GICs is taxed at your highest marginal tax rate.*
Withdrawal fee	No	Yes	With GIC products, if you withdraw funds early, you will likely have to forfeit any interest earned and/or pay an early withdrawal fee.
Guarantee and insurance	No	Yes	Principal and interest are guaranteed over the term of the GIC. Mutual funds and ETFs do not guarantee the principal or the returns.**

FIGURE 1 – 10-year asset class returns and average GIC rates, as at February 2026

10-year annualized returns	(%)
Canadian bond universe ¹	2.1
Canadian investment grade corporate bonds ²	3.2
Canadian high yield bonds ³	6.9
Canadian equities ⁴	13.7
Global equities ⁵	13.9
Average GIC rates over the past 10 years	(%)
Average 1-year GIC	1.7
Average 3-year GIC	1.9
Average 5-year GIC	2.2

Source: Morningstar direct, as at February 2026

* For GICs held outside registered accounts, mutual funds and ETFs may generate eligible dividends or capital gains that are taxed more favourably.

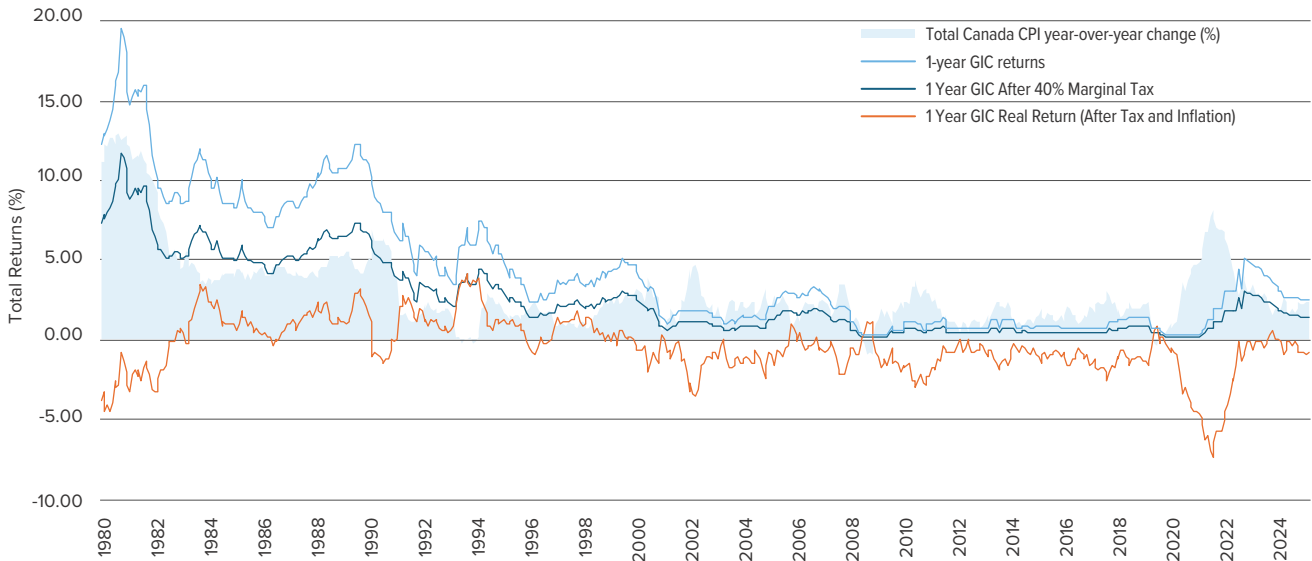
** If a GIC issuer goes bankrupt, savers are eligible for coverage of up to \$100,000 each by the Canadian Deposit Insurance Corporation (CDIC). GICs that you own are insured as long as they are issued in Canadian dollars, the term is five years or less and the company that sold it to you is a member of the CDIC.



The low-risk profile of a GIC can appear attractive at first glance, especially during volatile markets. However, when you account for tax and inflation factors, the real return of a GIC has often been negative throughout history.

When choosing your investment, it is crucial to evaluate your options through the lens of real return. Sometimes, the low-risk path may end up working against you.

FIGURE 2 – Real return for a GIC



Source: Mackenzie Investments, Bloomberg. As at January 31, 2026. Guaranteed Investment Certificates (GIC) rates reflect average GIC rates from chartered banks. Note: "Real return" reflects nominal return, less a marginal tax rate at 40% and the inflation rate.

For more information, contact your financial advisor or visit [mackenzieinvestments.com](https://www.mackenzieinvestments.com)

- ¹ FTSE Canada Universe Bond Index.
- ² S&P Canada IG Corporate Bond TR CAD.
- ³ S&P Canada HY Corporate Bond TR CAD.
- ⁴ S&P/TSX Composite TR.
- ⁵ MSCI World GR CAD.

Unlike mutual funds, the returns and principal of GICs are guaranteed. Commissions, trailing commissions, management fees, and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns as of January 31, 2026 including changes in share or unit value and reinvestment of all dividends or distributions and does not take into account sales, redemption, distribution, or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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