CEIRP

Canadian Entertainment Industry Retirement Plan

GLOSSARY OF INVESTMENT TERMS

Back-End Loads - Are fees that you might have to pay later if you remove your money from the fund within the first 5 or 6 years. These fees are also known as Deferred Sales Charges.

Capital gain – This is the money you make when you sell an investment (or some other asset) for more than you paid for it.

Capital loss – This is money you lose when you sell an investment (or some other asset) for less than you paid for it.

Default Fund – The fund into which your contributions and assets will be deposited if you do not provide investment options.

Deferred Sales Charge (DSC) - The deferred sales charge has been referred to as the mutual fund world's “leg-hold trap”.

When you buy a DSC fund, up-front commissions are waived in favour of redemption fees that apply if you sell in the six or seven years after each fund purchase.

DSCs are deducted from the value of units you sell within six years of each fund purchase you make. If you sell any funds you have purchased in the first year, a charge is paid to the fund company. This may be between 3% to 6% of the original cost, or accumulated value of your units, depending on the fund. The DSC on each purchase may decline each year and can disappear after you've owned the specific units for six years. It is important to understand that each purchase attracts new DSCs.

These charges are critical to consider if you think your investment needs might change, if the fund manager departs, or if the fund's performance suddenly turns sour and you want to sell earlier than you anticipated.

Ethical Fund - This kind of fund invests primarily in the shares of publicly traded companies (both Canadian and international) that conduct their business operations in a socially responsible manner. In addition to their social values, these funds are still managed with the hopes of creating the prospect of good long-term growth.

Fiduciary Responsibility - Arises when the relationship between two parties implies that a necessary element of the relationship is one of great confidence and trust on the one part and a high degree of good faith on the other. A fiduciary must act in “scrupulous good faith and candor”.

Front-End Load – A sales fee that you may pay at the time you buy units in a Fund. Because the fee is deducted from your original investment, it reduces the amount you have invested.

Fund Operating Expense (FOE) – These fees are charged directly to the fund to cover costs such as audit and custodial fees, fund transaction costs, bank fees, valuation and reporting expenses and taxes paid by the fund. The total amount of the fund operating expense is calculated at the end of each year. This fee does not include GST which is charged separately.

These additional expenses are subject to change annually, but currently range from .07% to .10%, depending on the fund.

Group RRSP – A group retirement plan that allows a group of individuals to take advantage of “bundled” services and investments. The result is significantly lower fees and often far better contractual terms than would be available to an individual investor.

There are two kinds of RRSPs:

1. <u>Retail programs</u> where individual members pay the same fees and receive the same returns and benefits from participating than they could as an individual investor walking in off the street.

2. <u>Group RRSP</u> where the plans are established on a no-commission, no load basis, and lower than retail IMFs, thereby providing members with an opportunity to benefit than they would under a retail program.

Guaranteed Investment Fund (GIF) - These investment vehicles pay you a predetermined rate of interest on money invested for a five-year term. The rate is guaranteed and is determined at the time of purchase by market conditions. The rate will not change over time, even if interest rates change.

Investment Management Fees (IMF) – Represent fees paid to the segregated investment manager for their professional services including the daily management of the fund. It also includes the fee for the cost of administering your plan and providing services such as personnel, statements, websites and call centre support. IMFs are based on the asset value of each fund and are paid directly from the fund each day. It is roughly equivalent to an MER, a term used by Mutual Fund companies. The IMF, like the MER, is the most important fee for you to understand in assessing your different retirement investments under the Canadian Entertainment Industry Retirement Plan.

Lifestyle funds – Also known as “target date” funds. These are funds that automatically change their ratio of equity to fixed income investments. You simply choose the fund with the maturity year that most closely matches your target retirement date.

Load - The sales charge paid by investors when fund units are bought (front-end load) or sold (back-end load).

‘Locked-in’ – As a participant in the Plan, all Employer/Producer contributions that are made on your behalf may be ‘locked-in’. For example, the Employer/Producer funds <u>cannot</u> be withdrawn until you terminate membership in the union or guild, become 55 years of age, or become a permanent non-resident of Canada; whichever occurs first.

Management Expense Ratio (MER) – The fees charged by mutual fund companies to manage your investment funds. The MER is equal to the total of all the management fees and other fund operating expenses divided by the number of fund units. It is important to consider a fund’s MER when making your investment selection.

Money Market Fund - These funds invest primarily in short-term government securities and high quality corporate money market investment instruments that mature within one year. It is a short-term investment tool used to invest money temporarily, and is not intended for long term investing.

No-Load Funds - Funds that do not deduct a sales fee when fund units are purchased or a redemption fee when fund units are sold.

Non-Registered Retirement Savings Plan for Members –A savings plan where contributions are not tax-deferred. All contributions made to a Non-Registered Retirement Savings Plan by an Employer/Producer are taxable to the member.

Registered Retirement Savings Plan (RRSP) – A tax-deferred savings plan that allows Members to make tax-deductible contributions – within the limits set by the Canadian Revenue Agency (CRA) – up to the end of the year in which they turn 71.