

# Your Financial Wellbeing

What you need to know about banking in Canada

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# Banking in Canada



# The Canadian banking system

Canada's banking system has the international reputation of being strong and steady.

## There are different types of financial institutions in Canada

- Banks (e.g., 'the big 5')
- Credit Unions
- Trusts
- Foreign banks



**Banking in Canada is a highly regulated industry, designed to protect customers and banks from risk and fraud.**

## **Here are some groups who contribute to the protection and regulation of banking in Canada**

- The Office of the Superintendent of Financial Institutions (OSFI)
- Financial Consumer Agency of Canada (FCAC)
- The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
- Canada Deposit Insurance Corp (CDIC)
- Mutual Fund Dealers Association of Canada (MFDA)
- Canadian Investor Protection Fund (CIPF)
- The Office of the Privacy Commissioner of Canada (OPC)



# What is financial literacy?

“Financial literacy is having the knowledge, skills and confidence to make responsible financial decisions.”

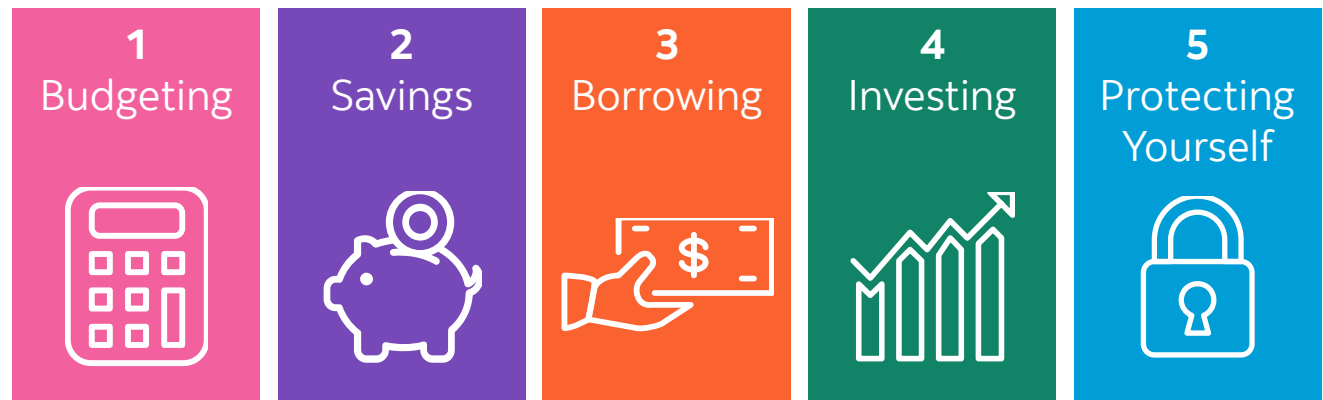
## National mandate

**The Government of Canada** has a national mandate to increase financial literacy and improve the financial wellbeing of Canadians so that they can:

1. manage money and debt wisely;
2. plan and save for the future; and
3. prevent and protect against fraud and financial abuse.\*

\*Source: FCAC website <https://www.canada.ca/en/financial-consumer-agency/programs/financial-literacy/financial-literacy-strategy.html#4>

## The five pillars of financial literacy



# What is a financial plan?

A financial plan looks at where you are today and where you want to be in the **future**.

It addresses how you manage the five pillars of financial literacy and helps define your short- and long-term financial goals and how you can reach them.

## A financial plan can help you:

- ☐ Prioritize your financial goals
- ☐ Save money to reach your goals
- ☐ Focus on the bigger picture
- ☐ Organize your finances
- ☐ Worry less about money



# Financial literacy statistics

**Research suggests Canadians have a gap in their financial knowledge.**

Canadians are somewhat aware of their finances but there is still room for improvement.

**How  
about  
you?**

**48%**

of Canadians feel they are \$200 or less from financial insolvency each month<sup>1</sup>.

**26%**

say they don't make enough to cover their bills and debt payments<sup>1</sup>.

**2/3**

check their account balances frequently (weekly or daily)<sup>2</sup>.

**The majority of Canadians don't know how much they should be saving for retirement<sup>2</sup>.**

1 Source: MNP Consumer Debt Index: <https://mnpdebt.ca/en/lp/debt-index>

2 Source: Canadian Financial Capability Survey, 2014 <https://www150.statcan.gc.ca/n1/en/catalogue/18-505-X2015001>



# Financial literacy statistics

**Canadians have very high household debt (consumer and mortgage).**

The amount of money people owe as a percentage of their income is increasing steadily each year.



**By the end of 2018  
the average Canadian owed**

**\$1.76**

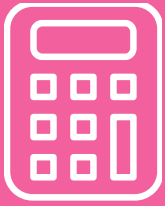
**in household debt for every \$1.00  
of their disposable income.**

Source: Statistics Canada, Table 38-10-0235-01 Financial indicators of households and non-profit institutions serving households, national balance sheet accounts <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3810023501>

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# The Pillars of Banking





# 1. Budgeting

**Setting financial goals and monitoring them regularly is one of the keys to a strong financial future**

One of the ways to plan for a successful financial future is to understand where you are today. It is important to develop a reasonable budget that will help you to manage your daily expenses while still setting aside money for the future.

**Budgets should be customized to your lifestyle and goals, here are some guidelines to consider:**



Pay yourself first and setup automatic savings contributions



Ensure you have enough money to cover your everyday costs as well as plan for those unexpected expenses



Allow for unexpected costs – set aside an emergency fund (see slide on Savings)



Set reasonable and achievable goals and monitor your progress regularly



## **TIP: Make a plan and stick to it**

Saving doesn't happen automatically – it requires a plan. A spending plan or budget will help you keep track of and manage your expenses so that you can meet your financial needs today and in the future.

# How to build a budget

There are many opinions on how to manage a budget.

Here are a few different theories on how to split up your funds.

These budgets are based on after-tax dollars.

## Option 1

Needs	50%
Wants	30%
Savings	20%

## Option 2

Savings	10%
Transportation	15%
Debt	15%
Housing	35%
Life	25%

## Option 3

Giving	10%
Savings	10%
Food	10 to 15%
Utilities	5 to 10%
Housing	25%
Transportation	10%
Health	5 to 10%
Insurance	10 to 25%
Recreation	5 to 10%
Personal Spending	5 to 10%
Miscellaneous	5 to 10%

<sup>1</sup> Source: <https://www.thebalance.com/the-50-30-20-rule-of-thumb-453922>; <sup>2</sup> Source <https://smartcanucks.ca/gail-vaz-oxlade-mish-jill-envelope-budget-method/>; <sup>3</sup> Source <https://www.thewaystowealth.com/money-management/household-budget-percentages/>.

How do  
you  
budget  
your  
money?



**TIP:**

To calculate your personal budget allocations go to the [Scotiabank MoneyFinder Calculator](#)

# Managing expenses

## A chequing account helps you manage day-to-day expenses

A chequing account allows you to withdraw your money quickly and easily and helps you manage your day-to-day banking transactions.

- Payroll can be deposited into this account automatically.
- Easily access your funds using cheques, a debit card or e-transfer.
- Can set up automatic transfers to savings account or investments.
- Can pay bills or setup recurring payments e.g., monthly bills or donations.
- Can make purchases at retailers with your debit card or online.
- Transactions update instantly and can be accessed through online and mobile banking.



### TIP:

Scotiabank chequing accounts can earn rewards like free food, free movies, and free travel.



## 2. Savings

### What is a savings account?

A savings account is a good place to keep funds that are not required on a day-to-day basis.

### Put your money aside for later

Savings accounts provide some interest on the money in the account, but it can be withdrawn at any time.

**What are some ways that you can save money?**

(e.g., coffee, cancel unused memberships)



#### TIP:

Put the equivalent of 3-6 months of salary in a savings account that can be used as a 'rainy day fund' in case of emergency. When unexpected expenses arise you can use this fund instead of your other savings.

# Set multiple savings goals

## Have a savings plan.

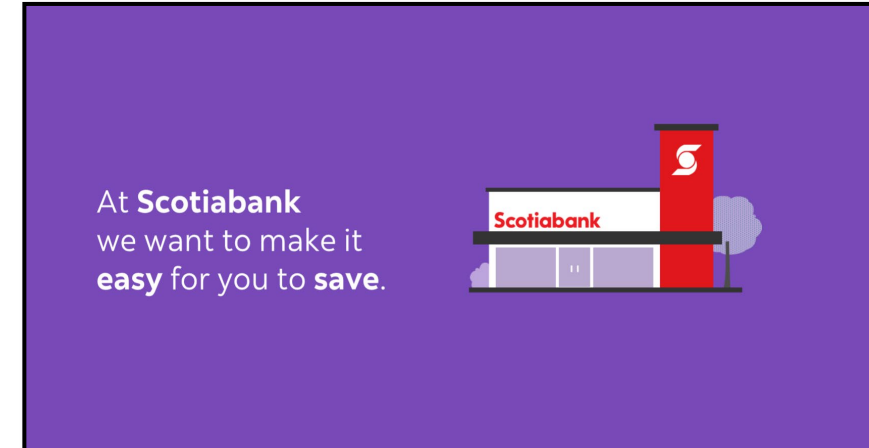
Split up your savings according to your goals:

- **Short term** – e.g., a vacation, furniture purchase, emergency fund
- **Medium term** – e.g., a child's education, house down payment, home renovation, vehicle
- **Long term** – e.g., retirement or a large purchase

## Save regularly.

Set up a regular automatic monthly contribution on your account to ensure your savings grow

- For more information on automatic savings check out this [Scotiabank video](#).



### TIP:

Work with an advisor to plan out your savings goals as part of your overall financial plan.



# 3. Borrowing

## Responsible borrowing is an important part of a sound financial plan.

You can borrow money using products like loans, lines of credit, credit cards and mortgages.  
(More information will follow on these.)

### What is 'interest'?

- Interest is what it costs you to borrow money.
- This is a cost in addition to the amount of money you have borrowed, which is often called the 'Principal amount' with your mortgage or your 'debt' with other credit products.
- When you borrow money you will need to pay it back as well as the Interest.

### Cost of borrowing

- When borrowing money, make sure you are aware of the 'cost of borrowing'.
- This is what it will cost you in interest payments and other fees (in addition to the principal amount borrowed) over the time you are borrowing for.

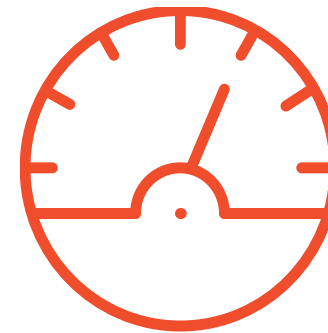


# Building good credit history

In Canada, credit history is a measure of your credit-worthiness: your reputation for paying bills on time and paying back money you have borrowed.

## WHAT IS A CREDIT RATING?

Your credit worthiness is assigned a number and changes each month based on your recent behaviour. Credit ratings (also called 'credit scores') are **between 300 (starting out) to 900 (highest credit-worthiness)**. In Canada, companies like TransUnion and Equifax monitor and report on consumer credit ratings.



# How to build good credit history

A good credit history will help you when you're making a large purchase, such as a car, home or when starting a new business.

1

- Get a credit card to build your credit history. Limit yourself to a maximum of one or two credit cards. Having too many cards can negatively affect your rating.

2

- Pay your bills in full and on time each month. Check your monthly account statement to make sure it is correct.

3

- Check your credit report regularly and make sure any closed credit cards or loans are no longer on your report.

4

- Don't spend more than your credit limit.

5

- Don't accept or use any form of credit unless you are comfortable with the terms and conditions of that product.

# Borrowing – credit cards

## Why use a credit card?



- To make purchases using money the bank lends you rather than paying cash.
- To build your credit history and credit rating in Canada
- To get access to money in case of emergency
- To remove the need to carry large amounts of money
- To make purchases online, in retail stores and by telephone
- To earn rewards while you spend (cash back, rewards, travel points)

## Types of credit cards

<b>Low interest rate cards</b>	May be the best option if you have always carry a balance.
<b>Student cards</b>	Lower interest rates and special rewards offers designed for students.
<b>Travel reward cards</b>	Excellent choice for avid travelers. Commonly have an annual fee.
<b>Cash back cards</b>	A type of reward card where a percentage of your purchases is paid as a credit to the account, based on the amount spent on eligible purchases (gas, food, groceries).
<b>Co-branded cards</b>	These credit cards usually offer rewards at the affiliated co-brand partner locations.

# Borrowing – mortgages

**A mortgage is a type of loan used to purchase a home or to borrow money against a home you already own.**

The lender registers the mortgage on your home and if you stop making payments on the mortgage, the lender can sell the home to recover the unpaid amount of the mortgage.

As of July 2019, the average house price in Canada was **\$499,000** (\$393,000 if Toronto and Vancouver are excluded)\*

\*Source: Canadian Real Estate Association National Statistics <http://creastats.crea.ca/natl/index.html>



**How much  
would you  
need to save  
as a down  
payment?**



**TIP:** Check out the following tool on scotiabank.com: [Mortgage payment calculator](#)

# Borrowing – mortgages

## There are three main types of mortgages in Canada

- **High Ratio Mortgage** – the customer borrows most of the money needed to purchase the home. These mortgages are considered higher risk and need to be insured by a mortgage default insurer. The customer must make a down payment of at least 5% of the portion of the purchase price of their home up to \$500,000. If the purchase price is between \$500,000 and \$999,000 the down payment for the remaining amount must be at least 10%. Mortgage default insurance is not available for homes with a purchase price of \$1 million or higher. This means that a 20% down payment is required.
- **Conventional Mortgage** – the customer can only borrow up to 80% of the purchase price (or value) of the home. For a home purchase, this means that the down payment must be at least 20%. This type of mortgage is not insured by a mortgage default insurer.
- **Collateral Mortgage** – this type of mortgage can secure different kinds of loans, not just a mortgage loan, and can allow the customer to re-borrow funds. For example, it can secure a Home Equity Line of Credit (HELOC). This mortgage can be used to purchase a home plus the funds can be borrowed for other purposes.



**TIP:** Check out the following tool on scotiabank.com: [Mortgage payment calculator](#)

# Borrowing – mortgage financing

There are many things to consider when choosing a mortgage

Term	Definition
<b>Mortgage term</b>	How long the interest rate will apply to your mortgage before the mortgage needs to be renewed or refinanced. e.g., 1 year, 5 year, 10 year
<b>Interest rate</b>	The amount of interest the bank will charge you over the payment term. <ul style="list-style-type: none"><li>• Fixed interest rate – your payment will remain the same for the term of the mortgage</li><li>• Variable interest rate – your payment will fluctuate depending on the lender's prime lending rate.</li></ul>
<b>Payment frequency</b>	Mortgage payments can be made weekly, bi-weekly or monthly. Paying more frequently may reduce the interest costs paid over time.
<b>Prepayment amount</b>	The annual amount that can be paid off of the mortgage in addition to the regular payments. Paying off more than the permitted pre-payment amount can result in extra fees or penalties.
<b>Amortization period</b>	How long it will take you to pay off the mortgage. This is often between 25-30 years.

# Other ways you can borrow money



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## Loans

- This is a lump sum amount that is borrowed for a specific purpose, e.g., an Auto Loan.
- The amount owed is split into equal payments (often monthly) and is paid back over a specific amount of time.
- Once the loan is paid down it is closed.



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## Line of Credit

- This is money that can be borrowed when you need it.
- Any funds paid become immediately available again, up to the amount of the credit limit.



## 4. Investing

### Take control of your financial future

Whether you want to retire comfortably, make a major purchase, or save for your children's education – having your very own financial plan is important. With it, you can take better control of your finances and know you're on your way to achieving your goals.

### When setting your goals be sure to consider:

- Are you investing for the short-term, medium-term or long-term?
- What is your risk tolerance? How much are you willing to risk losing if the market takes a downward turn?
- What is the annual rate of return you will expect to receive, e.g., 2%, 5%, 10%? Will the return be higher than the annual cost of inflation?



**TIP: Do an annual financial review with your financial advisor to monitor your progress.**

At Scotiabank you can set up a review for FREE – simply call and make an appointment.



# Types of investments in Canada

Investment	Advantages
<b>Canada Saving Bonds</b>	<ul style="list-style-type: none"><li>• Safe – insured by the Canadian government</li><li>• Liquid – can be cashed at anytime</li></ul>
<b>Guaranteed Investment Certificate (GIC)</b>	<ul style="list-style-type: none"><li>• Safe – can be insured by the Canadian government</li><li>• Higher interest than regular savings account</li></ul>
<b>Mutual Funds</b>	<ul style="list-style-type: none"><li>• Allows for diversification</li><li>• Overseen by an experienced manager</li></ul>
<b>Stocks</b>	<ul style="list-style-type: none"><li>• Potential for higher returns</li><li>• Can be self-managed or work with a professional</li></ul>



**TIP:** Work with a financial advisor to customize your investments to match your goals, investment time horizon and risk tolerance.

# Types of investment accounts

Your investments can be placed **inside** of different types of investment plans or investment accounts:

## Tax Free Savings Account (TFSA)

- Choose where your money is invested
- Don't pay taxes on money while invested

## Registered Retirement Savings Plan (RRSP)

- Choose where your money is invested
- Save on taxes until you take your money out

## Registered Education Savings Plan (RESP)

- Save for your child's education
- The government adds money to the money you save
- Don't pay taxes on money while invested

# Investing – save early and often

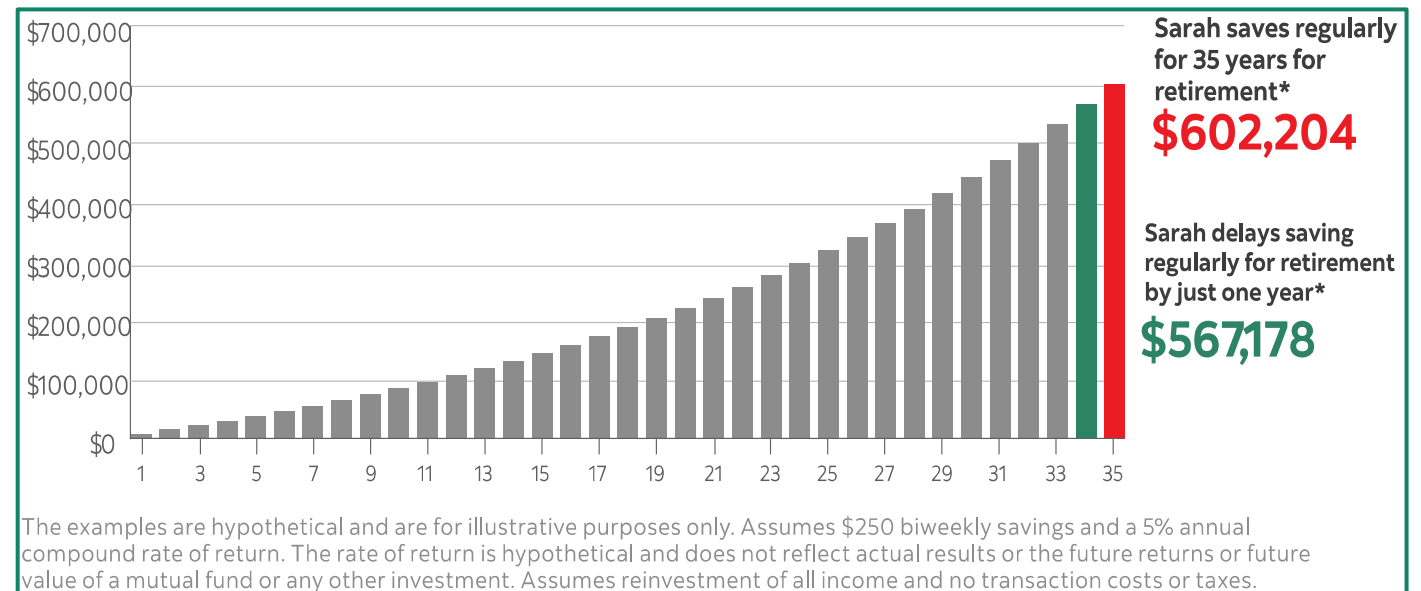


## The benefit of saving early: compound interest

Compound interest is an important concept to understand with regard to investing. The longer your interest compounds the more your investments will grow over time.

The **earlier** you begin investing, the more you will benefit from the compounding of your interest.

Here is an example that shows the difference one year can make.



If Sarah had started to invest just one year earlier she would have had **\$35,026 more** at the end of 35 years.




Source: Scotiabank Harnessing the Power of Compounding

<https://www.scotiabank.com/content/dam/scotiafunds/documents/common/Harnessing-the-Power-of-Compounding-EN.pdf>



# 5. Protecting yourself

Work with an Insurance Specialist to determine which products are right for you

		
Home	Life	Travel
Auto	Health & Dental	
Creditor	Accidental Death & Dismemberment	
Mortgage		

# Protecting yourself from fraud

## E-mail fraud/Phishing

E-mails, text messages and websites sent by criminals and designed to look like they come from well-known and trusted businesses, financial institutions and government agencies in an attempt to collect personal and financial information.

## How to protect yourself

Do not respond to unexpected websites or unsolicited emails that request personal information. If in doubt, contact your financial institution directly. Report any suspicious requests to your financial institution.



## Keep your information safe

Financial institutions will never ask for your password, Personal Identification Number (PIN), credit card, account numbers, etc. through unsolicited email.

To report suspected fraud, contact the Canadian Anti-Fraud Centre (CAFC).

Source: RCMP website: <http://www.rcmp-grc.gc.ca/scams-fraudes/index-eng.htm>

03

# Banking with Scotiabank



Scotiabank  
has been in  
business for  
**187 years...**  
before Canada  
was even a  
country!

<b>\$998</b> billion Total assets	<b>\$29</b> billion Revenue	<b>\$552</b> billion Loans
<b>\$677</b> billion Deposits	<b>\$9.1</b> billion Net income	<b>97,000+</b> Employees
<b>25 million+</b> Customers	<b>\$80 million</b> Donations & Sponsorships	<b>900</b> Branches and <b>4,000</b> ABMs across Canada

Scotiabank is one of the “**Big 5**” **Canadian banks** and is ranked  
as one of the top 100 banks in the world.

Source: Scotiabank 2018 Annual Report <https://www.scotiabank.com/ca/en/about/investors-shareholders/annual-report-and-meeting.html>

# There are many ways to bank with us.



## DIGITAL

Bank online using your computer, tablet, cellular phone or wearable device.



## BRANCH

We have over 900 branches in Canada where you can bank in person.



## PHONE

Just call us anytime 24 hours a day, 7 days a week.



## ABM

We have over 3,500 ABMs in Canada where you can make deposits, pay a bill, transfer or withdraw funds. You can also access over 44,000 partner ABMs internationally.



# Scotiabank. The bank for newcomers.

Scotiabank can help newcomers start banking in Canada by providing access to credit, savings, and help from Financial Advisors.



# Here's what the Scotiabank StartRight® Program offers newcomers



**No monthly account fees** on a Preferred Package for one year.



**Unlimited** *Interac*<sup>†</sup> e-Transfers and transactions.



A small **safety deposit box** free for a year.



Build your credit history with an unsecured **credit card**.



**Finance a new car** with specially designed financing at Scotiabank authorized dealerships.

<sup>†</sup>*Interac* e-Transfer transactions are registered trade-marks of *Interac* Corp. Used under licence.

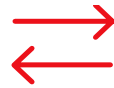
**Scotiabank.  
The bank for  
international  
students.**



# Here's what the Scotiabank StartRight® Program offers international students



Chequing accounts with **no monthly account fees**.



**Unlimited** debit transactions and *Interac*<sup>†</sup> e-Transfers.



Unsecured credit card with a credit limit of up to **\$1,000** and SCENE points you can redeem towards movies.



International students pursuing their graduate studies in Canada may qualify to borrow up to **\$100,000** with the ScotiaLine® Personal Line of Credit for Students to help get the education they want.

<sup>†</sup>*Interac* e-Transfer transactions are registered trade-marks of *Interac* Corp. Used under licence.

® SCENE is a trademark of SCENE IP LP.

# Sponsorships – supporting our communities

HOCKEY	ARTS	MARATHONS	COMMUNITY
Scotiabank Hockey Club	Canadian Photography Institute	Banque Scotia 21k de Montréal et 5k	Scotiabank presents FitSpirit Celebrations
Scotiabank Arena	New Generation Photography Award	Scotiabank Ottawa Marathon	Scotiabank Charity Challenge
Scotiabank Pro-Am	Scotiabank Photography Award	Scotiabank Calgary Marathon	Scotiabank Rat Race
Scotiabank Hockey Day in Canada	Scotiabank CONTACT Toronto Photography Festival	Scotiabank Blue Nose Marathon	Canada's Walk of Fame Community Hero Honor
Scotiabank Girls HockeyFest	Scotiabank Giller Prize	Scotiabank Vancouver Half Marathon & 5k	Scotiabank Road Hockey to Conquer Cancer



# Corporate Social Responsibility

Here are some ways that Scotiabank supports the global community:

- \$15 million investment to help provide young people in the GTA a strong start
- \$1 million donation to help build teenage girls' confidence through physical activity
- 10% growth in our Aboriginal customer base in Canada
- 140,000+ small business customers served in Mexico
- 34% women in senior leadership roles globally
- \$8.5 billion in financing to the renewable energy sector globally



Scotiabank is proud to have been recognized for our strong ESG performance through awards, inclusion on global indices, and other recognitions. Internationally, these include:



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