

Segregated fund fees explained

How fees work, what they cover, and the value they provide



A simpler way to think about fees

All investment funds have ongoing costs. With segregated funds contracts, most of these costs are embedded in the fund and deducted before returns are reported — you don't receive an invoice or write a cheque for them. Segregated fund fees can seem complicated at first, but the key idea is simple:

- \$ Most costs are built into your investment and already reflected in your results.
- \$ Fees are deducted within the fund before returns are reported.
- \$ You don't receive a bill or make a separate payment.
- \$ What you see on your statement is always your investment return after fees.

Note: Some optional features, such as enhanced guarantees or resets, may be charged separately by periodically redeeming units from your investment. This happens automatically and will be reflected in your account.



What makes up the total cost

Like any investment, segregated funds have ongoing costs. These come from two main sources:

- ✓ **Fund expenses:** The ongoing cost of managing and operating the fund.
- ✓ **Direct costs (if applicable):** These are additional fees that may apply depending on your investment setup, such as advisory fees or transaction costs.

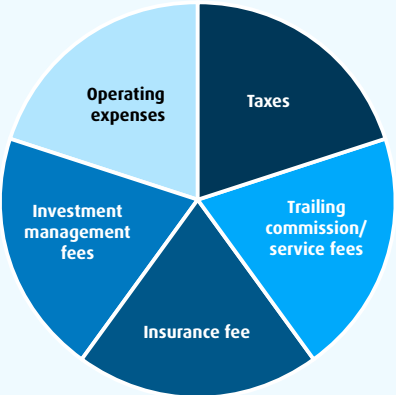
For most investors, fund expenses are the main cost to understand. These are typically captured in the **management expense ratio (MER)**.

What’s included in the MER

The MER combines several types of costs into a single percentage:

- **Investment management fees:** Professional portfolio management and research.
- **Commissions:** Ongoing advice, planning and support from your advisor. Includes trailing commission or service fees.
- **Insurance features:** This covers the cost of the guarantees at maturity or death, which are insurance features included in your contract.
- **Operating expenses:** Administration, recordkeeping and regulatory costs.
- **Taxes:** Applicable taxes on fund expenses.

These costs are built into the fund and deducted before returns are shown.



In simple terms, your total cost helps cover investment expertise, ongoing advice and the insurance features that are unique to segregated funds.

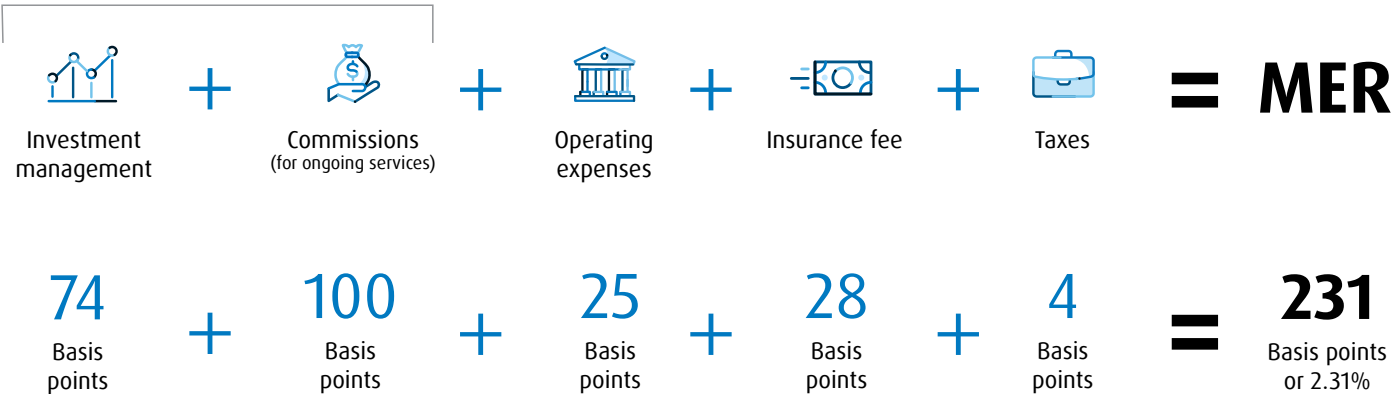
A dollar example

Let’s say you invest \$10,000 and your annual cost is \$231. That equals:

$\$231 \div \$10,000 = 2.31\% \text{ MER}$

Another way to think about it: For every \$100 invested, about \$2.31 goes toward managing the fund and providing its features. Your actual cost will vary depending on the fund and guarantees you choose.

Management fee



How guarantees can affect cost

Segregated fund contracts include built-in guarantees designed to help protect your original investment. They ensure that the value of your investments will never be less than a specified percentage, even if markets drop. You can choose different levels of protection depending on your needs.

These options are often shown as combinations like 75/75, 75/100 or 100/100.

- ✓ The first number shows how much of your original investment is protected at contract maturity.
- ✓ The second number shows how much is protected for your beneficiaries if you pass away.

For example, a 75/100 guarantee means:

- ✓ 75% of your investment is protected at contract maturity.
- ✓ 100% is protected as a death benefit.



Here are the key features explained:



Maturity Guarantee

This guarantee ensures that you will receive back a portion of your initial investment, ranging from 75% to 100%, when the contract matures.



Death Benefit Guarantee

This guarantee ensures that if you pass away, your beneficiaries will receive a minimum of 75% to 100% of the initial investment, depending on the option you choose.



Resets

This feature can help lock in market gains by resetting the guaranteed amount to a higher value if the market value of the fund increases. This may increase the value of your guarantees.

In general, higher guarantees = higher cost

The cost reflects the added protection built into your investment.

What you get in return

Segregated funds combine investments with insurance-based features. These may include:

- ✓ **Capital protection:** Guarantees designed to protect your investment at maturity or death, potential protection of investment gains via resets, as well as potential creditor protection.¹
- ✓ **Privacy:** The probate² process is a public process which can increase the risk of a court challenge from family members or creditors. Unlike wills, segregated funds operate outside the public probate process, providing privacy.
- ✓ **Speed:** Segregated funds can help facilitate quick transfer of money to directly beneficiaries.
- ✓ **Potential savings:** Possible reduction in estate-related costs.
- ✓ **Control:** Oversight into how assets are passed to beneficiaries using the annuity settlement option.

These added features are one reason fees may differ from other types of investments.

Coming Soon

What's changing in your statements

The good news is that starting in 2027, you will start to see fees presented more clearly on your statements. This is part of an industry-wide initiative called total cost reporting (TCR), designed to make it easier to understand investment fund fees in Canada.

What it means:

- Your statement will soon show costs shown in dollars, not just percentages (the MER is a percentage).
- You will see a clearer breakdown of total costs.



[Learn more](#) about what's coming with TCR.

A final thought

Understanding how your investment works helps you:

- Make more informed decisions.
- Feel more confident about your plan.
- Have clearer conversations with your advisor.

If you have questions, your advisor can walk you through the details and explain the value you receive.

Let's connect

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¹ Creditor protection may vary by province. It cannot be guaranteed. Please consult a legal advisor for your specific situation.

² Probate rules vary by province and territory and by contract/designation. Consult a professional (legal/tax) for advice.

Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value. The information in this publication is intended as a summary of our products and/or services and may include projected values based on a set of assumptions. Actual results may not be guaranteed and may vary. Please consult the appropriate policy contract for details on the terms, conditions, benefits, guarantees, exclusions and limitations. The actual policy issued governs. Each policyholder's financial circumstances are unique, and they must obtain and rely upon independent tax, accounting, legal and other advice concerning the structure of their insurance, as they deem appropriate for their circumstances. BMO Life Assurance Company does not provide any such advice to the policyholder or to the insurance advisor.

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