# Benefit from Laddering Maturities

Developing a laddered maturities plan can be an effective way to help you maximize GIC returns while maintaining a secure portfolio. This proven method of investing can help you reduce the risk of interest rate fluctuations and increase your portfolio's overall return.

**How laddering maturities works**

| Initial Investment | Today | After 1 Year | After 2 Years | After 3 Years | After 4 Years | After 5 Years |
|---|---|---|---|---|---|---|
| 1/5th of total | Purchase **1-year** GIC | Purchase **new 5-year** GIC | | | | |
| 1/5th of total | Purchase **2-year** GIC | | Purchase **new 5-year** GIC | | | |
| 1/5th of total | Purchase **3-year** GIC | | | Purchase **new 5-year** GIC | | |
| 1/5th of total | Purchase **4-year** GIC | | | | Purchase **new 5-year** GIC | |
| 1/5th of total | Purchase **5-year** GIC | | | | | Purchase **new 5-year** GIC |

If you want to reduce interest rate risk, consider spreading the maturity dates of your GICs so that one or more (and approximately 20% of your GIC portfolio) comes up for renewal each year for the next five years. That is, divide up the amount you are planning to invest by 5 (e.g. $100,000.00 equals five investments of $ 20,000.00 each).

Then, invest in five GICs of one- to five-year terms (e.g. $20,000 in a one-year GIC, $20,000 in two-year GIC, $20,000 in five-year GIC, etc.).

Now, 20% (1/5th) of your portfolio will mature each year. You can cash this or reinvest it for five years at the then prevailing rate. So, if you want to maximize the rate of return, every time a certificate comes up for renewal, reinvest it as a 5-year GIC.

You can work toward a portfolio of laddered 5-year GICs with some renewing each year, so that you receive the higher long-term rates. This strategy locks in the portfolio for higher long-term rates, yet also provides liquidity.

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