FRONTWATER
CAPITAL

INVESTOR INSIGHTS
2026

WHAT THE BANKS WILL NEVER TELL YOU

The Better Guarantee

GIC *Why the humble GIC quietly replaces most bond portfolios*

> *There is a five-year deposit GIC with UNLIMITED deposit insurance, that pays more than a Government of Canada bond, more than a top-rated AAA corporate, and nearly as much as a far riskier BBB corporate. It is the humble GIC — and most investors walk straight past it.*

Yes — we know exactly what you're thinking: isn't GIC coverage capped at $100,000? For the GICs a bank branch sells, that is technically true — it is the CDIC limit, and the banks are happy to let you assume it applies to every GIC. It does not. You can buy a GIC whose deposit insurance carries **no dollar limit at all** — you simply have to know where to look.

For decades, the default advice for the safety sleeve of a portfolio has been simple: **buy bonds.** It is the reflexive answer, and right now it is the wrong one. A bond portfolio quietly asks you to accept three things a guaranteed deposit does not — the risk that your bonds lose value when interest rates move, the risk that a corporate issuer defaults, and a layer of cost and complexity you do not need. When a guaranteed deposit out-yields the bonds, that trade stops making sense.

As is often the case in fixed income, the conventional choice shines in the telling while the real-world result falls short. The economics of a high-grade bond are perfectly defensible — but the framing leaves out the context that would materially change how an informed saver weighs the options. The instrument that looks "safe and ordinary" is, today, neither the safest nor the highest-yielding thing you can hold.

THE ANOMALY HIDING IN PLAIN SIGHT

A five-year GIC from a credit union currently yields about **4.10%.** The Government of Canada's own five-year bond yields roughly **3.04%.** The deposit pays you a full percentage point more than Ottawa pays on its debt — and protects every dollar of your principal without limit, which Ottawa's bond market cannot do for a single saver. The hierarchy is upside-down from what almost everyone assumes.

WHAT THE BANKS WILL NEVER TELL YOU

The scorecard: GICs versus government bonds

The GIC figures are the best current rates from the credit-union and trust issuers that brokers such as GIC Direct aggregate (mid-June 2026). Bond figures are Government of Canada benchmark yields as of June 19, 2026; corporate figures are estimated at a five-year term — the benchmark plus the credit spread the market demands.

INSTRUMENT	TERM	YIELD †	CAPITAL RISK
GIC — credit union / trust	1-yr	**~3.65%**	Guaranteed
GIC — credit union / trust	5-yr	**~4.10%**	Guaranteed
Gov't of Canada bond	1-yr	**2.57%**	Price risk
Gov't of Canada bond	5-yr	**3.04%**	Price risk
Gov't of Canada bond	10-yr	**3.38%**	High price risk
AAA corporate *(est.)*	~5-yr	**~3.50%**	Credit + price
BBB corporate *(est.)*	~5-yr	**~4.40%**	Default + price

† GIC and bond yields as of June 19, 2026. Corporate yields are estimates; confirm live rates before relying on specific values.

A credit-union GIC — while technically one step below a federally guaranteed bank GIC because its backstop is provincial rather than federal — still delivers a yield that sits near the top of the page. It pays roughly **1.06 percentage points** more than a five-year Government of Canada bond and about **0.6 points** more than a five-year AAA corporate bond. Only a BBB corporate bond offers a slightly higher yield, and that extra three-tenths of a percent comes with genuine **default and price risk.** For most conservative savers, that is a poor trade-off compared with a fully guaranteed deposit backed by a provincial guarantee corporation.

+1.06%
EXTRA YIELD VS. THE
5-YR CANADA BOND

∞
DEPOSIT-GUARANTEE LIMIT
BC · AB · SK · MB

~4.10%
BEST 5-YEAR GIC,
FULLY GUARANTEED

THREE-TENTHS OF A PERCENT IS THE WHOLE "PREMIUM"

At ~4.40%, a five-year BBB corporate out-yields the ~4.10% GIC by roughly **0.3 points** — about **$300 a year on $100,000.** For that $300 you take on default risk, price risk if you must sell early, and, inside a fund, an ongoing fee. You are being paid three-tenths of a percent to give up a 100% unlimited guarantee. The spread is the market's price tag on default risk — and the GIC lets you capture almost the same yield without buying any of it.

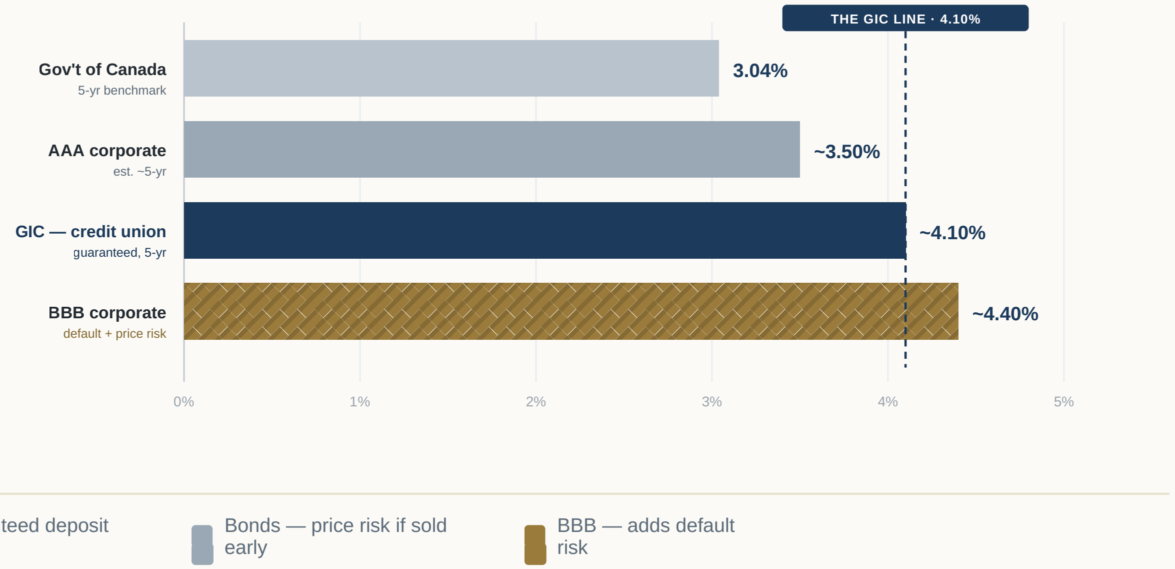
WHAT THE BANKS WILL NEVER TELL YOU

The hierarchy is upside down

Plot the four instruments at the same five-year term and the picture is hard to argue with. Everything safer than the GIC pays less; the only thing that pays more is the one carrying real default risk.

YIELD VS. RISK AT A ~5-YEAR TERM

Mid-June 2026 — the safest instrument pays the second-highest yield



Illustrative comparison at a common ~5-year term. GIC and Government of Canada figures are current rates as of June 19, 2026; corporate figures are estimates. Confirm against live data before relying on specific values.

Read across the chart and the story is plain: the Government of Canada bond and the AAA corporate both fall short of the GIC line, and the only bar that clears it is the BBB corporate — drawn in the hatched accent because it clears the line by taking on exactly the default risk a conservative saver is trying to avoid. The guarantee, in other words, costs you almost nothing in yield and saves you everything in risk.

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> *A five-year GIC pays you more than Ottawa pays on its own debt — and protects you better than Ottawa's bond does.*

WHAT THE BANKS WILL NEVER TELL YOU

Why this works: unlimited insurance out west

Most savers know CDIC — the federal insurer covering deposits at chartered banks. CDIC is solid, but it is capped at $100,000 per insured category, per institution. With $400,000 to keep safe, it forces you to split the money across institutions and categories like a shell game. The provincial credit-union systems in western Canada work differently — and far better for a serious saver. Their deposit-guarantee corporations carry no dollar limit at all.

BRITISH COLUMBIA

All money on deposit is 100% guaranteed — including foreign currencies and accrued interest — regardless of the term to maturity.

ALBERTA

The Credit Union Deposit Guarantee Corporation provides a 100% guarantee of all deposits with Alberta credit unions.

SASKATCHEWAN

Fully guaranteed, with no limit — whether $1, $1,000,000, or more, all deposits are covered in full.

MANITOBA

All deposit amounts are fully guaranteed, including accrued interest to the date of payout.

ONTARIO — FOR CONTRAST

Credit-union coverage is capped (currently $250,000 per category). Better than CDIC, but still a ceiling.

Here is the part that makes this practical: **the guarantee follows the credit union's province, not yours.** Several western credit unions — particularly in Manitoba and Saskatchewan — accept members from across the country, and a GIC broker like GIC Direct exists precisely to connect an investor anywhere in Canada to those issuers. So a saver in Toronto or Halifax can hold a Manitoba or Saskatchewan credit-union GIC and sit under that province's unlimited guarantee.

WHY THIS MATTERS

A million dollars, fully protected, in a single deposit — something CDIC simply cannot offer. For the portion of a portfolio that must not be lost, an unlimited provincial guarantee is a categorically stronger backstop than the $100,000 federal cap most savers quietly rely on. Eligibility and coverage vary by issuer and can change, so confirm both before placing a deposit.

WHAT THE BANKS WILL NEVER TELL YOU

The three risks a bond carries — and a GIC doesn't

1 **Interest-rate (price) risk**

A bond's market value moves opposite to interest rates. Own a 10-year Government of Canada bond at 3.38% and let rates rise a point, and its resale value falls — often sharply on longer maturities. You only avoid the loss by holding to maturity, which quietly defeats the liquidity bonds are supposed to offer. A held-to-maturity GIC has no market price to fall; its value never fluctuates.

2 **Credit / default risk**

A Government of Canada bond won't default, but it pays the least. To beat a GIC's yield with a bond you must climb down into BBB territory — the lowest rung still called "investment grade," one downgrade from "junk." You are now lending to a company that can miss payments or fail. A guaranteed deposit carries a provincial guarantee with no dollar ceiling. There is no comparison of safety.

3 **Cost and complexity**

Most people don't buy individual bonds; they buy bond funds and ETFs, which layer on management fees that skim the already-thin yield, and whose unit prices move daily. A GIC has no MER, no dealer spread, no price chart to watch. You buy it, you forget it, and it matures at exactly the number you were promised.

How to actually do it

1. **Use a GIC broker.** Brokers such as GIC Direct aggregate rates from dozens of credit unions and trust companies. They place your deposit at no fee to you — typically posting rates well above a single bank branch.
2. **Target the unlimited-guarantee provinces.** Direct deposits to credit unions in BC, Alberta, Saskatchewan, or Manitoba so your principal sits under a no-limit provincial guarantee.
3. **Ladder your terms.** Split across 1- to 5-year maturities so a portion comes due each year — you stay liquid and keep reinvesting at prevailing rates without ever taking a bond's price swings.
4. **Confirm the live rate and coverage before you buy.** Rates move daily; verify the current posted rate and the issuing province's guarantee directly with the broker.

THE BOTTOM LINE

The case for a bond portfolio over a GIC rests on advantages bonds don't currently deliver. They don't pay more, they aren't safer, and they aren't simpler or cheaper. The single edge — a BBB bond's slightly higher headline yield — is bought with exactly the default and price risk a conservative saver is trying to avoid. For money you cannot afford to lose, the math in June 2026 is unusually clear.

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