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ANNUAL REPORT

Canada Investment and Savings

Canada

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Canada

Highlights of Canada Investment and Savings Achievements

Deliver New Products

- The downward trend of retail debt share as a percentage of total federal market debt stabilized at approximately 22 per cent as at March 31, 1998.
- Introduced the first new retail debt product in 50 years – the Canada RRSP Bond (relaunched as the Canada Premium Bond in fall 1998).
- Introduced a RRIF option.
- Increased emphasis on holding bonds as RRSPs, as early data suggests RRSP bondholders hold the bonds for longer, thus increasing total portfolio retention.

Increase Access to Products

- Rolled out the New Canada Payroll Savings program to approximately 1,400 companies and 85,000 employees.
- Increased the number of sub-agents through broader sales agent agreements.

Deliver Operational Efficiency

- Saved $0.5 million annually through redesign of CSB certificate and streamlining of the printing process.
- Developed a new strategic, market-based compensation structure with financial institutions.
- Introduced an integrated marketing approach to support a longer sales period while remaining cost effective.

Organizational and Planning Initiatives

- Developed a performance and customer-oriented organization comprised of 18 private and public sector professionals.
- Granted permanent status as a Special Operating Agency within the Department of Finance.
- Developed a three-year Strategic Business Plan and three-year Information Technology Strategic Plan.

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CI&S Mandate and Strategic Objectives

Launched officially in September 1996, Canada Investment and Savings (CI&S), formerly known as the Canada Retail Debt Agency, was created in the 1995 Federal Budget as a response to declining ownership of federal retail debt instruments such as CSBs. In October 1997, CI&S obtained its permanent Special Operating Agency status within the Department of Finance.

CI&S is responsible for managing the country's largest retail debt program and for developing its long-term strategy as part of the Government of Canada's overall debt management program. More specifically, CI&S' mandate is to participate in the development of the government's debt strategy, to assist the federal government in funding public debt through the management of the retail debt program, and to develop new, cost-effective retail debt products designed to diversify the retail debt portfolio and to reduce risk.

This is the first annual report of CI&S. This report provides a summary of our progress in implementing an integrated strategy to meet our mandate. In doing so, we have established three strategic objectives:

Strategic Objectives:

- **DELIVER NEW PRODUCTS** by enhancing and expanding the product line
- **INCREASE ACCESS TO PRODUCTS** by making it easier for Canadians to buy them
- **DELIVER OPERATIONAL EFFICIENCY** by continually improving performance

Mandate:

- to participate in the development of the government's debt strategy,
- to assist the federal government in funding public debt through the management of the retail debt program, and
- to develop new, cost-effective retail debt products designed to diversify the retail debt portfolio and to reduce risk.

President's Message

This first annual report provides an overview of the evolution and direction of Canada Investment and Savings. Our Agency has been given the lead role in shaping the retail debt strategy of the federal government. Since 1995, when the Agency was created, the CI&S infrastructure has changed to keep pace with the Government's vision of broadening its investor base in Canada and diversifying debt products. Although the report's primary focus is 1997-98, this is our first opportunity to reflect on our development and transformation. Our achievements are better understood against the backdrop of this history.

Only a few years ago, the retail debt program comprised one product – the Canada Savings Bond or CSB – sold for just three weeks each year. Through an expanded product line and a better delivery system, CI&S has stabilized the declining trend in retail holdings of federal debt securities. Bonds can now be purchased in several different forms over a much longer period of time through more channels than ever before. Also, Canadians who desire registered plans for retirement savings or post-retirement income now have these options.

In just a short period of time, CI&S has taken significant steps to establish itself in the crowded financial marketplace. Beginning the journey along this path of change has not always been easy. I want to thank the many people and organizations who have helped to make this possible. The Department of Finance and the Bank of Canada have supported us throughout these formative years. We have received the cooperation of Canadian financial institutions who are so vital a link in connecting our products with the public. Finally, the perseverance and dedication of inaugural CI&S staff have been instrumental in bringing us to where we are today.

As the new millennium approaches, we are mindful that the CSB was the first form of savings for many Canadians, perhaps through a payroll savings plan or through receipt of a $100 bond as a gift. CI&S will continue to ensure that the traditional underpinnings of Canada's favourite savings vehicle will continue: equal access regardless of the amount of purchase; no fees; and availability anywhere in Canada.

By the same token, we will make every effort to supply better products, build broader demand and deliver solid performance in the future. We believe that our Agency is well on its way to meeting the expectations of the Government of Canada for the benefit of all Canadians.

I look forward to reporting next year on our continued progress.

Jacqueline C. Orange
President and Chief Executive Officer

The Financial Marketplace in Canada

The Canadian financial marketplace has been evolving rapidly in the past several years. Low interest rates and the changing financial needs of an aging population are two important influences in this evolution. Low interest rates have spurred the economy and equity markets to the point that Canadians have increasingly favoured financial assets like stocks and bonds over real assets like houses. However, changing financial needs have also meant that Canadians can no longer rely to the same extent they once did on conservative fixed income investments. In this environment Canadians have sought financial advisors and turned to mutual funds and equities in search of higher financial returns.

Industry forecasters expect the average annual growth in total financial assets to be between 5 and 6 per cent over the next decade, on an estimated $1.3 trillion, with slower growth in the deposit or fixed income category at about 2 per cent per annum.

Investors have become more informed and sophisticated in their financial decision-making and have developed higher expectations from investment products. For a number of years now, the Canadian saver/investor has been attracted to the potentially higher yields of competing financial instruments, moving away from the more traditional, modest yields of fixed income securities, including Canada Savings Bonds. The element of risk that is a part of competing products such as mutual funds was largely ignored in an extended bull market. With recent developments in financial markets, consumers are now more conscious of the relationship between risk and yield, and more experienced in shopping around for financial instruments.

The Federal Debt Market in Canada

In 1997-98, the federal government achieved a budgetary surplus for the first time since 1969-1970. In 1997-98, a financial surplus of $12.7 billion was reported (excluding foreign exchange transactions), up from $1.3 billion in 1996-97. A financial surplus means that the government did not need to borrow new money from financial markets. With a commitment to balanced budgets in the next two fiscal years as well, the government will remain in an ongoing net financial surplus position. This will allow the government to steadily pay down its market debt. As a consequence, the federal debt managers are faced with the challenge of managing a debt program in a declining debt environment.

The gross federal debt is made up of two major components: non-market debt and 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). At March 31, 1998, non-market debt totaled $175 billion.

Market debt is the portion of debt that is funded in the public markets and includes marketable bonds, Treasury bills, non-marketable retail debt (primarily Canada Savings Bonds), foreign-currency denominated bonds and bills, and bonds issued to the Canadian Pension Plan. At March 31, 1998, market debt outstanding was $467.3 billion.

With the elimination of the deficit this past fiscal year and the commitment to balanced budgets in 1998-99 and 1999-2000, debt management has entered a new era. However, the level of debt remains significant and prudent debt management includes providing reasonable cost stability under a range of economic scenarios. One key component of this prudent debt management remains ensuring that – through the activities of CI&S – a reasonable portion of the debt is held in retail hands.

Prior to the creation of CI&S, the retail component of federal market debt had been declining dramatically in relative terms. As total market debt was increasing, the retail share had fallen from 33 per cent to 21 per cent in the period from 1988 to 1995. And the savings vehicle best known to Canadians, the Canada Savings Bond, had lost nearly 40 per cent of its share of the retail debt market over that same period.

Today, the Canadian investor demands greater flexibility and better returns from investments in government-issued instruments. The challenge for government is to develop more attractive products to maintain its share of a shrinking marketplace.

The Debt Managers

The Department of Finance, in conjunction with the Bank of Canada and the government's retail debt agency, Canada Investment and Savings, manages the federal market debt.

The Department of Finance works in partnership with the Bank of Canada, the government's fiscal agent, on all aspects of debt management. The Bank of Canada, as fiscal agent, is specifically responsible for the operational aspects of debt management, such as conducting the auctions of government debt, issuing the debt instruments, making interest payments, and foreign currency borrowing operations.

Responsibility for the management of the retail debt portion of the federal market debt is carried out by CI&S. In this role CI&S is responsible for achieving the fundamental debt management objective of stable, low-cost funding by developing and implementing programs which ensure that a reasonable portion of the market debt be widely held, preferably by as broad a cross-section of Canadians as possible.

Creation of Canada Investment and Savings

In the February 1995 Federal Budget, the Minister of Finance announced a new initiative in response to declining ownership of federal retail debt instruments such as CSBs. The Canada Retail Debt Agency, which later became Canada Investment and Savings, was officially created in 1995.

In September 1996 the Agency became Canada Investment and Savings and opened its head office in Toronto to signal its role not only as an agency of government, but also as an important participant in financial markets, working in partnership with financial institutions. In October 1997, CI&S was granted permanent status as a Special Operating Agency within the Department of Finance, applying best business practices where possible to meet the challenge of managing the largest retail debt program in Canada.

Bringing together the private sector expertise of key professionals in the financial services industry while retaining a reporting structure within the Department of Finance, CI&S today has a staff of 18, including persons with special skills in the key areas of financial services marketing, distribution, product development and delivery, and finance, administration and operating performance standards. Operational and systems support is currently provided from the Bank of Canada's Government Securities Services Department (GSS), formerly the Public Debt Department (PDD).

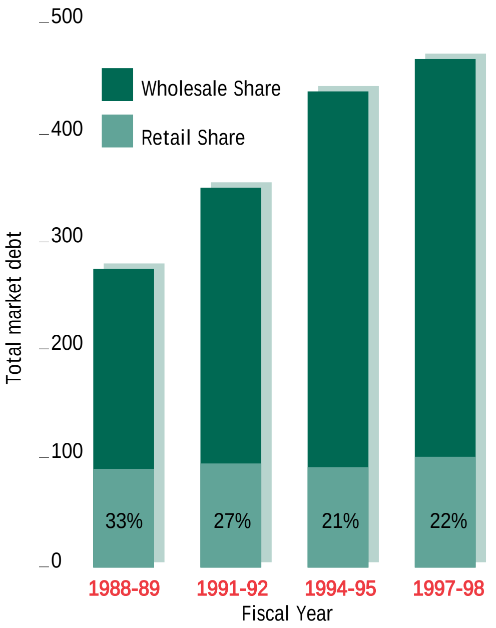
Reversing the Trend: Building for the Future

The CI&S strategic objectives are to deliver new products, increase access to products and to be efficient in our operations. In brief, the Agency has been charged with developing, delivering and selling government financial instruments efficiently. Indicators show that in our short history we have begun to make a difference. Initial results indicate that the downward trend in the retail share of total debt has stabilized as we seek to maintain a reasonable share of market debt. At fiscal year end 1997-98, the retail share of federal market debt stood at approximately 22 per cent with total retail debt outstandings of about $101 billion, further evidence that the first challenge CI&S had set – to stop the decline from about 33 per cent in the mid 1980s – has been met.

The table on page 7 shows the components and status of the retail debt portfolio.

Retail and wholesale share of Government of Canada market debt

($ Billions)



Components and Status of Retail Debt Portfolio at March 31, 1998

This table reflects two principal components of the retail debt portfolio: non-marketable debt (primarily Canada Savings Bonds) and marketable debt held by individual Canadians (marketable bonds and Treasury bills). Maintaining a reasonable share of the federal market debt is important for maintaining a diversified investor base.

(Debt holdings in billions of dollars)

	Actuals 1997-98
Total retail non-marketable (1)	30.7
Total marketable retail (2)	69.8
Total retail Government of Canada debt	**100.5**
Total Government of Canada market debt (3)	**467.3**
Total retail as per cent of total Government of Canada market debt	22%
Sales:	
Total gross sales of non-marketable retail debt	$4.9

(1) Comprised of Canada Premium Bonds and Canada Savings Bonds which include Government's holdings.

(2) Retail marketable debt includes two components: marketable direct (marketable Government of Canada securities directly held by individuals, most of which are marketable bonds and T-Bills sold through intermediaries) and marketable indirect (marketable Government of Canada securities indirectly held by individuals through mutual funds. Strip bonds are also included in this category).

(3) Public Debt comprises market and non-market debt:
- Market debt is the portion of debt that is funded in the public markets and includes marketable bonds, Treasury bills, non-marketable retail debt (primarily Canada Savings Bonds), foreign-currency denominated bonds and bills, and bonds issued to the Canada Pension Plan.
- 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).

The Strategy for Change: Deliver New Products – Increase Access – Be Efficient in Operations

CI&S was created to develop new, cost-effective retail debt products which diversify the retail debt portfolio. The Agency's approach has been to develop these new products, increase access to both new and existing products and to improve its own management and administrative efficiencies.

New Products for a New Era

Adding value to existing products

The first Canada Savings Bond was introduced over 50 years ago in 1946 to replace the wartime instrument known as the Victory Bond. It was clear that a financial instrument designed in the 1940s would have to be modified and improved for the new era. Beginning with steps taken several years ago to enhance the CSB by introducing a three-year escalator, CI&S has continued to extend the pricing term of the bond as far as possible given the yield curve, thus offering bondholders maximum yield in a very low nominal rate environment. Additional enhancements included the introduction of the RRSP option in 1995 – the CSB-RRSP – which for the first time allowed CSBs to be purchased directly as an RRSP with no need to have a Self-Directed plan and with no fees. This was followed shortly thereafter by a program providing the means for bondholders to transfer their existing CSBs to an RRSP, with no fees, thus permitting an RRSP contribution without a new cash outlay. These two initiatives marked the early steps into the RRSP marketplace and were precursors to the introduction of a new product.

First new retail product

As part of its strategy for change, CI&S introduced the government's first new retail product in 50 years – the Canada RRSP Bond – which focused on a key market segment only partially addressed with the existing CSB, the retirement segment. Both the nature of these bonds and their date of introduction to the retail market (February 1997) were non-traditional. The Canada RRSP Bond was created as a directly held RRSP, offering a higher rate of interest than the original CSB in return for less cashability, that is, once a year on the anniversary date. Canada RRSP Bonds also differed from original CSBs since they were non-certificated, and thus not restricted to predetermined face values. Initially designed as a product available as an RRSP only, this product has since been re-named the Canada Premium Bond and beginning in the fall of 1998 is also available for cash purchase outside of a registered plan.

An additional effort to broaden the customer base came with the introduction of the Registered Retirement Income Fund (RRIF) in late 1997, capable of holding CSBs or Canada RRSP Bonds, as the Agency responded to demand for products serving the post-retirement market. The RRIF is designed to provide a steady retirement income, allowing retirement savings to remain tax sheltered while they remain in a RRIF. (See the Glossary on page 16 for the features of The Canada RIF).

Increasing Access

In concert with ongoing efforts to improve the supply, CI&S has been actively introducing initiatives to strengthen access – and demand – for its products. In addition to product improvements, CI&S has been developing a new distribution strategy, involving a modernized payroll savings plan, expanded sales periods, new sales agents, new methods of distribution and new forms of registrations.

New Canada Payroll Savings

The bedrock of the Canada Investment and Savings business strategy is Canada Payroll Savings which enables Canadians to purchase Canada Savings Bonds through the workplace. Employees are offered a simple way to save and employers are able to sponsor a convenient, competitive investment product which is of economic benefit to the country, while encouraging Canadians to save more, at minimal cost to the employer. Canada Payroll Savings is one of the largest automatic savings plans in Canada with approximately 15,000 employers and about one million Canadians participating each year. Canadians have used it to purchase more than $40 billion in Canada Savings Bonds since the program was established more than 50 years ago as part of the wartime debt-raising effort.

Despite the high acceptance of the payroll program at the employee level, sales in the payroll deduction market have been declining by approximately seven per cent per year over the past seven years. Complicated processes and operational systems required to implement annual sales campaigns in participating companies contributed to declining sales, as did company dropouts and defections to competitors in a marketplace increasingly dominated by firms offering attractive book-based alternative savings plans, geared especially to the Group RRSP market.

To meet these changes in the marketplace and improve the payroll processes, the Canada Payroll Savings program has recently been improved to make it more accessible to Canadians and reduce the workload to employers. Administrative savings to the employer of up to 70 per cent have been realized with a new program first piloted in 1996. Conversion of existing companies to the new program began in 1997 and will continue over the next few years. Employees benefit by dealing directly with CI&S for many administrative matters. For example, through a toll free 1-800 line they can now access funds built up in their payroll savings plan. Historically this was possible only after the bonds had been fully paid.

Expanded sales period… and more choice

CI&S has steadily increased the length of its sales period to allow Canadians more time to buy bonds. In 1997-98, bonds were on sale for about four months of the year – a substantial increase from the traditional three week sales window in the fall, which had been the norm for close to 50 years. Canadians indicate that they would like to see CSBs on sale when they want to buy them and these supply efforts are aimed at meeting those needs.

Strides are also being made to provide more choice. Beginning with the introduction of a second product, Canadians will be able to choose between two products on sale at the same time, thus having more choice within the longer sales period.

New sales agents

CI&S continues to broaden the distribution of its products by working with existing sales agents to improve the relationships and provide better access to the market. At the same time qualified financial institutions are being encouraged to become sales agents. Additional efforts have been aimed at broadening the category of sub-agents – those not qualified for full sales agent status – so that they may partner with a sales agent. A number of new sub-agents have resulted from these efforts.

New methods of distribution and new forms of registrations

Ongoing efforts are aimed at bolstering direct sales. This began with the introduction of a direct marketing package *CSBs To Go* in 1996 and *RRSPs To Go* in 1997, allowing Canadians to purchase bonds directly from the Bank of Canada. Applications are also available electronically through our website. While direct sales through these channels are modest at this time, as Canadians turn to new ways of buying their investments and their bonds, they will increasingly appreciate this means of access. Accordingly, CI&S expects to expand these direct efforts in the future. Third party opportunities are another area of expansion as telephone, internet and electronic commerce make inroads into the financial services arena.

To accompany CI&S' continued broadening of access to products, we have expanded the types of registrations available for the bonds. RRSPs, RRIFs, charities and sole proprietorships are but a few of the newly available types of registration. Finally, the amount that each registration type can purchase by series and issue has been increased, with maximum ownership limits for CSBs and Canada RRSP Bonds increasing from $100,000 to $200,000.

Introducing new approaches

To foster innovative approaches to carrying out our work, CI&S has encouraged pilot programs, service trials and experiments which often mean rethinking old tried and true practices. An active market research program has provided key information to launch many of these initiatives, while also providing the measurements necessary to gauge both the successful and less successful elements. Instilling an attitude of "Let's try it" has created several successes, notably the piloting of the new payroll savings program. Other experiments, such as expanded distribution through Canada Post, have been successful although to a more modest extent.

Efficiency in Operations

To meet the mandate and corporate objectives set for the Agency over the last two years, the Bank of Canada and CI&S undertook significant steps to reduce or minimize both controllable fixed and variable costs. Additionally, investments were made in key technology areas.

Budget management

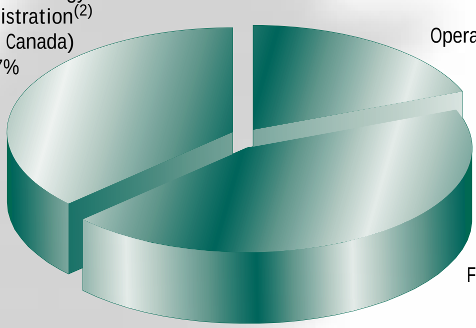
CI&S continued to manage its operations within the approved budget. In 1997-98, actual expenditures were $126.6 million compared to estimated expenditures of $133.0 million. It is worthy to note that the Agency started to incur in 1997-98 one-time capital costs related to the upgrade and revamping of main Information Technology (IT) systems supporting the retail debt program. This will generate ongoing direct operational efficiencies and savings. Key technology investments include the completion of all planned phases of development for two major systems – the Direct Retail System (new payroll savings system) and the Retail Debt Management System (CSB system).

Operational streamlining

Significant cost efficiencies were realized beginning with the first CSB sales campaign run by the new Agency in 1996-97. Among the main streamlining initiatives was the redesign of a smaller CSB certificate, which resulted in ongoing annual savings of approximately $500,000 starting with the fall 1996 Campaign.

Canada Investment & Savings

Expenditure Breakdown, 1997-98



(1) Estimated marketing costs related to: CSB fall advertising are $5.3M; RRSP winter advertising, $3.2M; Ice storm, $0.5M; and Continuity Program, $1.6M.

(2) As a result of amendments to the *Bank of Canada Act,* in June 1997, the Bank began recovering the full cost of the retail debt operations and new initiatives, including technology investments related to the payroll system, other system development and administrative fees related to the RRSP and RRIF plans (e.g. CIBC Mellon Trust fees).

(3) The Sales force remuneration / Commissions / Redemptions fees are based on an estimate and include amortized sales commissions from previous years.

Information Technology (IT)

In 1997-98, CI&S developed a three-year strategic IT Plan and Reference Architecture to provide a road map for systems development related to the retail debt program. In parallel with the ongoing development and renewal of the original retail debt system foundation, CI&S started in 1997-98 to investigate emerging technologies such as electronic commerce, as noted in the discussion on new methods of distribution.

In addition to completing the first phase of the Direct Retail System (DRS) – the system supporting the New Canada Payroll Savings program – the Bank of Canada continued the systems development related to the first phase of the new Retail Debt Management System (RDMS) – scheduled for completion in June 1998. Together with the functionality of the DRS, RDMS – the central register of information for retail debt customers and their holdings – will provide the system infrastructure for quickly and cost-efficiently issuing, servicing and retiring retail debt products as we move forward to the new millennium.

Market-based compensation

In 1997-98, CI&S negotiated a new compensation package with its sales agents. The new structure, based on market practice, promotes both asset retention and cost effectiveness to the government. Essentially, sales agents are now compensated based on the basis of how long the customer holds the bond.

In addition, CI&S introduced a variable performance-based component in the remuneration package for CI&S' current Canada Payroll Savings sales force, again to promote performance and cost efficiencies.

Cost-effective marketing programs

In the last two years, CI&S continued to move from a traditional marketing approach where each sales period required the invention of new themes and promotional materials, to a more integrated approach with continuous themes that can be used for an extended sales period. This allows the Agency to promote its products and build longer-term customer awareness without incurring large marketing budget increases.

In 1996-97, the Agency launched the first new retail debt product in 50 years – the Canada RRSP Bond – and ran two advertising campaigns while remaining within its approved budget through streamlining and a reallocation among expenditure items. In 1997-98, marketing expenses were increased marginally (+$1.5 million) to extend the sales period from three weeks in 1996-97 to four months in 1997-98, and to build on brand equity.

The Agency continuously aims to increase the use of unpaid media – such as the participation of CI&S' CEO in media opportunities and events such as the first ever Canada Payroll Savings CEO luncheon hosted by the Minister of Finance held in December 1997 on Parliament Hill.

Marketing efforts to communicate the website, a more efficient means of providing up-to-date information on CI&S products and services such as bond calculators, have met with great success, seeing the use of the website significantly increased.

Looking to the Future

As we complete this reflection on CI&S' first few years of operations, we look to the future where we see an era of declining debt and greater diversification within financial markets. CI&S will adhere to its mandate – having a reasonable share of the total federal debt held by individual Canadians – and continue to seek ways to promote access for all Canadians. By developing new and innovative products with greater flexibility, promoting the New Canada Payroll Savings plan and continuing to implement its Information Technology strategy, CI&S can approach the future with confidence.

Glossary

Key debt concepts

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

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

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 includes those Government of Canada securities held by individual Canadians. There are two principal categories: non-marketable securities which include Canada Savings Bonds and Canada Premium Bonds (formerly Canada RRSP Bonds) and marketable securities which include Real Return Bonds, marketable bonds and Treasury bills.

Canada Investment and Savings' Product Line

CI&S provides two non-marketable investment products: the original Canada Savings Bond (CSB) and Canada Premium Bond (CPB) – formerly known as the Canada RRSP Bond – which offers a higher interest rate than the CSB on sale at the same time but is cashable only once a year.

These investment products can be held in specially designed no-fee registered plans, like The Canada RSP, for accumulating savings for retirement, and The Canada RIF for providing a regular income with those savings.

Canada Savings Bonds

Introduced in 1946, Canada Savings Bonds (CSBs) provide Canadians with a safe and secure way to invest and save.

Canadians can purchase CSBs in two forms – Regular Interest Bonds, which pay annual interest by direct deposit into a chequing or savings account or by cheque, and Compound Interest Bonds, on which interest accumulates and is compounded annually until redeemed or until maturity.

Both types of bonds are available for over-the-counter purchase. Only the Compound Interest Bond is available for the RRSP or RRIF option or through Canada Payroll Savings, a means for purchasing CSBs by periodic payroll deduction that is offered to employees of participating companies.

CSBs can be purchased by all residents of Canada.

Key Features of CSBs

- *Minimum guaranteed interest rates*. CSBs earn minimum guaranteed annual interest rates for the specified series of bonds that will be increased if market conditions warrant, but will never fall below their posted rates for the specified period.

- *Cashable any time*. CSBs are cashable at any time for their full face value, plus interest earned to the first of the month. No interest is paid if CSBs are cashed within three months of the issue date or for a portion of a month.
- *Security*. Both the CSBs' principal and interest are fully guaranteed by the Government of Canada.
- *Easy to buy*. CSBs are available where individuals bank, invest or work. Compound Interest Bonds are offered in denominations as low as $100, while Regular Interest Bonds are available starting at $300. The minimum purchase for the RRSP or RRIF option is $500. The maximum purchase limit is $200,000 per series and per registration.
- *Flexibility*. This product is available as a Regular Interest Bond or as a Compound Interest Bond.
- *Direct deposit convenience*. The interest payments on Regular Interest Bonds can be deposited directly into an individual's savings or chequing accounts.
- *No fees*. Unlike most other investments today, there are no acquisition, administration, transfer or redemption fees.

Canada Premium Bonds

(formerly known as the Canada RRSP Bonds)

Canada Premium Bonds have the same general features that Canadians have come to expect from original Canada Savings Bonds – they're safe and secure, easy to buy, convenient, and have no extra fees. For those looking for a higher rate of interest, and who do not require the instant cashability of a CSB, this is an ideal product.

Key Features of Canada Premium Bonds

- *Higher returns*. The Canada Premium Bond offers higher interest rates than the original Canada Savings Bond on sale at the same time.
- *Cashability*. The Canada Premium Bond is cashable once a year on its anniversary date and during the 30 days thereafter.
- *Flexibility*. This product is available as a Regular Interest Bond or as a Compound Interest Bond.
- *Security*. The Canada Premium Bond provides a full guarantee of principal and interest by the Government of Canada.
- *No fees*. Unlike most other investments today, there are no acquisition, administration, transfer or redemption fees.

RRSP and RRIF options are also available for both products. There are two no-fee plans available to hold your Canada Savings Bond and Canada Premium Bond investments – The Canada RSP and The Canada RIF.

Both CSBs and CPBs can also be held within Self-Directed RRSPs and RRIFs.

The Canada RSP

The Canada RSP is a plan to help Canadians save for their retirement by allowing them to conveniently purchase CSBs and Canada Premium Bonds directly in an RSP. This plan allows individuals to take advantage of the RSP tax deduction when filing income tax, while still benefiting from bonds with attractive interest rates and the Government of Canada guarantee.

The Canada RIF

The Canada RIF is a plan that converts proceeds in a retirement savings plan into retirement income. It, too, allows Canadians to benefit from the interest rates guaranteed by the Government of Canada.

A RIF is designed to provide a regular retirement income over an individual's lifetime or until all retirement savings are paid out. A RIF allows an individual's savings to retain their tax sheltered status until they are withdrawn, while allowing control over the timing and amount of the withdrawals (subject to an annual minimum amount that is required to be withdrawn).

Additionally, investors can generally purchase the following three marketable investments through an investment dealer or financial institutions.

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 can be bought and sold at market prices that vary from day to day. They can be purchased or sold at either a premium or a discount to the face value of the bond, depending on interest rates.

These bonds can be found in the marketplace with remaining terms to maturity ranging from one month to 30 years.

Treasury Bills

Treasury bills are marketable securities issued periodically with terms of 98 days, six months, and one year. Treasury bills are usually sold at a discount to the principal amount and mature to the face value of the bill. Like marketable bonds, they can be bought and sold at market prices that vary day to day.

Real Return Bonds

This product features fixed, semi-annual interest payments, adjusted in relation to the Consumer Price Index (CPI) for Canada. These bonds are stable and protect against inflation over the long term. They can be bought and sold at market prices, which vary according to changes in real yields and fluctuations in the CPI.