

FIRST TIMER'S GUIDE: NEWCOMERS' GUIDE TO BANKING IN CANADA

Everything you need to know to get started.



Arriving in a new country can be an exciting time. But with a new home and new culture comes a whole new way of doing things—especially when it comes to banking and money.

This guide is designed to provide information about some of the basics of the Canadian banking system. It will cover things like common terms, the basic structure of the financial system in Canada, and help you understand the difference between a bank and a credit union.

Think of it as a helpful introduction to some of the common things about banking and your money in Canada.



Banking 101

The Canadian banking system is considered one of the safest and most stable banking systems in the world. Government regulation, as well as our stable legal system, ensures there are lots of checks and balances in place to keep your money safe.

There are two primary types of financial institutions in Canada: chartered banks and credit unions. Under the Canadian Constitution, chartered banks are federally regulated and credit unions are provincially regulated financial institutions, which means they are subject to rigorous rules and regulations in terms of compliance and safety.

The primary difference between banks and credit unions is that credit unions are **member-owned** and democratically controlled through cooperative principles. This means when you join a credit union, in addition to banking services, you are joining a community of like-minded people who have your best interests in mind when it comes to managing your money.

Credit unions in Atlantic Canada are built on the values of **honesty, trust, and fairness**. We provide the banking services you need, while also offering something a little more—the chance to be part of something bigger, to join a community, and experience banking that goes further. Every decision a credit union makes is rooted in honesty, trust, and fairness—from how profits are made to how members are communicated with.

WHAT ARE COOPERATIVE PRINCIPLES?

Credit unions are cooperative businesses, which means when you open an account with us, you're not just a customer—you're a partial business owner. Every person who opens an account with a credit union becomes an owner in the business. Meaning, when we profit, you profit. You have a say in how we operate and your money stays local. We are accountable to you.



Glossary of Terms

ACCOUNT NUMBER: Your personal account identifier—every member of an institution has a specific number that is unique to their personal account.

AUTOMATED TELLER MACHINE (ATM): An electronic terminal that lets you make financial transactions, such as paying your bills, taking out cash, or depositing cheques.

BANK ACCOUNT: An arrangement made with your financial institution where you can hold, deposit, or withdraw your money.

BRANCH: A term for a physical location of a bank or credit union.

CASH: A common term for money or physical currency.

CASH ADVANCE: Money withdrawn from an ATM or teller directly from a credit card. This is often an expensive way to get cash, because unlike regular credit card purchases, interest is charged from the day you take the money out until the time you pay it back in full.

CHARTERED BANK/BANK: A financial institution whose primary role is to accept and safeguard money on behalf of individuals and organizations. In general, a chartered bank has received government permission to exist and is therefore subject to government regulation.

CHEQUE: A written instruction that tells a financial institution to pay a set amount of money from a specified account. A void cheque is often requested for certain situations (like setting up direct deposit or automatic withdrawal from an employer, finance company, etc.). Your financial institution should be able to provide you with a blank cheque or official direct deposit/withdrawal form provided you have a chequing account set up.

CHEQUING ACCOUNT: A type of account that holds funds which can be accessed through

written cheques, digital funds, and more. This is most people's primary form of bank account. These types of accounts are for your everyday transactional needs.

CREDIT CARD: A payment card that lets you buy things on credit terms. You can also use a credit card to get cash (see Cash Advance). Credit cards have specific limits and charge interest on any purchases that are not paid off, in full, within a set timeframe.

CREDIT HISTORY: A record that shows your demonstrated ability to repay debts you owe. Your history will show if you've made your scheduled payments on time, any outstanding balances you owe, and will also show limits on applicable products.

CREDIT RATING: This score is based on your credit history and helps financial institutions determine how risky it is to loan you money. It's based on how you've repaid your debts in the past, how much money you owe, and how you manage credit with limits, such as credit cards.

CREDIT REPORT: This is the actual document that shows your credit history and credit score. In Canada, this is provided by two agencies, TransUnion and Equifax.

CREDIT UNION: A full-service financial institution that is operated on a cooperative model and provides services and products like other financial institutions.

DEBIT CARD: Sometimes referred to as a 'bank card', this card allows you to access your accounts either in a branch or at an ATM. It also allows you to make debit purchases. The card is linked directly to the funds you have in your account. In other words, it can act as a replacement for cash/currency in some financial transactions.

DEBT: Simply put, money that you owe.

DIRECT DEPOSIT: Money that's transferred electronically, directly into your account.

ELECTRONIC FUNDS TRANSFERS (EFT): Moving money from one account to another using a computer system or mobile device, often called an e-transfer. This can refer to money that moves between two accounts at the same financial institution or can mean money that moves from an account at one financial institution to an account at a different financial institution.

FINANCIAL INSTITUTION: A credit union, bank, trust company, brokerage, or any other organization that participates in financial transactions that involve cash or other financial products, such as loans, mortgages, or investments.

INTERNATIONAL BANK ACCOUNT NUMBER (IBAN CODE): A standardized method of identifying where money is being sent when funds are being transmitted internationally. These are mostly used in Europe, however, other countries are starting to adopt this code system (like a SWIFT code).

INTERAC®: A Canadian network that links financial institutions and other enterprises for the purpose of electronic financial transactions. Interac® serves as the Canadian debit card system.

INTEREST RATE: A percentage that's used to determine how much interest needs to be paid. This can mean interest that you need to pay back on money you borrow or it can mean interest you earn on an investment that needs to be paid to you.

LINE OF CREDIT (LOC): A type of loan that you can use to borrow funds when needed, and as needed, up to a pre-determined limit.

LOAN: An arrangement where a financial institution lets you borrow a sum of money and pay it back, plus interest, over an agreed-upon period of time.

MONEY TRANSFER/WIRE TRANSFER: An electronic transfer of money between financial institutions. These can be helpful in transferring money between international financial institutions.

MORTGAGE: A type of loan (usually for purchasing property) that gives the lender the ability to take ownership of the item purchased if the loan isn't repaid on time.

PERSONAL IDENTIFICATION NUMBER (PIN): A unique number used to access accounts and verify your identity. PINs should always be kept confidential.

REGISTERED RETIREMENT SAVINGS PLAN (RRSP): A savings plan registered with the Canada Revenue Agency (CRA) that is designed to help build money for retirement. Money that is put into an RRSP, along with any income it earns, grows tax free until withdrawn.

SAVINGS ACCOUNT: An account that lets you deposit money and often pays a small amount of interest on any money that stays in the account. You can withdraw money from a savings account at any time, but there are often transaction fees after a certain number of withdrawals.

SORT CODE: A nine-digit code that identifies the correct financial institution and branch of account when sending a wire transfer.

SWIFT CODE: A standardized method of identifying where money is being sent when funds are being transmitted internationally (like an IBAN code).

TAX FREE SAVINGS ACCOUNT (TFSA): A savings plan that is registered with the Canada Revenue Agency (CRA) that allows you to hold cash or other investments (ex. GICs, mutual funds). You can only put a certain amount of money into a TFSA each year and this limit is determined annually by the government. Any money held inside of a TFSA grows tax free and the growth is never taxed, even once it's taken out.



Canadian Currency

The Canadian Dollar is the currency of Canada. It's abbreviated with the dollar sign (\$) and is divided into 100 cents.

TYPES OF CURRENCY



Nickle (5¢)



Dime (10¢)



Quarter (25¢)



Loonie (\$1)



Toonie (\$2)



Five-dollar bill (\$5)



Ten-dollar bill (\$10)



Twenty-dollar bill (\$20)



Fifty-dollar bill (\$50)



One-hundred-dollar bill (\$100)

GOOD TO KNOW: CASH

If you have more than CAD \$10,000 in cash when you arrive in Canada, you must report the amount to the Canadian Border Services Agency. You will be required to fill out a form and provide additional information. **You do not have to give the government your money, you just need to tell them you have it on hand.**



Getting Prepared

Moving to a new country is a big decision. Chances are you've spent a lot of time thinking about all the things you need to take care of before you leave and once you arrive. Or maybe your situation changed quickly and you've arrived in Canada without much of a plan.

Regardless of your situation, breaking down the steps you need to take to get your finances set up in a new country can make it a lot more manageable.

We've created a few helpful checklists to help you get started.

30–60 DAYS BEFORE YOU ARRIVE:

- Research banking options
- Contact your existing financial institution(s) and let them know your plans
- Have a plan in place for closing accounts/moving money to new accounts
- Research credit card options

ONCE YOU ARRIVE:

- Book an appointment at your financial institution of choice
- Open accounts
- Deposit money
- Schedule a meeting with a financial expert
- Apply for a credit card
- Find your nearest ATM
- Download mobile banking app

GOOD TO KNOW: BUDGETING

Goods and services might cost a lot more (or a lot less) than you're used to. [Budgeting is always a good idea](#), but especially when you're moving to a new country. Having a good idea of how much you'll need to cover monthly expenses, as well as any additional expenses from moving, can help ease some of the stress if moving to a new country.



Building Your Financial History in Canada

BUILDING CREDIT

Regardless of your prior financial situation, when you arrive in Canada, you may have to start rebuilding your financial history from scratch. This means establishing your credit history and building your credit rating. This is incredibly important for your financial health.

As we covered in the Glossary, your credit history is a record that shows your ability to repay debts you owe. Things like making bill payments on time, how much you have in outstanding balances, and what financial products you currently have all contribute to telling the story of your financial history.

Your credit rating is a score based on your credit history and helps financial institutions determine how risky it is to loan you money. This score is based on how you've repaid your debts in the past (do you pay on time or are your payments behind?), how much money you owe, and how you manage credit with limits, such as credit cards (are your credit cards constantly maxed or do you pay off your balance each month?).

But how do you get good credit when you don't have any credit?

There are a few easy ways to make this happen.

GET A CELL PHONE

Cell phones are good for more than just staying in touch with your friends and family. Cell phones are also a great way to start to build your credit history. Many cell phone companies/providers are more willing to give those with little or no credit a cell phone—it's on you to make sure you're paying your bill on time, which is the other part of this. Choosing a cell phone that fits within your budget is crucial. By paying your bill on time, you can start to establish a history of having responsible financial habits. That way, when you need a loan or want to apply for a mortgage, your financial habits are already well documented.

BUY SOMETHING ON A PAYMENT PLAN

Money might be tight when you move to a new country. But chances are, you're going to need a few bigger items that might come with a payment plan. Things like furniture or certain electronics can often be purchased using a payment plan. A payment plan is a great way to document your responsible financial habits. Much like paying your cell phone bill on time, making your regular payments on a payment plan purchase can also demonstrate how responsible you are with money.

But buyer beware: Many payment plans can have high interest rates and other terms and conditions. Always make sure you're reading the fine print and asking lots of questions so you have a full understanding of the purchase agreement.

APPLY FOR A CREDIT CARD

A credit card is a helpful thing to have in general when it comes to your finances. Many airlines only allow online bookings with a valid credit card, which is helpful to know if you're planning a visit home or having visitors come to you.

When it comes to building credit, a credit card can be an invaluable resource. There are lots of different options out there for credit cards, so choosing the one that's right for you can be challenging. It's also important to mention that applying for multiple credit cards at the same time is not advisable. One application at a time is the best way to do this. A financial expert can help determine the best card for you and how to apply for one successfully.

The main thing to keep in mind is that a credit card can be a useful tool when used effectively, but it can also cause financial damage when it's not used properly.

HERE ARE FIVE THINGS TO KEEP IN MIND WITH A CREDIT CARD:

- 1.** Pay off your balance in full every month. You shouldn't purchase anything on your credit card unless you can afford to pay it off before interest begins to accrue. This way you're building credit and collecting reward points without getting dinged. Most credit cards have a grace period before you're hit with the interest.
- 2.** If you do end up carrying a balance (hey, it happens), don't just pay your minimum. Not only could you end up spending a fortune in interest, it doesn't look great on your credit score, which can impact how your financial institution looks at you for borrowing in the future.
- 3.** Pay on time. This might seem obvious, but it's a mistake many people make with their first credit card. Make sure you check your payment due date—paying late is another way to end up with a negative credit history.
- 4.** Convenience comes at a price, so be careful with cash advances. While cash advances can come in handy in an emergency, they often don't have an interest-free period. This means that every day you're not paying back that advance, you're accumulating interest.
- 5.** Know what you're signing up for. Most credit cards charge around 20 per cent interest on purchases—be aware of the interest rates and terms before you begin racking up purchases.

It can be frustrating arriving in a new country to find your financial history has been erased and you need to start over again. It's important to find a financial institution and financial expert you trust to help you develop strategies to reestablish your credit history in your new home.

Conclusion



A commitment to community is one of the things that makes credit unions truly different as financial institutions. And having a strong community can be really important, regardless of where you came from or where you find yourself now.

Community can mean different things to everyone—for credit unions, it’s about supporting the people and businesses that are near our branches. It also means supporting everyone who might need a helping hand—whether they’re members or not. It’s about being good neighbours and providing support when others need it.

COMMUNITY RESOURCES

In that spirit, below are a few community resources aside from financial institutions that go above and beyond to help you access services and better settle into your new home.

YMCA—YMCA Canada is an organization dedicated to improving the health and well-being of Canadians in spirit, mind, and body. The YMCA (sometimes just called the Y) offers programs for all ages, with many programs focused on newcomers to Canada.

ISANS (Immigrant Services Association of Nova Scotia)—ISANS is an organization dedicated to helping immigrants build a future in Nova Scotia. The organization provides a variety of support services to those who are new to Nova Scotia.

Association for New Canadians (Newfoundland)—ANC has supported newcomers through all aspects of integration for over 40 years.

PEI Association for Newcomers to Canada (PEI)—A comprehensive online and offline resource for newcomers to Prince Edward Island (PEI).

New Brunswick Multicultural Council (NBMC)—A not-for-profit organization that supports a variety of immigrant-serving agencies across the province of New Brunswick.

Public libraries—Most communities across Atlantic Canada are part of a library network, whether through a standalone branch or through mobile library services. Many public libraries offer classes, programs, and workshops aimed at serving and connecting communities.

Credit unions—As community-focused financial institutions, credit unions have locations across rural and urban Atlantic Canada. Find your nearest location and get started.

**Arriving in a new country can be an exciting and exhilarating time.
Congratulations on taking such a big step—we can’t wait to welcome you.**