

# Protect Your Income, Build a Ladder

Fixed income investor-whether it's through guaranteed investment certificates (GICs) or other fixed income investments such as bonds-your strategy could be derailed by making the wrong interest rate assumptions.

Fortunately, there's a way to reduce interest-rate guesswork. By using a strategy known as "laddering," you can put together a fixed-income strategy that takes the guesswork out of the direction of interest rates. That means protection for your portfolio, regardless of whether rates rise or fall.

A fixed income ladder consists of a series of investments, each maturing at a different time. These individual investments are the rungs on the fixed income ladder. After your ladder is set up, as the investments mature, use the proceeds to take advantage of longer-term rates, which are typically higher than short term rates.

For example, let's say you have \$50,000 you want to invest in GICs. You would initially put \$10,000 each in one, two, three, four and five-year GICs. When the first GIC matures in a year, you reinvest the money in a five-year certificate, which should provide the highest available rate at that time. When the second GIC matures in two years, invest in another five-year GIC.

You can do something similar with bond investments. You could invest \$10,000 each in bonds with maturities of 10, 15, 20, 25 and 30 years. When each \$10,000 bond matures, reinvest in a new bond that continues to fill your ladder.

Why ladder? Because of the protection it offers. When rates move upward, you'll have a portion of your fixed income portfolio available for investing at higher rates. If rates move down, you're protected because part of your portfolio is invested at yesterday's higher rates. Either way, the ladder provides a more consistent income stream while taking the guesswork out of interest rates.

When you ladder, be sure to regularly monitor your investments and consistently reinvest the proceeds from maturing securities. If you don't, your strategy won't work. To keep laddering simple and reduce the workload, start with five separate investments. Any fixed-income investor can benefit from a laddering strategy.

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# THANK YOU!



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