

ADVANTAGES OF FUNDS WITH A FIXED MONTHLY DISTRIBUTION

Funds with a fixed monthly distribution may help investors achieve their financial objectives. Compared to a pre-authorized redemption program, they may be used to:

- Defer any tax payable on the fund's unrealized gains
- Maximize benefits that are based on taxable income (Old Age Security, Guaranteed Income Supplement, age-related income tax credit, etc.)



WHAT ARE THE ADVANTAGES OF CHOOSING FUNDS WITH A FIXED MONTHLY DISTRIBUTION?

SSQ Guaranteed Investment Funds (GIF) with a fixed monthly distribution are designed to produce annual growth that is at least equal to the amount of payments. **Thanks to distributions paid monthly to unit holders, it may be possible to obtain a stable and sustainable monthly income without touching the invested capital*.**

Generally, in non-registered plans, distributions reduce the tax payable when compared to a program of periodic redemptions. Since distribution is not considered as disposal for tax purposes, the tax payable on the fund's unrealized gains can be deferred.

In addition, SSQ GIFs with monthly distributions consist of a balanced set of securities that can serve as core investments.

WHAT CAN DISTRIBUTIONS BE USED FOR?

Funds with fixed distributions are becoming more popular with investors looking for a steady income.

When combined with a non-registered savings vehicle, distributions may be paid in cash directly into the investor's bank account.

It can be used to build an emergency fund, which could help through times of low yield.

HOW ARE THE VARIOUS COMPONENTS OF A DISTRIBUTION CALCULATED?

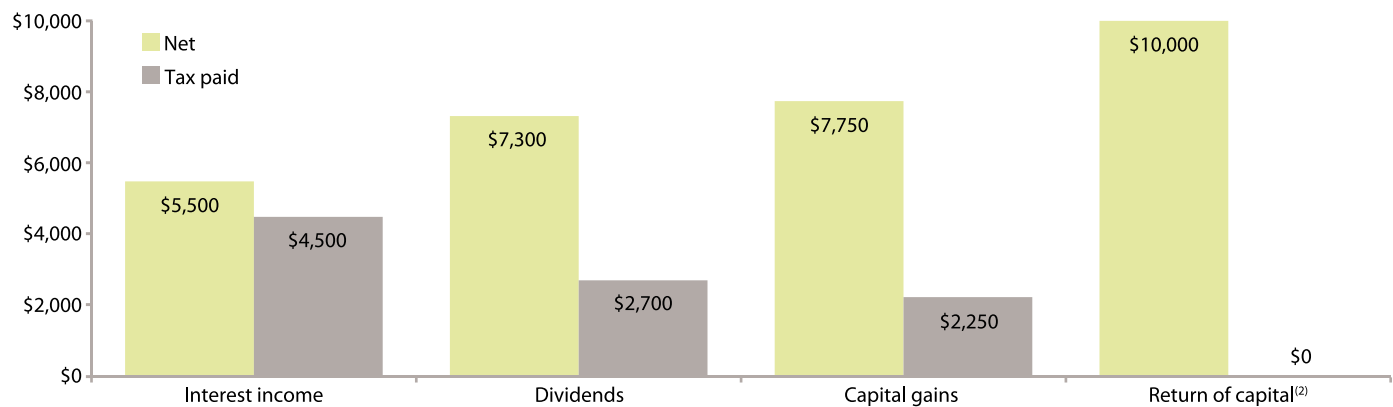
Funds are subject to tax on their earnings. Every year, income generated in a fund is distributed to unit holders so that the fund does not pay tax. The least tax-efficient types of income are used to pay certain fund expenses. Generally, the fund then aims to distribute the remaining income or capital gains to unit holders so they are not taxed at the fund level.

For a fund with fixed distributions, since the annual income may be less than the sum of the monthly distributions from the fund, the remaining portion is a return of capital.

WHAT ARE DISTRIBUTIONS MADE UP OF?

Distributions consist of income generated by the different types of securities held in the fund, as well as capital gains that might result from the sale of these securities. Tax rates will vary depending on the type of income.

Taxes on different types of income⁽¹⁾



⁽¹⁾ Assumes a 45% tax rate on interest income, 27% on dividends and 22.5% on capital gains. Tax rates used are hypothetical.

⁽²⁾ The assumption is that the ACB remains positive.

ARE THERE TAX ADVANTAGES TO RETURN OF CAPITAL?

The tax consequences on the portion of the distributions in the form of return of capital are deferred until the investment is sold. **Given this tax deferral, a fund with fixed distributions can produce a higher after-tax income than other income funds.**

Depending on the fund, a substantial portion of distributions paid could be considered as return of capital so that the tax consequence is postponed until the investment is sold. Each time a fund distributes return of capital, the adjusted cost base (ACB) of the investment is reduced. When the adjusted cost base falls to zero, all subsequent distributions of return of capital are then taxed as capital gains.

SSQ offers its clients 4 SSQ GIFs that pay a fixed monthly distribution. Learn more about these funds!

- **SSQ CI Cambridge Canadian Asset Allocation GIF**
- **SSQ CI Signature Global Income and Growth GIF**
- **SSQ Guardian Conservative Monthly Income GIF**
- **SSQ Guardian Monthly Income GIF**

* SSQ may, at its sole discretion, make changes to its fixed monthly distribution rates at any time. Fixed monthly distributions count as withdrawals for the guarantees offered, and therefore reduce the amounts guaranteed. With this option, the fixed monthly distributions may include, in addition to income generated by the investment, a portion of the capital invested. Therefore, the capital may decrease as a result of this option.

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