



CANADA INVESTMENT AND SAVINGS

2005–2006 ANNUAL REPORT

60
YEARS
1946-2006

Canada Savings Bonds

Canada 

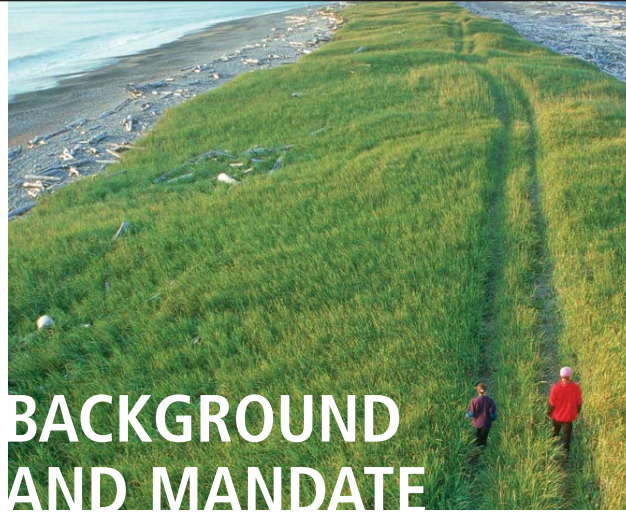


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BACKGROUND AND MANDATE



BACKGROUND AND MANDATE

Canada Investment and Savings (CI&S) is a special operating agency of the Department of Finance Canada that works in partnership with the Financial Sector Policy Branch of the Department and the Bank of Canada to manage the Retail Debt Program.

The Government of Canada uses the Retail Debt Program to raise funds from, and provide secure investments to, individual investors in Canada. The program includes two non-marketable instruments:

- the Canada Premium Bond (CPB), which is available through financial institutions and direct through telephone and the Internet; and
- the Canada Savings Bond (CSB), which is available through financial institutions, direct through telephone and the Internet, as well as in the workplace through the Payroll Savings Program.

The mandate of CI&S is to deliver a vibrant, creative, and cost-effective Retail Debt Program that provides value to Canadians, contributes to a diversified investor base, and ensures that Canadians are aware of, and have access to, Government of Canada securities.



I joined the Canada Savings Bonds Payroll Savings Program in 2002 at the urging of another military member to invest in Canada and my own future. At the time, I had just recently joined the military. \$26.00 a month seemed like a lot of money for me; as the sole regular income earner, with 4 children at home I would rather have spent the money taking my spouse out on a date every couple of months without the children! Now, I am so glad I have invested in CSBs. We are new homeowners, and feel comfortable in borrowing to renovate our home knowing that we have an emergency fund in our CSBs if we really need cash. Not that we want to spend it; I am enjoying teaching our young children that saving even small amounts of money can accumulate into a comfortable financial buffer. I love my CSBs! I definitely recommend CSBs as an excellent investment and/or savings vehicle.

Donald Campbell,
Manitoba





MESSAGE FROM THE CHIEF OPERATING OFFICER





MESSAGE FROM THE CHIEF OPERATING OFFICER



LOUISE MONTAGUE

By many measures, 2005–06 was a year of both opportunities and challenges for CI&S and the Canada Savings Bonds (CSB) Program. Looking back at the plans set out in the 2004–05 Annual Report, I am pleased to say that we accomplished our objectives.

Canada Savings Bonds began a year of celebration to mark the 60th anniversary of the program. This savings tradition began with the introduction of the Victory Loan Program and Victory Bonds that helped finance the efforts of both the First and Second World Wars. This tradition did not end in 1945, but continued the following year with the introduction of Canada Savings Bonds and the Payroll Savings Program.

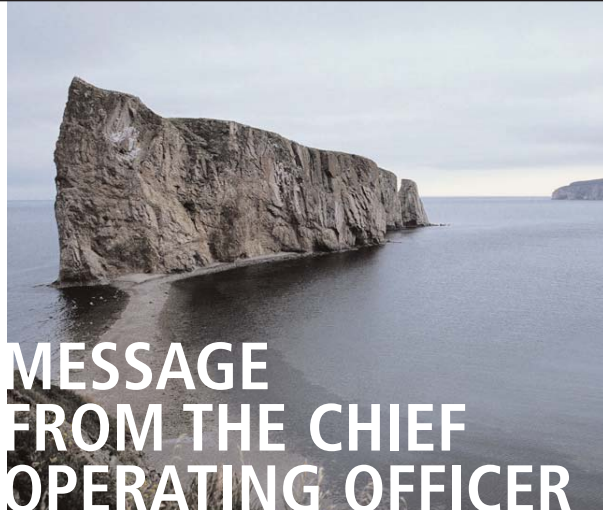
To celebrate this milestone, CI&S worked in partnership with the Year of the Veteran program to launch the 60th anniversary celebration on October 3, 2005, at a special event at the Canadian War Museum in Ottawa. Representatives of Veterans

Affairs Canada, and the Canadian War Museum and CI&S joined with dozens of veterans to mark this special occasion.

In 2005–06, sales for the Payroll Savings Program grew for the sixth consecutive year. The Payroll program is one of the largest savings plans in the country with 12,000 participating public and private sector companies and organizations and 1 million bond buyers annually. Serving as Chair of the Public Sector Payroll Savings Program Campaign, Michel Dorais, Commissioner, Canada Revenue Agency, was instrumental in promoting the program within the Government of Canada. Moving forward, we are taking steps to leverage the core strength of this program with a more targeted sales and marketing focus.

A rising interest rate environment in 2005–06 gave CSB rates a lift. Starting March 1, 2006, CSB rates were increased to ensure that they maintained their competitiveness relative to other savings and investment products in the market. This increase demonstrated the value in the CSB Minimum Rate Guarantee, which allows for CSB interest rates to be increased if market conditions warrant.





The annual Canada Savings Bonds marketing campaign faced a key hurdle in 2005–06 when its advertising budget was reduced by half from 2004–05. An innovative marketing strategy was developed to leverage available funding and ensure awareness of CSB products and services for 4 million Canadian bondholders. This approach proved successful. The advertising campaign maintained high awareness among Canadians and was among the top recognized Government of Canada advertising initiatives. One constant is, of course, our research. We remain dedicated to continually consulting with Canadians to help shape effective and relevant marketing strategies.

Overall sales of Canada Savings Bonds were \$1.9 billion in 2005–06, down slightly from 2004–05. Sales through the Payroll Savings Program totalled \$1.5 billion, and sales through financial institutions were almost \$400 million.

Redemptions declined by some 14 per cent from last year, totalling \$3.6 billion this year.

Expenditures declined slightly to \$94 million in 2005–06, due, in part, to a reduced advertising budget and lower sales and redemption volumes.

The success of the annual CSB campaign depends, as it always has, on the hard work of employees and collaborative relationships with partners and stakeholders. Special thanks to the CI&S team for all of their hard work throughout the year and to our partners at the Bank of Canada and Department of Finance Canada for their cooperation.





60 YEARS OF SAVING TRADITION

- This savings tradition began with the Victory Loan Program and Victory Bonds, which helped finance the efforts of the First and Second World Wars.
- Victory Bonds became a valuable and popular tool for Canadians to save for themselves and their families, especially through payroll deduction. In 1946, the then federal Finance Minister, James Ilesley, decided to maintain a public savings program and announced the creation of the Canada Savings Bond and the Payroll Savings Program.
- Registered retirement savings plans (RRSP), registered pension plans and deferred profit-sharing plans were first considered acceptable forms of registration in 1974.
- In 1977, regular interest "R" bonds and compound interest "C" bonds were introduced, a revolutionary change in which the old style coupon bonds were eliminated.
- In 1995, a new RRSP option allowed investors to register their Canada Savings Bond series S50 directly into an RRSP without needing a self-directed plan.
- The Payroll Savings Program was reengineered and piloted in 1997 to make it easier for Canadians to purchase CSBs in the workplace. Employers offering the program benefited from a streamlined and substantially reduced administrative workload.
- The new Canada RRSP Bond and the registered retirement income fund (RRIF) option were launched in 1997.
- In 1998, the sales period was extended from one to six months. The first new retail debt product in 50 years—the Canada Premium Bond (formerly the Canada RRSP Bond)—was also introduced.
- In 1999, CI&S launched its on-line "Kids Can Save!" youth promotion, which focussed on helping young people better understand the importance of saving.
- The "Tell Us Your CSB Story" initiative was introduced in 2000. To date, this annual on-line storytelling program has collected approximately 8,500 stories from Canadians about how Canada Savings Bonds have helped them to reach their savings goals.
- In 2003, a new self-service feature was introduced for participants in the Payroll Savings Program, providing virtual 24-7 on-line access to their CSB accounts.
- Today, nearly 4 million Canadians own Canada Savings Bonds, and two-thirds of Canadians report that CSBs were their first savings or investment product.





HOW WE MANAGED: 2005–06 IN REVIEW



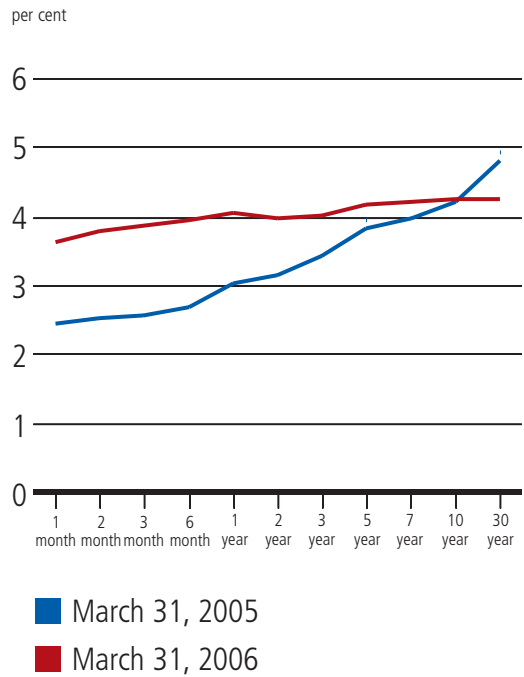


HOW WE MANAGED: 2005-06 IN REVIEW

INTEREST RATES AND ECONOMIC ENVIRONMENT

The Bank of Canada increased its key policy rate by 125 basis points between April 2005 and March 2006. The Government of Canada yield curve flattened with short-term rates rising faster than long-term rates (Chart 1). With the increased yield in the bond market and attractive returns in the equity market, competition for savings intensified during 2005-06.

CHART 1: YIELD CURVE

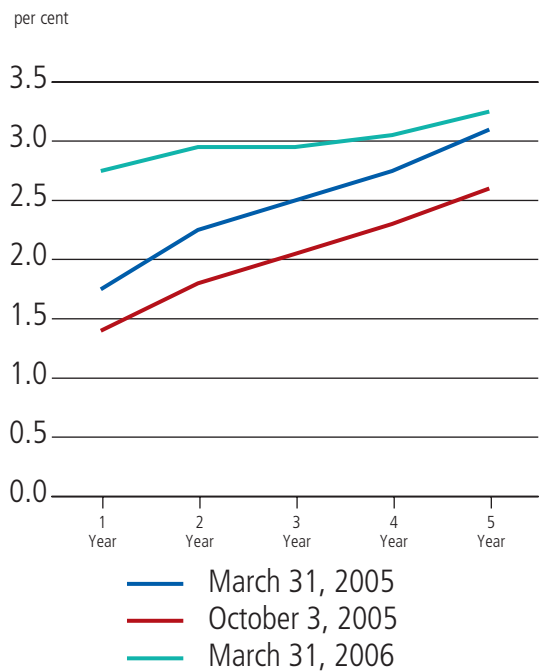




HOW WE MANAGED: 2005-06 IN REVIEW

Guaranteed investment certificate (GIC) rates followed wholesale rates higher over the course of the CSB sales campaign (Chart 2). In response to market conditions and the commitment to bondholders to offer competitive rates on CSBs, rates trended higher on new issues. Additionally, starting March 1, 2006, the interest rates of most outstanding CSB series were increased (Chart 3).

CHART 2: CHANGES IN MEDIAN GIC POSTED RATES
March 31, 2005 and
March 31, 2006





HOW WE MANAGED: 2005–06 IN REVIEW

CHART 3: RATES OF CANADA SAVINGS BOND SERIES 96-101 AND CANADA PREMIUM BOND SERIES 46-51

For the year beginning based on issue date

SERIES	ISSUE DATE	2005	2006	MATURES IN
CANADA SAVINGS BOND				
S96	November 1, 2005	2.50%*		2015
S97	December 1, 2005	2.56%*		2015
S98	January 1, 2006	–	2.62%*	2016
S99	February 1, 2006	–	2.68%*	2016
S100	March 1, 2006	–	2.75%	2016
S101	April 1, 2006	–	2.75%	2016

*Blended annual rate due to re-pricing.

SERIES	ISSUE DATE	2005	2006	2007	2008	MATURES IN
CANADA PREMIUM BOND						
P46	November 1, 2005	2.25%	2.50%	2.75%	TBA [†]	2015
P47	December 1, 2005	2.50%	3.00%	3.55%	TBA [†]	2015
P48	January 1, 2006	–	2.50%	3.25%	4.00%	2016
P49	February 1, 2006	–	2.50%	3.25%	4.00%	2016
P50	March 1, 2006	–	3.00%	3.25%	4.00%	2016
P51	April 1, 2006	–	3.00%	3.25%	4.00%	2016

[†]Interest rates, based on prevailing market conditions, for remaining years to maturity will be announced at future dates.





HOW WE MANAGED: 2005-06 IN REVIEW

FINANCIAL RESULTS

The Payroll Savings Program experienced its sixth consecutive year of growth, with sales of \$1.5 billion in 2005-06. Sales through regular payroll deduction now make up 80 per cent of the current sales mix.

Rising interest rates, a highly competitive marketplace, and a decline in the national savings rate affected sales through financial institutions in 2005-06. Total sales through financial institutions and direct sales over the Internet and by phone declined about 22 per cent from 2004-05. Combined sales through these channels totalled \$381 million.

Redemptions decreased by 14 per cent to \$3.6 billion. The 10-year term extension of Canada Savings Bond Series 48 helped to manage the decline of the portfolio by increasing the retention rate by 11 per cent from 2004-05.

The non-marketable debt portfolio stood at \$17.5 billion at March 31, 2006 after a decline of 9 per cent from 2004-05.

CHART 4: HISTORICAL SALES, 2000-2006

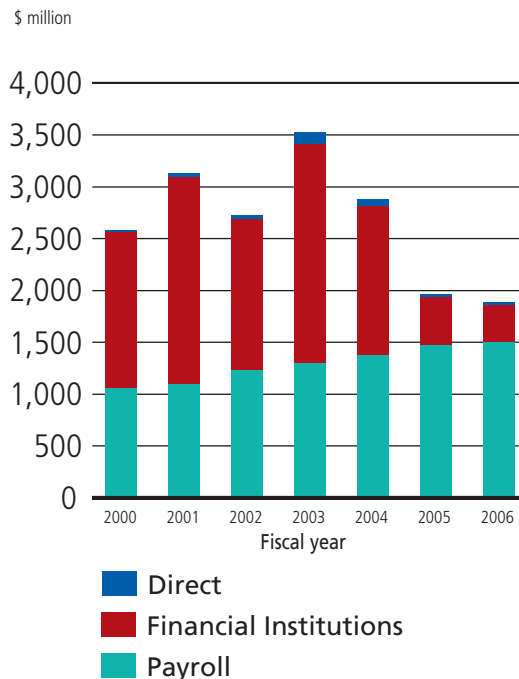
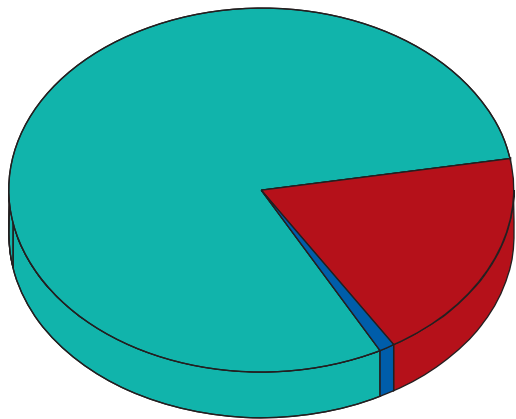




CHART 5: SALES CHANNEL SHARES, 2005–2006



- Financial Institutions = 19% (24%)
- Direct = 1% (1%)
- Payroll = 80% (75%)

(Last year's percentage of sales in parentheses)



Ten and a half years ago on my tenth birthday, I received a \$1,000 CSB from my maternal grandparents. They explained to me in broken English of how great an investment immigration to Canada was for them. They hoped a CSB would make me understand the great values of Canada and their own sacrifices in becoming Canadian. Like any young Canadian boy, my mind wandered off as my friends were urging me to a street hockey game. That same birthday I had received a Mario Lemieux jersey which at the time far outweighed any financial or emotional value of a CSB. After placing the jersey over my shoulders I threw the CSB under my desk and it essentially left my mind for ten years. My grandparents did not understand that hockey was most vital to my understanding of what being Canadian truly was. With my ten-year bond in completion this year, my appreciation for the CSB has grown. The bond and its accumulated interest have been a nice surprise this year and will be my ticket to the Winter Olympics in Turin, Italy next February. In Turin, I will have the pleasure of viewing a Lemieux-led Team Canada encounter in Italy—the country of my grandparents. The CSB for me has combined my grandparent's immigrant story with my very Canadian upbringing. Grazie Nonni for allowing me to go back to Italy as a proud Canadian.





HOW WE MANAGED: 2005-06 IN REVIEW

NON-MARKETABLE DEBT PORTFOLIO CHART 6: SALES, REDEMPTION AND PORTFOLIO RESULTS

	2005-06	2004-05	\$ CHANGE	% CHANGE
	(\$ millions)			
Outstanding as at April 1	19,242.5	21,527.8	(2,285.3)	-10.6%
Sales				
Financial Institutions and Investment Dealers	354.6	463.7	(109.1)	-23.5%
Payroll	1,505.2	1,473.5	31.7	2.2%
Direct ¹	26.6	27.7	(1.1)	-4.0%
Total Sales	1,886.4	1,964.9	(78.5)	-4.0%
Redemptions				
Financial Institutions and Investment Dealers	(2,283.4)	(2,952.5)	669.1	-22.7%
Payroll	(1,363.8)	(1,297.7)	(66.1)	5.1%
Total Redemptions	(3,647.2)	(4,250.2)	603.0	-14.2%
Outstanding as at March 31 ²	17,481.7	19,242.5	(1,760.8)	-9.2%
Total Government of Canada				
Market Debt ³	430,834.0	435,441.0	(4,607.0)	-1.1%

Notes:

¹ Direct sales include direct telephone and Internet sales.

² Source: Bank of Canada audited *Statement of Government of Canada Debt Outstanding* as at March 31, 2006.

³ See Glossary, page 29.

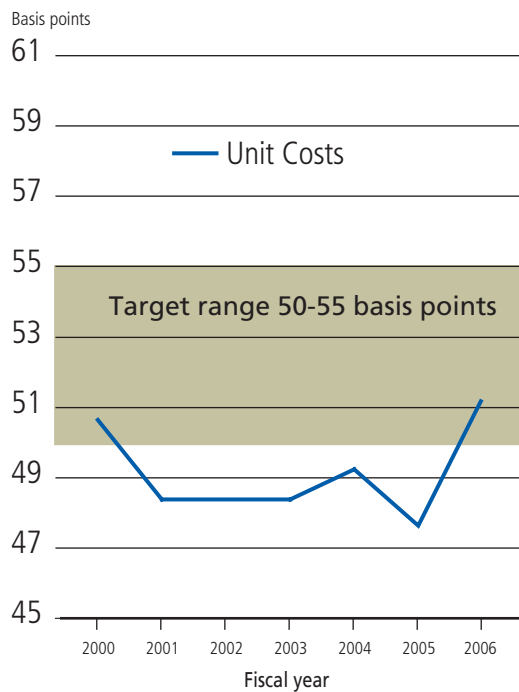




UNIT COSTS

Unit cost is a measurement of the Retail Debt Program expenditure required to sell, redeem, and maintain \$1 of retail debt. As Chart 7 illustrates, these costs total about half a cent and have been held in or below the range of 50 to 55 basis points over the last six years.

CHART 7: RETAIL DEBT PROGRAM UNIT COSTS, 2000–2006 (Basis Points*)



*One hundred basis points represent 1 per cent.





PRODUCT MANAGEMENT

PAYROLL SAVINGS PROGRAM

The on-line self-service redemption and inquiry option, available at www.mybonds.gc.ca, provides an easy and convenient way for Payroll customers to manage their bond holdings. Customer take-up increased by 21 per cent from 2004–05, resulting in a total of 45 per cent of Payroll customers who choose secure on-line access to manage their savings plans. This is significantly higher than the 23 per cent of Canadians who bank primarily through the Internet (*Source: Canadian Bankers Association, Technology and Banking: a Survey of Canadian Attitudes, 2004*). The increased use of this Internet-based technology reduced operating costs by an estimated \$3.1 million in 2005–06.

PORTFOLIO MANAGEMENT

The term extension pilot, which has been widely accepted by bondholders, continued with the successful 10-year extension of Canada Savings Bonds Series 48. This initiative provided bondholders with a convenient way to continue earning interest without having to redeem their maturing bond and reinvest the proceeds in a new bond. The extension increased retention from 57 per cent with CSB Series 47 to 68 per cent with CSB Series 48. The extension also

improved customer satisfaction and is expected to result in cost savings for the government over the next 10 years and help manage the decline of the portfolio.

RISING RATE ENVIRONMENT

Market interest rates continued to increase over the course of the campaign. Therefore, effective March 1, 2006, interest rates on the March 1 (S101) series of the CSB and most outstanding CSBs were increased by 75 basis points to 2.75 per cent. This increase was in line with the Minimum Rate Guarantee on the CSB, which allows interest rates to be increased if market conditions warrant. Interest rates on the March 1 series of the Canada Premium Bond (P50) were also increased.

ON-LINE SECURITY PROTOCOL

In 2005–06, the Payroll Savings Program adopted Government On-Line (GOL) as the secure authentication mechanism for accessing and transmitting Payroll data to the Web Transmission application, replacing its current security protocol. GOL incorporates the government's Secure Channel "epass," a unique electronic credential that is used to communicate securely with on-line government services. Transition of the approximately 3,400 employers using Web Transmission was successfully completed in May 2006.





MARKETING AND PUBLIC RELATIONS

60TH ANNIVERSARY CAMPAIGN LAUNCH

The 2005 Canada Savings Bonds fall launch marked the kick-off of the 60th anniversary celebration during the Government of Canada's Year of the Veteran. The roots of Canada Savings Bonds go back to the First and Second World Wars when War Savings Certificates and Victory Bonds helped finance the war effort. Redeemable at any time, safe, secure and easy to purchase, these savings vehicles also helped Canadians meet their goals of financial security. To honour Canada's veterans and the role many of them played in supporting this savings tradition, CI&S joined together with veterans by remembering the last issued War bonds through the presentation of a commemorative 1945 Victory Bond to the Canadian War Museum in Ottawa.

The anniversary celebration will continue through 2006 and is expected to build upon the many relationships and milestones that serve to reinforce the continued importance of Canada Savings Bonds today.

MARKETING PROGRAM

The marketing program was successful in achieving its key priorities during the 2005–06 campaign. Through ongoing efforts to build a fully integrated marketing program, the benefits of cross-promotional linkages have been realized. Each access point consistently and clearly conveys a targeted brand image or call to action.

The year was not without challenges—most notable of which was the reduction of the annual advertising budget by more than 50 per cent. This meant that CI&S faced a number of difficult decisions regarding strategy and had to focus its marketing tactics on maintaining awareness among the current 4 million bondholders. This also meant the beginning of steps toward a more strategic emphasis on the Payroll Savings Program.

The marketing program has also taken the opportunity to expand its e-marketing initiatives and benefit from their lower cost delivery and targeted results. For example, since launching the CSB Web site (www.csb.gc.ca) in 1997, Canadians have progressively turned to this on-line medium to access information about products or interact directly with customer service options. The number of unique visitors to the site increased by 29 per cent from 2004–05 to 2005–06 and it is now the primary source of rate information for Payroll buyers.





Other on-line initiatives are also proving to be valuable. Payroll customer access to the on-line redemption and inquiry option increased by 21 per cent from 2004–05 and the opt-in and Payroll e-mail programs continue to be efficient and cost effective ways of improving information sharing and enhancing customer satisfaction. By leveraging these tools, the marketing program can deliver the right message to the right person at the right time.

The existing creative for television ads entitled “Savings” and “Future” was reused for the third consecutive year. In a market where overall advertising relating to any savings and investment products had jumped by 13 per cent, the ability to stand out and “get noticed” in the crowd was greatly reduced. Yet, interestingly, post-campaign research tracking showed that overall recall of the campaign was strong, with 40 per cent of Canadians having seen the ads and television advertising recall improving among all customer groups.

The print campaign featured three one-third page ads designed to reflect and reinforce reasons to purchase bonds as well as to deliver interest rates to customers. While print advertising reached customers who had purchased CSBs through financial institutions, research tracking showed it was not as effective in reaching Payroll customers and the general population.

While research and creativity have established the Canada Savings Bonds advertising campaign as the most notable in government, CI&S is tasked with developing a dynamic marketing plan to reflect evolving business priorities. This review of the marketing approach is likely to result in a greater emphasis on outreach strategies with direct messaging and communications to existing customers.

Post-campaign research revealed that the strength of the Canada Savings Bonds identity is one Canadians know, trust, and view as relevant. In fact, ongoing research shows that Canadians describe CSBs as offering peace of mind, making a good gift, and offering a decent rate of return.





PAYROLL LAB PILOT PROJECT

To address the increased focus on the Payroll Savings Program, a number of companies and their Campaign Directors were selected for the “Payroll Lab” Pilot Project, which included initiatives designed to communicate more directly with Payroll participants. For example, a new Web page was developed containing self-updating elements and allowing employees to conveniently access information on all aspects of the program and reducing the amount of support required. A new section was also added to the CSB Web site featuring endorsements from chief executive officers and high-level managers from companies participating in the Payroll Savings Program.

TELL US YOUR CSB STORY INITIATIVE

The long-standing relationship many Canadians have with Canada Savings Bonds is preserved through their moving stories, such as those that are showcased in this annual report. Over the past five years, the Tell Us Your CSB Story initiative has served as a strategic marketing cornerstone that has enabled the Canada Savings Bonds brand to make

creative uses of technology and partner with leading media organizations to invite thousands of Canadians to submit a story of how Canada Savings Bonds have positively affected their lives.

In the 2005-06 initiative, CI&S partnered with *The Globe and Mail* and TVA to showcase the goals and dreams reached by saving. The stories, which are inspirational, heart-warming and even humorous, reflect how Canadians have incorporated CSBs into celebratory life milestones, family traditions and gift giving. To date, some 8,500 stories have been collected. These stories were used in a wide variety of campaign communications, from Payroll information pieces to the opt-in e-mail and on the Web site.

NATIONAL SAVERS STUDY

Since 1997, CI&S has conducted the National Savers Study to explore and track the habits and attitudes of Canadians with respect to savings and investing. From year to year, the insightful information gleaned from this study has enabled CI&S to hone its tactics and strategies toward meeting the needs of small savers. Two notable findings emerged from this year’s research.





HOW WE MANAGED: 2005–06 IN REVIEW

First, Canadians continue to describe themselves as optimistic about their financial futures. The study shows that 69 per cent of Canadians under the age of 60 expect their personal finances to be in better shape four years down the road than they are today, while only 8 per cent think their finances will be in worse shape. These results demonstrate a continued high level of confidence among Canadians and it is encouraging that the majority of Canadians remain optimistic about their personal financial situations.

Second, Canadians who save through payroll deduction in the workplace save more than those who use other methods. The study shows that 13 per cent—representing over four million Canadians—report that they do not save anything at all. This survey suggests that payroll deduction is one of the best strategies for saving; in fact, a third of Canadians report that an automatic deduction plan is the most important method of saving. Canadians believe that the two most important rules of saving are to start early and to stick to a plan. The Payroll Savings Program helps them reach both of those objectives.



As a little girl, I remember telling my friends that I had the stingiest mom ever. It seemed like we always had to do without. Even though she was raising two kids by herself in Toronto, I don't think I truly appreciated how much she sacrificed for us until one day during Grade 12. After finding out about an exciting French credit summer course in Europe, I came home from school completely dejected. I plopped myself down on the couch knowing that the course cost was far beyond reach. "What's wrong?" asked my mom after a long nursing shift at the hospital. "Nothing," I said pitifully as I proceeded to my room to call my friend who had registered for the course. My mom must have overheard me because she called me to her room to show me something. In her hands, she proudly held over \$5,000 worth of Canada Savings Bonds in each of our names. She had been diligently having her pay-cheque deducted each week for over a decade to save for my brother and me. With a proud smile, she said that Europe was waiting for me. I was speechless, although the tears in my eyes must have conveyed what I was thinking. As an adult, I now tell my friends that I have the smartest mom ever. It seems like no matter how low my bank account is, there's always enough to save and invest a little bit in the future. Merci maman de m'enseigner cette leçon importante.





THE PAYROLL SAVINGS PROGRAM

- The Payroll Savings Program has been helping Canadians get into the savings habit since 1946. Research shows that of the millions of Canadians who currently own Canada Savings Bonds, many began purchasing them through the Payroll Savings Program.
- The Payroll Savings Program is one of the largest savings plans in the country with 12,000 participating public and private sector companies and organizations and 1 million bond buyers annually.
- Sales through the Payroll Savings Program have grown over the past six consecutive years.
- Employees maintain complete control over their investment, deciding how much they will contribute at each pay interval—from as little as \$2 a week. Their money is never locked in and there are no fees of any kind.
- An RRSP option is available. As well, Canadians who already own Canada Savings Bonds can contribute all or part of their bonds into the Canada RSP.
- On-line service delivery options for the Payroll Savings Program include a self-service feature where users can verify account information, transactions, personal and tax information, as well as make redemption requests.





EXPENDITURES



CHART 8: RETAIL DEBT PROGRAM EXPENDITURES

FISCAL YEAR	2005–06 PLANNED	2005–06 ACTUALS	2004–05 ACTUALS	\$ CHANGE ACTUALS	% CHANGE ACTUALS
(\$ thousands)					
Direct controllable expenses	17,200	13,785	18,409	(4,624)	-25%
Systems and Operations	52,900	54,057	52,827	1,230	2%
Commissions to Financial Institutions	25,000	23,825	26,210	(2,385)	-9%
Sub-total	95,100	91,667	97,446	(5,779)	
New technology investment ¹	8,000	2,020	0	2,020	
Total	103,100	93,687	97,446	(3,759)	-4%

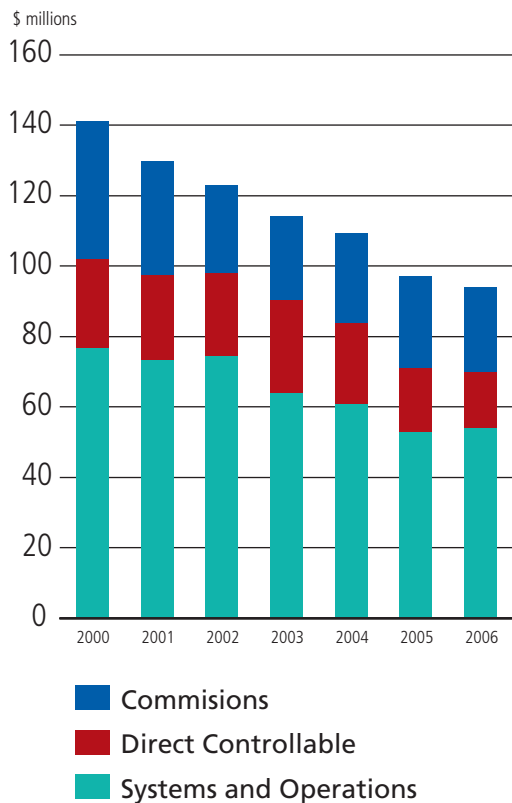
Note:

¹ These expenses, paid from the CI&S operating budget, are undertaken either directly by CI&S or indirectly through the Bank of Canada.





CHART 9: RETAIL DEBT PROGRAM EXPENDITURES 1999–2000 to 2005–2006



It was 1955. I was five years old and my grandparents were walking me down Granville Street in Vancouver. My grandfather had just come out of a bank and as we walked along he slipped a newly minted fifty cent piece into the palm of my hand. He whispered "put it in a safe place where you won't lose it." That coin looked so precious I slyly popped it into my mouth and swallowed it, confident that I would not lose it. Of course I got found out the next day when we again went downtown to start a savings account. In the late 1960's I started university with a Canada Student Loan. My grandparents then presented me with a Canada Savings Bond that had fourteen coupons attached. They could be cashed each year as they became due or if left unclipped you could earn interest on interest. Now I love the sound of perforations ripping but I resisted the temptation and kept the bond until maturity. Nine months ago I got sick and have not been able to return to work. These bonds have been a lifesaver! I am glad that my grandparents chose this safe and secure investment for me.

Ruth Thideman,
British Columbia





PLAN HIGHLIGHTS FOR 2006–07



PLAN HIGHLIGHTS FOR 2006–07

PAYROLL SAVINGS PROGRAM

- Focus on Payroll in 2006–07. The Payroll Savings Program is one of the largest savings plans in the country with 12,000 public and private sector companies and organizations providing the unique savings option for about 1 million employee bond buyers annually.
- Continue to build on the success of automated self-service in Payroll by continuing to advance the use of the on-line enrolment, redemption and inquiry services.

SYSTEMS MANAGEMENT

- Evaluate the re-platforming of back office systems to improve customer service levels and operational efficiencies, and reduce costs.

MATURITY DATE EXTENSION

- Term extension of Canada Savings Bonds Series 49. The term extension provides bondholders with an ideal way to continue earning interest without the inconvenience of having to redeem their maturing bond and reinvest the proceeds in a new bond. The extension is expected to result in cost savings for the government over the next 10 years and help manage the decline of the portfolio.

ADVERTISING CAMPAIGN

- Refresh marketing and advertising campaigns with a specific focus on building awareness of the benefits of the Payroll Savings Program among Canadians. Develop new advertising creative, including television ads, which seek to promote the Payroll Savings Program specifically, yet continue to build broad awareness of Canada Savings Bonds in general.





MANAGEMENT TEAM



LOUISE MONTAGUE,
Chief Operating
Officer and
Vice-President



PAUL BAILEY,
Vice-President,
Marketing Services



TONY BUCCONGELLO,
Director of
National Sales



CLIFFORD PRUPAS,
Vice-President,
Product Management



MICHEL DORAIS,
Honourary Chair of the 2005
Public Sector Payroll Savings
Program Campaign





GLOSSARY





PRODUCT AND SERVICE TERMS

CANADA PREMIUM BOND

The Canada Premium Bond is fully backed by the Government of Canada and offers a higher rate of interest at the time of issue than the Canada Savings Bond on sale at the same time. The Canada Premium Bond can be redeemed once a year on the anniversary of the issue date and during the 30 days thereafter.

CANADA SAVINGS BOND

With guaranteed returns and the option of redeeming at any time, the Canada Savings Bond provides maximum flexibility and security. The Canada Savings Bond is fully backed by the Government of Canada with rates of interest that may be increased if market conditions warrant. The Canada Savings Bond can be purchased at work through convenient payroll deduction.

RRSP AND RRIF OPTIONS

Both the Canada Premium Bond and the Canada Savings Bond come with no-fee registered retirement savings plan (RRSP) and registered retirement income fund (RRIF) options. This means all the security of the bonds is combined with all the benefits of an RRSP or RRIF.

MARKETABLE BONDS

Marketable Government of Canada bonds are usually issued for terms of more than one year and have fixed semi-annual interest payments. The bonds are non-cashable prior to maturity, but they can be bought and sold at market prices that vary from day to day. They can be purchased or sold prior to maturity at either a premium or a discount to the face value of the bond, depending on interest rates. You can find bonds in the marketplace with remaining terms to maturities ranging from one month to 30 years.

TREASURY BILLS

Treasury bills are marketable securities that are issued periodically with terms of 3, 6, or 12 months. Treasury bills are usually purchased or sold prior to maturity at current market prices.

REAL RETURN BONDS

This product features fixed semi-annual interest payments that are adjusted for changes in the consumer price index (CPI) for Canada. These bonds protect against inflation over the long term. Real return bonds cannot be cashed prior to maturity, but they can be bought and sold at market prices.





DEBT TERMS

PUBLIC DEBT

Public debt is the outstanding financial obligations of the Government of Canada, including both market and non-market debt.

MARKET DEBT

Market debt is the portion of debt that is funded in the public markets and includes marketable bonds, Treasury bills, non-marketable debt (the Canada Premium Bond and the Canada Savings Bond), foreign-currency denominated bonds and bills, and bonds issued to the Canada Pension Plan.

NON-MARKET DEBT

Non-market debt includes the government's internal debt, which is for the most part federal public sector pension liabilities, and the government's current liabilities (such as accounts payable, accrued liabilities, interest and payment of matured debt).

RETAIL DEBT

Retail debt includes those Government of Canada securities held by individual Canadians. There are two principal categories: non-marketable securities, which include the Canada Premium Bond and the Canada Savings Bond, and marketable securities, which include real return bonds, marketable bonds and Treasury bills.



I always promised myself that I would try to retire at 60 when I first started working. I have tried different investments scheme including investing in the stock market over the years with little or no success. More often than not, I got burnt and lost a significant amount of money. Then I started to follow my parent's footsteps and began buying CSBs on a regular basis. Not only did this enable me to sleep better at night, my savings started to grow nicely. With the nice nest egg of CSBs I have, along with some other assets, I will be able to achieve my goal of retiring comfortably next year at the age of 60. Thank you Canada Savings Bonds!

Jim Oei,
British Columbia





CONTACT US





ON-LINE AND BY PHONE

During the annual sales campaign, Canadians can buy the Canada Savings Bond and the Canada Premium Bond at www.csb.gc.ca any time or by calling **1 888 773-9999**, Monday to Friday, 8 am to 8 pm Eastern Time.

IN PERSON

The Canada Savings Bond and the Canada Premium Bond can be purchased wherever Canadians bank or invest, including at banks and credit unions or through investment dealers.

AT WORK THROUGH THE PAYROLL SAVINGS PROGRAM

The Canada Savings Bond can be purchased at work, by regular payroll deduction, through sponsoring organizations of the Payroll Savings Program. Deductions are made to employee pay cheques on a regular basis and directed into individual plans.

Toll-free: **1 800 575-5151**
On-line: **www.csb.gc.ca**
Mail: Canada Investment and Savings
110 Yonge Street
Suite 900
Toronto ON M5C 1T4



When my wife and I were children, we were very fortunate to have had the opportunity to take part in many functions that enriched our lives. We took lessons such as swimming, skating, and music. We played on sports teams and were part of Boy Scouts and Girl Guides. When our 3 children were born, we wanted them to have the same opportunities for personal growth and challenge, as well as lots of fun. We enrolled them in sports, music and Girl Guides and Boy Scouts. However, when the time came for registration fees, new instruments and sports gear, we wondered if we would be able to meet these financial commitments. Fortunately, we always have Canada Savings Bonds (CSBs) that we can redeem when needed. The contributions are automatically deducted from our pay so we never miss the money, and knowing we are saving for family needs makes us feel very secure. CSBs have allowed us to offer our children the gift of a healthy active lifestyle, allowing them to learn and make many new friends. When the cheers go up at the rink and on the field, applause sounds in the concert hall, when we beam as they bring home badges or head off to camp, we have Canada Savings Bonds to thank. Being taught at a young age to save this way has meant that our family has benefited from our parent's wisdom. Sensible saving for a busy family is made easier with Canada Savings Bonds.

Gaetan Tremblay,
Nova Scotia

