



Snapshots™

NEWCOMERS: BANKING IN CANADA

Bank Accounts

Canada's banking system is widely regarded as the most sound and sophisticated in the world. Some 80 banks, including subsidiaries of foreign banks, operate more than 6,200 branches in Canada, although Canada's six national banks dominate the landscape. (For a complete listing of Canada's banks, go to [Banks Operating in Canada](#)). Credit unions, or caisses populaires in Quebec, also offer banking services and products to their members.

Banking in Canada is federally regulated with the Office of the Superintendent of Financial Institutions keeping a close eye on banks' liquidity.

There is also protection for consumers in the form of the Canadian Deposit Insurance Corp. (CDIC). This federal government agency insures deposits in its member institutions in the unlikely event a bank fails. While not all monies lodged with a bank are covered by CDIC (go to [What's Covered, What's Not?](#) for what is covered), Canadian chequing and savings accounts are covered for up to \$100,000 each. So, if you have \$10,000 in your savings account and the bank fails, you will recover your \$10,000. If you have \$110,000 in your savings account, you recover only \$100,000.

Opening a bank account

To open a bank account, go in person to the bank of your choice. You will need to present two pieces of identification (originals in good shape, not photocopies). Acceptable identification includes:

- Permanent resident card or Citizenship and Immigration Form IMM 1000;
- A valid passport (foreign or Canadian);
- A Canadian driver's licence;
- Social Insurance Number (SIN) card;
- In some provinces and territories, your provincial health card;
- An employee ID card with a picture on it or a university or college student card; and

Types of bank accounts

There are many types of accounts and you may open more than one account, depending on your needs.

Chequing account. This is the most versatile of the accounts, the account you use for your day-to-day financial affairs. You can deposit funds to or take funds from this account as needed, either by visiting a bank branch or by using your debit or bank card at an Automated Teller Machine (ATM). You can pay your bills by writing cheques, hence the name, or by banking online. Account fees will vary depending on the features of your account.

Savings account. As the name implies, this is where you put the money you intend to save, that is not required day to day. Typically, the number of monthly withdrawals from the account is limited, unlike a chequing account, and you will earn a small interest on balances in the account.

U.S.-dollar accounts. Canadian banks offer US\$-denominated accounts that can be accessed from Canada or the U.S. These can be useful if you travel, own a second home in the U.S. or do business in the U.S.

Registered accounts. These accounts are registered with the Canada Revenue Agency (CRA) and are subject to certain rules. They are a way of saving for long-term goals in a tax-sheltered, tax-effective way. There are three main types of registered accounts:

- **Registered Retirement Savings Plan (RRSP).** This popular registered account is designed to encourage you to save for retirement. Annual contributions to your RRSP are based on income earned in the previous year up to a maximum, currently \$25,370 a year. When you contribute to an RRSP, you receive an offsetting tax deduction for the same amount, making the contribution tax-free. The investments you hold in your RRSP grow tax-free. Only when you withdraw funds from the account – probably when you retire – will they be taxed at your marginal rate.

RRSP rules give you a little leeway. If you are short of cash and miss making a RRSP contribution in a particular year or years, you can carry that contribution room forward indefinitely and make a larger contribution in the future. (The Notice of Assessment the CRA sends you after you file your return will note your outstanding contribution room.) Or you can make your contribution but defer taking your deduction until a time when it is more tax-effective.

You can contribute to an RRSP up until December 31 of the year in which you turn 71. At that point, you will need to transfer your RRSP to a Registered Retirement Income Fund (RRIF) or a life annuity. Like a pension, RRIFs and annuities provide regular income, beginning the following year. A life annuity is an insurance product and will provide income the rest of your life. A RRIF is similar to an RRSP in that it offers more flexibility; although you must withdraw a certain percentage each year – the amount is based on a formula that takes into account your age and the market value of your RRSP – you can make a lump sum withdrawal and you maintain control of how the RRIF is invested.

- **Registered Education Savings Plan (RESP).** An RESP is an excellent way to save for your child's eventual post-secondary education. Money invested inside an RESP grows tax-free and when money is withdrawn from the account for the child's education, it is taxed in the child's hands. Although there is no offsetting tax deduction, as with an RRSP contribution, the government of Canada provides an annual grant based on the amount you contribute up to \$500 a year, for a cumulative maximum of \$7,200 per child.
- **Tax-Free Savings Account (TFSA).** This relatively new account is the mirror image of the RRSP. You contribute after-tax dollars (there is no offsetting deduction) but when you withdraw funds, you are not taxed. You may contribute up to \$5,500 a year to a TFSA, contribution room accumulates and money invested inside the account grows tax-free.

There are many ways to use registered accounts to your advantage. For more information, see the [Investing in Canada](#) section. You can also set an appointment with me to see where RRSPs, RESPs and TFSAs fit into your financial picture. I can provide you with more information and suggest appropriate strategies for growing your savings.

Accessing and managing bank accounts

The introduction of the Automated Teller Machine (ATM) and online banking brought big changes to banking in Canada, and the world. You can still go to a bank branch during business hours for personal service, but you can withdraw or deposit money at your convenience at an ATM, or use your computer or smartphone to make transactions electronically. Opening a bank account opens the door to a wealth of options for managing your money.

Debit cards and Interac

When you open a bank account, you will receive a debit or bank card and your personalized PIN. This gives you access to the Interac network through a wide range of ATMs. At your bank's ATMs, you can deposit or withdraw funds, make a credit card payment or access other features, usually at no cost. You can also withdraw funds from the ATM of any bank that is part of the Interac network, but there will be a charge. When travelling abroad, you can make withdrawals from your account through the ATM of any foreign financial institution that is part of the PLUS System, likewise for a fee.

In addition, you can use your debit card to pay for purchases at more than 200,000 retailers in Canada. With a debit card, the purchase is taken directly from your chequing or savings account (depending on the choice you make at the time of purchase), so you must have the amount of the purchase in your account. You cannot, however, make purchases online using your debit card; you need a credit card to do that (for more on credit cards, see the [Credit](#) section. A bank card is extremely useful but with it comes a responsibility to keep your PIN confidential. (See Fraud and Identity Theft section below).

Cheques

If you have an account with chequing privileges, you will be able to make payments to others by writing a cheque against your account. Generally, you can order cheques online or through your bank branch. Although the importance and popularity of cheques has declined with the growing use of debit and credit cards, they are still necessary on some occasions. If you are a renter, your landlord might ask for 12 post-dated cheques to cover the next year's rent. Or you might have to pay a tradesperson for work on your home with a cheque.

You may also occasionally be asked for a certified cheque. Available at your bank branch for a fee, a certified cheque basically guarantees speedy payment to the person to whom the cheque is written. The bank withdraws the required money from your account at the time the cheque is issued and sets it aside until the cheque is cashed. As a newcomer with no credit history in Canada, your landlord might ask for certified cheques for the first and last months' rent, for instance. Or, if you are a small business owner, a new supplier might ask for a certified cheque before new product is delivered.

Telephone banking

Telephone banking enables you to use your telephone and your debit card to access information about your account(s) and to do transactions – such as transfer money between accounts or make a credit card payment – simply and quickly at any time.

Online banking

By using your computer or personal device, you can meet almost all of your banking needs any day, any time, any place – provided you have internet access. Once you have a bank account, you can set up online banking access by visiting your branch or by going to your bank's website and following the prompts. Some of the features available through online banking are viewing your account and transactions, transferring money between accounts, paying bills, printing statements and sending funds to others. Banks go to great lengths to make sure their internet banking sites are secure.

Mobile banking

Many banks have also introduced “apps” for your smartphone or tablet. Your app will allow you to bank as you would online but in a format scaled to your mobile device. Some apps even allow you to deposit cheques by snapping a photo of the cheque with your device. Visit your bank's website and follow the prompts to download the app. Most are available for Apple and android phones and tablets.

Automatic bill payment

You can arrange for the automatic payment of bills that occur on a regular basis, such as utilities, from your chequing account. That saves the trouble of remitting cheques or other forms of payment. You can do this at your bank branch or by online banking.

Bank drafts

As a newcomer with no credit history in Canada, you may be asked to pay a large amount of money by bank draft rather than by personal cheque. When you purchase a bank draft at your bank branch, the funds are withdrawn from your account and set aside until the draft is cashed. The payment is guaranteed. You can purchase a bank draft in any amount in a broad range of currencies.

Wire transfers (payments)

As a newcomer, you may find yourself wanting to send money outside of Canada, to family members in your country of origin, for example, or to receive money here. A wire transfer is a fast and secure way to send or receive money because the money is sent from bank to bank electronically. For example, if you are sending money to a relative, it goes from your account directly into the account of your relative. The bank making the transfer will require the name, address, bank branch and bank account number of both the sender and the receiver. Wire transfers can be made just about anywhere in a large range of currencies.

Fraud and Identity Theft

Unfortunately, identity theft and fraud is a growing problem in Canada. With identity theft, fraudsters collect your personal information – your full name, your date of birth, social insurance number, your bank account number, your address, your driver's licence number, your credit card number – anything that will help them prove they are you. They might use that information to take out a loan, which they have no intention of repaying, to run up charges on your credit card, or even withdraw money from your bank account.

Fraudsters have a number of ways of collecting that information. It may be an unsolicited telemarketer selling you something who asks for your credit card information. It may be an unsolicited email that asks you to “confirm” personal and financial information. The email might suggest, for example, that there has been a “security breach” and you need to go online and update your information, giving the fraudster the opportunity to collect your data. Remember: a legitimate company will not ask you for passwords or personal or financial information either by phone or online.

Here are some tips for keeping your information confidential.

1. Do not use your Social Insurance Number (SIN) card as a piece of identification. In fact, do not carry it with you; keep it safely at home and use it only when dealing with an employer or opening an interest-paying bank account.
2. Memorize passwords or PINs to bank cards and credit cards. Do not write PINs on a card that you carry in your wallet.
3. When you use an automated teller machine (ATM), shield your PIN. Likewise, when making a retail purchase with a bank or credit card, swipe the handheld machine yourself if possible and shield your PIN.
4. Never share your password and cards with anyone, even family members.

If you suspect your personal and financial information has been compromised, contact your local police department and your bank and credit card company. You should also contact the two national credit bureaus – Equifax Canada and TransUnion Canada – to place a fraud alert on your credit reports. Find out more in the [Credit](#) section.

For more information, go to the [Canadian Anti-Fraud Centre](#) website or the [RCMP](#) website.

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