

GICs and online brokers

Right now, on RBC Direct Investing, an online broker that I use, there are 33 issuers of 1-year GICs. I can choose to invest in any of the 33. At mid January 2018, General Bank of Canada is offering 1.91%, Canadian Western Bank is offering 1.87%, Bank of Nova Scotia is offering 1.82%. At the other end of the spectrum, TD Mortgage Corp is offering .75%, and Bank of Montreal Mortgage Corp is offering 1.35%. I can choose any of these or any of the remaining 27 or longer terms through my online broker.

Even if you only invest in GICs, opening an online brokerage account should be considered. Having access to a choice of GIC providers guarantees you will receive top rates.

Why?

When you invest in a GIC you are lending your money to a financial institution. The financial institution lends the money you lent them to their clients. Financial institutions have differing demands for money at different times. If people are lining up for car loans at institution A and not at institution B, institution A has a higher demand for money than B. To attract money to lend out, institution A offers higher rates than B. This can be taken advantage of through an online broker. I choose the GIC from the provider that has a high demand for money. If I deal with one bank only, I am captive to their offerings. I may want a GIC at a time when my bank has a low demand for money. If so, I am stuck with a bad rate compared to other institutions. Imagine the boost to wealth over a lifetime by purchasing GICs from only institutions with a high demand for money.

Two potential drawbacks are that there is no negotiation of rates and it is unlikely you will be allowed to break a term mid term. If you deal with a branch instead of an online broker, and the branch staff know you, they are more likely to break a term for you.

All online brokers offer access to multiple GIC providers. Some of the financial institutions offering GICs are not household names. Note that you are protected if the financial institution you purchase the GIC from goes bankrupt. Find out more at [here](#).