INTRODUCTION .......................................................... 2
PERSONAL FINANCE LITERACY STANDARDS CORRELATION..... 7
STANDARDS FROM THE CANADIAN FOUNDATION FOR
ECONOMIC EDUCATION.......................................................... 8
UNIT ASSESSMENT................................................................ 9

ACTIVITY 1: Where Do I Keep My Money?. 11
Overhead 1: PLACES TO SAVE MONEY .................................... 15
Handout 1: ALTERNATIVE FINANCIAL SERVICES.................. 16
Overhead 2: CANADA DEPOSIT INSURANCE
CORPORATION (CDIC) ......................................................... 17

ACTIVITY 2: Evaluating Financial Services .. 18
Handout 1: THE CANADIAN FINANCIAL SYSTEM.................... 21
Overhead 1: FORMAL AND INFORMAL FINANCIAL
SERVICES ........................................................................... 22
Handout 2: HOW MUCH IS YOUR FINANCIAL SERVICE
COSTING YOU? ................................................................ 23
Overhead 2: ADVANTAGES OF ESTABLISHING
A BANKING RELATIONSHIP .............................................. 25

ACTIVITY 3: Banks, Yesterday and Today.... 26
Overhead 1: TRADITIONAL SERVICES OF BANKS .................. 30
Overhead 2: EXPANDED SERVICES OF BANKS...................... 31
Overhead 3: BANK ACT REFORM 2001 (BILL C-8)............... 32
Overhead 4: SOME COMMUNITY-RELATED SERVICES
OF BANKS ........................................................................ 33
These materials are intended for education purposes only. Any opinions expressed in these materials are not necessarily those of Citi and its affiliates. If legal, financial, tax, or other expert advice is required, the services of a qualified professional should be sought.

SECTION OVERVIEW

Financial Services is a term used to describe a whole family of resources that can be used to help manage income and other assets. It includes basic banking services such as chequing and savings accounts, as well as:

- Credit and loans for a variety of purposes — to buy a car or home, to pay for education — and in many formats, including home equity lines of credit, term loans, revolving credit lines, and a wide variety of credit cards
- Insurance — life, property, retirement
- Investment — Guaranteed Investment Certificates (GICs), RRSPs, RESPs, stocks, mutual funds
- Money management planning information and advice — online education, community-based programs, on-site brochures, videos, personal financial advisors
- Direct deposit, online bill-paying, wire transfers, and many more convenience systems for managing money

It's important to know that financial services specialists have gone through rigorous training, taken courses, and passed exams. These certified professionals are licenced to sell insurance or investments, or to provide financial planning or other services. Financial services information they provide should be current, accurate, and reliable.

The next time you go to a bank, take a closer look at the many different financial services it offers. Most likely, you'll be surprised at the variety.

How many of these services do you use? How many could you use? Which of the advertised financial services might offer you a better value than your current services?

Keeping alert about financial services is essential. It allows consumers to learn about new financial resources, compare offers, and select the best values.

Many people do not use a financial institution, whether a bank or credit union. Often they do not have accurate information about how a bank works. They may believe that you need to have a large amount of money to “qualify” for an account. Or, they may believe that the “systems” to open a savings or chequing account are complicated and expensive. Some people, particularly those who recently moved to Canada, may worry that banks will close, that their money won’t be safe, or that they may not have the proper ID to open an account. Other immigrants may not feel comfortable speaking English.
In reality, many financial institutions have become more adaptive to communities’ needs, from extending their banking hours to providing in-language services or materials. Also, bank products are more affordable these days and consumers have more choices than ever before.

Education can help consumers understand how a bank can help them take advantage of the financial services available to everyone in Canada and start to build assets. Think about how you learned to use a bank. You may have gone to the bank with your parents as a child. You may have had your own savings account. You probably opened a chequing account when you started your first job. All of these experiences helped you develop confidence and become more familiar with the services offered by the bank.

The purpose of this Introduction to Financial Services is to help consumers learn about the financial services available to them in their own communities, at their local bank or credit union. It is also meant to help people become more comfortable with financial services and formal financial institutions. The learning activities contained in this section can encourage participants to take advantage of these opportunities. Equally important, participants will learn how federal and provincial laws help protect their rights for accurate and reliable financial information.

**ADAPTING THE PRESENTATION TO YOUR AUDIENCE**

Financial services is a fast-growing and evolving field. Each year new products are offered, and consumers need to be able to choose among them to make the best financial decisions. It can be a challenge to keep up.

New or inexperienced banking customers may be overwhelmed with their choices for financial services. Your challenge is to keep alert to the trends and recent regulations concerning these services. The facts are available at your local bank or credit union, and in ads, magazine and newspaper articles, and on the Internet.

Encourage your students or program participants to become familiar with all these resources and know which ones offer the most complete, reliable information.

Remind your students or participants that the same skills they use to shop for a car or any other major purchase are the ones they need to shop for financial services. Your confidence and encouragement is essential. It will help your students or participants feel comfortable as they gain knowledge. Avoid asking questions that require a show of hands or other public display of knowledge or opinion. Instead, encourage your audience members to volunteer examples or information.

Many of the activities in this section of the guide can be adapted for classroom use. In addition, there are many useful educational ideas and materials online. Refer to Appendix 5: Resources for examples.
Here are some tips that will help you adapt your presentation to the needs and concerns of different audiences:

**Teens**
- Except for a savings account, teens are not eligible for many financial services until they turn 18, unless they co-sign with a parent or guardian. Still, it is important for them to start learning about the availability of different financial resources so that they are prepared to make choices later.
- Teens who marry and/or have children at a young age need to be aware of insurance options and other financial services.
  - They like being spoken to as adults, and are generally anxious to get the best value from their money.
  - They enjoy doing research, such as collecting brochures or ads about financial services and comparing the product choices, terms, and costs.

*Online educator resources:*
- [http://www.italladdsup.org](http://www.italladdsup.org)
- [http://www.cfee.org](http://www.cfee.org)
- [http://www.strategis.ic.gc.ca](http://www.strategis.ic.gc.ca)
- [http://www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)
- [http://consumerinformation.ca](http://consumerinformation.ca)
- [http://www.cbc.ca/streetcents](http://www.cbc.ca/streetcents)

**Low-income families**
- May receive social assistance benefits, a baby bonus allowance, or other public assistance funds that are direct-deposited. They need to know how to budget and access these funds.
- May not have had much experience with a bank. They need to become familiar with banks as secure places for funds and reliable resources for financial information and advice.
- May have few resources available for emergencies.
- May not be familiar with the various financial services available through a bank.
- May be paying high fees for financial services through alternative organizations, even though banks offer the same services for lower fees. Example: cheque-cashing fees, which are higher than a low-fee chequing account, or a car loan offered through a dealer, when interest rates through a bank are often much lower.
- May be concerned about how information is shared with the government.

**Young single adults and families**
- Need to understand how and when financial services protect their security, manage emergencies, and prepare for education expenses or retirement.
- May be unskilled at making major financial decisions. They need to
Learn how a bank can provide accurate, reliable financial services information and help with planning and money management.

Consider a Q&A Opportunity
Financial services are new to many people. If your participants seem confused or uncomfortable talking about them, create an opportunity for them to submit questions confidentially. Make a Financial Facts Q&A mailbox to allow participants to drop in cards with questions. Take a few minutes at the end of the session to answer a couple of the questions, and include content about other questions in later presentations.
SECTION GOAL
Illustrate the connection between individuals and banks and the role banks play in the lives of individuals and communities.

SECTION ACTIVITIES AT A GLANCE
Use the chart to review activities to use. Because the activities are self-contained, they can be used independently or combined with others, depending on the needs of participants.

<table>
<thead>
<tr>
<th>✓</th>
<th>ACTIVITY</th>
<th>OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1. Where Do I Keep My Money?</td>
<td>• Recognize the functions of banks.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recognize the cost of alternative financial services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recognize that banks are stable institutions.</td>
</tr>
<tr>
<td></td>
<td>2. Evaluating Financial Services</td>
<td>• Learn how the Canadian banking system functions.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identify formal and informal financial services.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Compare costs of alternative financial services and average bank account costs.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Discuss the advantages of establishing a banking relationship.</td>
</tr>
<tr>
<td></td>
<td>3. Banks: Yesterday and Today</td>
<td>• Recognize traditional financial services provided by a bank.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Identify expanded financial services provided by a bank.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Recognize the impact of community service involvement by banks.</td>
</tr>
</tbody>
</table>

These materials are intended for education purposes only. Any opinions expressed in these materials are not necessarily those of Citi and its affiliates. If legal, financial, tax, or other expert advice is required, the services of a qualified professional should be sought.
## INTRODUCTION TO FINANCIAL SERVICES

### INTRODUCTION

**PERSONAL FINANCE LITERACY STANDARDS CORRELATION**

*Standards in Personal Finance* (Jump$tart Coalition for Personal Financial Literacy)

<table>
<thead>
<tr>
<th>FINANCIAL STANDARD</th>
<th>ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Money Management</strong></td>
<td>1</td>
</tr>
<tr>
<td>Students will be able to:</td>
<td>✓</td>
</tr>
<tr>
<td>2. Identify the opportunity cost of financial decisions.</td>
<td>✓</td>
</tr>
<tr>
<td>3. Discuss the importance of taking responsibility for personal financial decisions.</td>
<td>✓</td>
</tr>
<tr>
<td>STANDARDS</td>
<td>ACTIVITIES</td>
</tr>
<tr>
<td>---------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Consumer Decision-Making</strong></td>
<td></td>
</tr>
<tr>
<td>Distinguish the difference between an economic “need” and a “want”.</td>
<td>✓</td>
</tr>
<tr>
<td>Summarize forces and factors influencing a consumer’s perceptions of “needs” and “wants” (e.g., advertising, movies, friends).</td>
<td>✓</td>
</tr>
<tr>
<td>Provide examples of how the economic choices people make today can have both present and future consequences.</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Understanding the World of Work and Business</strong></td>
<td></td>
</tr>
<tr>
<td>Demonstrate how the interaction between the supply of, and the demand for, a good or service, will affect the market price.</td>
<td>✓</td>
</tr>
<tr>
<td>Explain why people voluntarily exchange goods and services (i.e., they expect to be better off after the exchange).</td>
<td>✓</td>
</tr>
</tbody>
</table>
UNIT ASSESSMENT

The student questionnaire on the following page, appropriate to an introductory unit on financial services, has been adapted to complement this curriculum.

As a facilitator, you are free and encouraged to use this questionnaire in various formats. Refer to the Program Assessment section on page 14 of the Facilitator’s Guide Introduction for suggestions on how to use and implement it.

The full questionnaire can be found in Appendix 3.

Introduction to Financial Services Student Questionnaire Answer Key

1. b
2. c
3. b
4. c
5. a
Instructions: Please circle the answer to each question below to the best of your ability. You are not expected to know all the answers; we are interested simply in learning about your general knowledge of financial services. This is not a test, and you will not be graded.

Name: _____________________________________________________________

Date: _____________________

1. Where is the best place to put your money for safe keeping?
   a. Locked away in your home
   b. In a bank
   c. With a friend you trust
   d. With you, in your wallet

2. In considering needs vs. wants, which of the following is an example of a want?
   a. Visit to the dentist to get a cavity filled
   b. Monthly rent payment
   c. Cola from the vending machine at school or work
   d. Gas for your car

3. Which of the following is NOT traditionally a service provided by banks?
   a. Savings accounts for customers
   b. Investing customers’ money in stocks
   c. Providing loans that must be paid back at an agreed upon interest rate
   d. Chequing accounts for customers

4. Alternative financial services such as cheque-cashing services, payday loans, and rent-to-own stores…
   a. probably have lower interest rates than banks.
   b. are a good alternative to using banks.
   c. probably have higher interest rates than banks.
   d. offer most of the same services that traditional banks offer.

5. Which of the following statements is NOT correct about the Canada Deposit Insurance Corporation (CDIC)?
   a. The CDIC was established fairly recently, in 1988.
   b. The CDIC insures most savings, checking, and deposit accounts.
   c. The CDIC insures up to $100,000 for each depositor per institution.
   d. The CDIC applies to most Canadian commercial banks and trust companies that take deposits.

Thank you for taking the time to complete this questionnaire!
Where Do I Keep My Money?

RECOMMENDED TIME
Allow 50-60 minutes. Required time may vary depending on the audience.

OBJECTIVES
Participants will:
• Recognize the functions of banks.
• Recognize the cost of alternative financial services.
• Recognize that banks are stable institutions.

MATERIALS NEEDED
• Overhead projector and screen*
• Overhead transparencies or handouts for the activity
• Flipchart, blank transparencies, or whiteboard
• Overhead marking pens

ADVANCE PREPARATION NOTES
Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

This interactive activity allows for an informal “Q and A” process while covering the content. When a question is asked, don’t be afraid of silence. In a new environment, people need to get comfortable speaking in front of others. Be patient. Assist individuals in giving their response, but don’t cut them short.

To increase comprehension success, consider using print as opposed to script when writing on a flipchart, whiteboard, or transparency.

Note that the suggested dialogue in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

* If an overhead projector isn’t available, consider distributing photocopied handouts instead.
Where Do I Keep My Money?

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where the participants can see and refer to it during the session. For whatever reason, some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Start the discussion by asking a series of questions in support of the activity objectives. These questions should not be asked in a prying tone but rather in a light-hearted manner. If no one answers, don’t make an issue of it, just move to the next question.

Opening Questions

- **Who has money?**
  This question is not asking, "How much?" but rather, "Who has money?"

- **What do you do with your money?**
  Responses will vary but the most prevalent response will probably be that people spend their money.

- **Where do you put your money for safekeeping?**
  Responses will vary and might be interesting, but will probably include such places as a wallet, dresser drawer, banks, etc. Be sensitive to individuals’ feelings about the places where they put their money.

- **Wherever you keep your money, do you feel it is safe in that spot?** Responses may vary.

- **If you want your money to be safe and secure, where should you place it?** Answer: A bank or credit union.

- Introduce “Overhead 1: Places to Save Money,” which illustrates places to save money—all unsafe—by asking the question, **Would you save your money in any of these places? Why? Why not?**

Allow for discussion. As participants respond to the danger of such places, place a large X over the illustration.

Remind everyone that many people have been hurt by using one of these places, only to have their hard-earned money lost in a fire, robbery, or even by forgetting where they have placed the money.
Distribute “Handout 1: Alternative Financial Services.” Ask participants whether they have used or are familiar with any of these services. If participants have used any of these services, have they thought about how much they pay for them? If they use any unregulated services, have they thought about the potential risks? It is important to learn that these services come at a high price that makes it nearly impossible for their customers to build wealth. Ask them if they can think of other informal services that people in their community use. For example, they may have a neighbour who cashes cheques for a fee.

During this lesson, you’ll discuss another place providing cheque and loan services that costs much less: a bank.

Ask participants: Do you feel that banks are safe? Why? Why not? You might want to make a list of the reasons on a flipchart, blank transparencies, or whiteboard. Be sensitive to responses.

Reinforce the point that some of the reasons for this activity are to show that:

- Banks have been around for a very long time.
- Banks are safe.
- Banks really want to help individuals with the safe care of their money.

Then, remind everyone that the two fundamental functions of a bank are to:

- Keep or safeguard people’s money.
- Loan people money.

Ask if anyone can share with the group about how and why banks started.

- After a few responses, explain that many, many years ago, gold, silver, and other precious metals were deposited with the town goldsmith or silversmith until the people needed it. As a result, informal banks were born.
- Eventually, the people who placed their valuable metals in such places saw no reason to keep going back and forth for portions of their wealth. Most people did not like the risk of robbery.
- This is when early versions of cheques were established—mere slips of paper that one person would write out and another would accept in payment for goods and services.
- If someone really wanted to go and turn in the slip of paper for the actual metals, they could do so—but why should they when people would accept and honor each other’s slips of paper?
INTRODUCTION TO FINANCIAL SERVICES

ACTIVITY 1 - DELIVERY NOTES

What makes our banks safe? How do we know that when we go to get our money from the bank that it will be there?

- Accept a few responses. The group may come up with other safety measures such as vaults, security guards, good bookkeeping systems, or the CDIC. After this discussion, use "Overhead 2: CDIC" to explain the background and importance of the CDIC.
- If participants want to be sure of what the CDIC insures, encourage them to talk with their local bank.
- Note that most deposit accounts are insured through CDIC, but products such as certain money markets and GICs with maturities longer than five years may not be insured.

Closing Notes
In closing the activity, ask the following questions:

- **Would you ever consider just leaving a large amount of money lying around for a long period of time?**
  
  Answers may vary. Hopefully, participants will say no.

- **What is bad about leaving money lying around?**
  
  Responses could be unlimited but probably would include robbery, fire, or even that the dog might play with the money and take it off to bury somewhere.

- **What is good about leaving money lying around?**
  
  Responses will vary, but there really should not be a good reason.

- **Where might be a better place to put this amount of money (if it were real)?**

  **Answer:** a bank or other financial institution where it could grow by earning interest, but at the very least, be safe.

Thank everyone for their participation, and encourage them to return for additional sessions. If such sessions are scheduled, you might provide a “sneak preview” of any activity to come.
PLACES TO SAVE MONEY

Would you save your money in any of these places? Why? Why not?

Can you think of other places to save money?

- Bed & Mattress
- Cookie Jar
- Pillow
- Wallet
- Money Belt
- Small House Safe
Alternative Financial Services

• **Cheque-Cashing Services**
  To cash a paycheque or government cheque, these businesses charge a percentage of the amount of the cheque as a fee. For example, cashing a $200 paycheque could cost as much as $8 each week. In a year, that adds up to $416.

• **Cheque-Deferrals, Cash Advances, Payday Loans**
  Whichever name is used, these are considered short-term, high-interest-rate loans. The customer writes a personal cheque, including a fee in the range of 4-8% (interest rate for 1-2 weeks). The lender cashes the cheque for the customer and agrees to hold the cheque until the next payday. Oftentimes, the borrower will need to take out additional loans to cover the fees and to make it through to the next payday. This can lead to a vicious cycle of debt that can be difficult to pay off.

• **Pawn Shops**
  Here you can get loans at very high interest for the value of goods, including electronics and jewelry.

• **Rapid Tax Refunds**
  To get your tax refund early from someone you pay to prepare and receive your tax return, you may have to pay a significant portion of your refund for the service.

• **Rent-to-Own**
  Renting items such as home appliances or entertainment systems before buying them from the same business can add up to fees much higher than the cost of using credit to pay for the same items.

• **Other Financial Services**
  Financial services can come in many other forms, as well — prepaid debit cards, title loans, and cheque-cashing services at the grocery store are just a few examples.

What are some of the services that people use in your own community? Some of them may not even be storefront businesses.
CANADA DEPOSIT INSURANCE CORPORATION (CDIC)

• Established in 1967 by Parliament, CDIC was incorporated as a Crown corporation.

• Insures most savings, chequing, GICs, and other deposit accounts.

• Up to $100,000 per depositor, per institution.

• Applies to most commercial banks, savings banks, and savings associations.
Evaluating Financial Services

RECOMMENDED TIME
Allow 50-60 minutes. Required time may vary depending on the audience.

OBJECTIVES
Participants will:
- Learn how the Canadian banking system functions
- Identify formal and informal financial services
- Compare costs of alternative financial services and average bank account costs
- Discuss the advantages of establishing a banking relationship

MATERIALS NEEDED
- Overhead projector and screen *
- Overhead (or other appropriate) markers
- Overhead transparencies and handouts for the activity
- Flipchart or whiteboard

ADVANCE PREPARATION NOTES
Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

The wording in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

This activity uses handouts. Have sufficient copies for all participants; a few extras provide good insurance.

Facilitators cannot be expected to know everything about financial services. Be honest with all questions. If you don’t know the answer to a question, be up front and explain, “I’m sorry, I do not know the answer to your question. However, I will find the answer and get back with you.” Be sure to write down the question, and follow through when you commit to finding the answer to a question.

* If an overhead projector isn’t available, consider distributing photocopied handouts instead.
Evaluating Financial Services

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where the participants can see and refer to it during the session. For whatever reason, some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Activity Overview

Review the topics for discussion in this activity:

- The Canadian financial system
- Formal and informal financial services
- The various costs of financial services
- Advantages of using banks

Distribute “Handout 1: The Canadian Financial System.” Walk participants through the handout, which explains why the Bank of Canada was created. Explain that the CDIC insures money in member banks so it is safe and secure.

Write the terms “formal financial services” and “informal financial services” on the flipchart. Ask participants to describe the difference between formal and informal financial services. After a few examples have been discussed, display “Overhead 1: Formal and Informal Financial Services.”

Explain to participants that alternative financial service providers, such as payday lenders and cheque cashers, operate outside the system of federally insured financial institutions. These institutions can be much more expensive and are generally less regulated than traditional financial institutions.

Along those same lines, cultural savings clubs do not have the same regulations to protect consumers as banks and credit unions, but are very common in certain communities and have been beneficial to people. Be careful not to pass judgment on these types of services. Rather, explore them as another service that does not provide the same kind of protection as a financial institution.

Ask participants how much more they would expect to pay for a $500 television set if they purchased it at a rent-to-own store instead of paying for it with cash?
Distribute copies of “Handout 2: “How Much Is Your Financial Service Costing You?” Walk participants through the examples to compare the costs between bank services and alternative financial services.

Go over the example “How a Bank Can Save You Money.” Ask participants to take a few minutes to think about the financial services they currently use. Give them time to list ways they could save money on the cost of financial services.

Now that participants realize how banks can save them money, ask them whether there are other advantages to establishing a bank account. Write their responses on a flipchart.

Closing
Use “Overhead 2: Advantages of Establishing a Banking Relationship” as a closure and summarize some key reasons why using a bank can be beneficial.

Thank everyone for their participation, and encourage them to return for additional sessions. If such sessions are planned, you might provide a “sneak preview” of any activity to come.
THE CANADIAN FINANCIAL SYSTEM

History of the Bank of Canada*

• Up to the time of the Great Depression, there was little apparent need for central banking in a scattered and mainly rural economy. The banking system that developed in Canada was quite different from that in the neighbouring United States.

• By the early 1930s, the Great Depression and mounting criticism of the country's existing financial structure coincided with Prime Minister R. B. Bennett's concern over the lack of a direct means in Canada for settling international accounts. That led to the creation of the Bank of Canada, Canada's central bank, in 1934.

• The Bank of Canada was founded as a privately owned corporation. In 1938, it became a Crown corporation, belonging to the federal government. Since that time, the Minister of Finance has held the entire share capital issued by the Bank. Ultimately, the Bank is owned by the people of Canada.

• The Bank of Canada Act, which defines the Bank's functions, has been amended many times since 1934. But the preamble to the Act has not changed: the Bank still exists "to regulate credit and currency in the best interests of the economic life of the nation."

• The Bank of Canada is charged with broad responsibilities, fostering a sound banking system and a healthy economy by using monetary policy to keep inflation low. When inflation is low interest rates are usually low as well. This kind of environment fosters low unemployment and allows the economy to achieve its growth potential.

Understanding the Canadian banking system

• As a key component of the financial system, banks provide funds from savers to borrowers in an efficient manner. They provide financial services and help to make the overall economy more efficient.

• Banks operate by borrowing funds. When individuals, businesses, financial institutions, and governments with surplus funds make deposits in a bank, the bank uses those funds to make loans to others.

• Banks and other financial institutions are required to carry insurance on your deposits up to $100,000 per depositor, per institution. The insurer is usually the Canadian Deposit Insurance Corporation (CDIC). That means that the money you put in the bank is insured from loss or theft, up to certain limits.

* Adapted from http://www.bank-banque-canada.ca/
## FORMAL AND INFORMAL FINANCIAL SERVICES

<table>
<thead>
<tr>
<th>Formal Financial Services</th>
<th>Informal Financial Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts (e.g., chequing, savings, etc.)</td>
<td>Payday lenders</td>
</tr>
<tr>
<td>Credit cards</td>
<td>Cheque-cashing services</td>
</tr>
<tr>
<td>Loans (e.g., auto, mortgage, home equity, personal line of credit, etc.)</td>
<td>Rent-to-own stores</td>
</tr>
<tr>
<td>Investment vehicles (e.g., GICs)</td>
<td>Pawn shops</td>
</tr>
<tr>
<td>Direct deposit</td>
<td>Title lenders</td>
</tr>
<tr>
<td>Wire transfers/remittances, email money transfers</td>
<td>Loans from family/friends/others</td>
</tr>
<tr>
<td>Cultural savings clubs [examples: a Dominican Sans, a Korean Khee, a Caribbean Susu, and Hispanic Cundinas]*</td>
<td>Remittances offered through non-financial institutions, such as travel agents or other businesses</td>
</tr>
</tbody>
</table>

* There are many different types of cultural savings clubs. Which types are in your community?
HOW MUCH IS YOUR FINANCIAL SERVICE COSTING YOU?

The Cost of Alternative Financial Services

If you wanted to purchase a television set that cost $500 with sales tax, it could end up costing you much more depending on the financial service you use to pay for it. Consider the following options.

<table>
<thead>
<tr>
<th>Cash</th>
<th>Rent-to-Own Store</th>
<th>Payday Lenders</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you purchase the television with cash, it will cost you $500.</td>
<td>If you purchase the television from a rent-to-own store, and pay $13.99 per week for 18 months, it would cost you a total of $1,091.22.</td>
<td>If you get a $500 loan at a payday lender with a biweekly interest rate of 20%, you would pay $100.07 every two weeks for 21 months, costing you a total of $4,425.01.</td>
</tr>
</tbody>
</table>

$500  | $1,091.22  | $4,425.01  |
**How Much Is Your Financial Service Costing You?**

**How a Bank Can Save You Money**

Can a bank really save you money? Consider the following hypothetical example of the amount of money you could save by using a bank.

<table>
<thead>
<tr>
<th>Your Monthly Fees Without a Bank</th>
<th>Your Monthly Fees With a Bank*</th>
</tr>
</thead>
<tbody>
<tr>
<td>$80 to cash paycheques</td>
<td>$10 monthly base service charge</td>
</tr>
<tr>
<td>$0 to directly deposit paycheque</td>
<td></td>
</tr>
<tr>
<td>$0 to get cash from bank's ABMs or make debit card purchases</td>
<td></td>
</tr>
<tr>
<td>$4.16 on money orders and stamps to pay bills</td>
<td>$0 to pay monthly bills using electronic bill payment</td>
</tr>
<tr>
<td>$20 to send money to family in your home country with a wire transfer company</td>
<td>$5 to send money to family</td>
</tr>
<tr>
<td>Monthly cost: $104.16</td>
<td>Monthly cost: $15</td>
</tr>
<tr>
<td>Annual cost: $1,249.92</td>
<td>Annual cost: $180</td>
</tr>
</tbody>
</table>

**Annual Savings by Using a Bank**

$1,069.92

*Example assumes the bank account is on a basic service plan, incurring minimal account fees.

List some ways you could save money on financial services.

1. _________________________________________________________________________________________
2. _________________________________________________________________________________________
3. _________________________________________________________________________________________
ADVANTAGES OF ESTABLISHING A BANKING RELATIONSHIP

Nearly everyone needs a bank account to help manage his or her day-to-day money.

It is possible to manage your money using just cash, but putting your money in a bank account can have several advantages:

Bank accounts are safe and convenient.

They can help you to:

- Pay bills
- Manage your money
- Receive money
- Send money to a friend or family member
- Keep your money secure
- Start building wealth
- Earn interest
INTRODUCTION TO FINANCIAL SERVICES

ACTIVITY 3

Banks, Yesterday and Today

RECOMMENDED TIME
Allow 50-60 minutes. Required time may vary depending on the audience.

OBJECTIVES
Participants will:
• Recognize traditional financial services provided by a bank.
• Identify expanded financial services provided by a bank.
• Recognize the impact of community service involvement by banks.

MATERIALS NEEDED
• Overhead projector and screen*
• Overhead transparencies or handouts for the activity
• Flipchart, blank transparencies, or whiteboard
• Overhead marking pens

ADVANCE PREPARATION NOTES
Review the activity plan. Think about the audience, and decide whether to present the total activity or to use parts of this activity in combination with other activities.

This interactive activity allows for an informal “Q and A” process while covering the content. When a question is asked, don’t be afraid of silence. In a new environment, people need to get comfortable speaking in front of others. Be patient. Assist individuals in giving their response, but don’t cut them short.

To increase comprehension success, consider using print as opposed to script when writing on a flipchart, whiteboard, or transparency.

Note that the suggested dialogue in the delivery notes does not always mirror the wording on a transparency. Try to vary the dialogue, rather than reading transparencies verbatim.

* If an overhead projector isn’t available, consider distributing photocopied handouts instead.
Banks, Yesterday and Today

Presentation Opening

- Welcome the participants.
- Introduce yourself briefly.
- If this is the first meeting with the class or group, do a brief round of introductions by everyone.
- When introducing yourself, print your name where the participants can see and refer to it during the session. For whatever reason, some people may be a little nervous and may not remember your name. Just as you want to use their names, encourage them to call you by your name.

Start the presentation by asking for a show of hands from anyone who has been to a bank lately. Who went to a bank today? Who has been to a bank in the past week? Did anyone use an ABM? Did anyone go inside to see a teller?

Follow up by asking those individuals to share their reason(s) for going to the bank.
  - On a flipchart, whiteboard, or blank transparency, list the reasons.
  - Keep this chart handy as a reference to use in closing.

Activity Overview

Tell participants that the purpose of this activity is to become aware of:

- The many traditional financial services provided by a bank.
- Other expanded financial services provided by a bank.
- The impact of banks throughout the community.

Ask participants to describe their first visit to a bank. Responses will vary but could range from having never been in a bank, to going to the bank as a child with their parent, to going to the bank to open a chequing account, etc.

On a flipchart, whiteboard, or blank transparency, record the responses to the question, Why do people go to a bank?

- Responses will vary and could be endless, but will probably include some of the following: cash a cheque, get a money order, deposit money, buy a Canada Savings Bond for a child’s birthday, use the ABM machine, etc.
- The goal of listing reasons to go to a bank is to establish a current mental picture for the participants of the various traditional financial services provided by banks. The next step will be to enlarge their current mental picture of banking.
Use “Overhead 1: Traditional Services of Banks,” to identify and define the traditional services provided by banks.

- Provide a brief one or two sentence definition of the services.
- Avoid lengthy discussions about each element by answering questions briefly and reminding participants that future sessions will cover the topic in more detail.
- Note that the list on the transparency represents examples and may not be all-inclusive.

Ask if anyone believes that banks have changed over the years in the services they provide. If yes, in what ways have they changed? Responses will vary.

Use “Overhead 2: Expanded Services of Banks,” to explain that while banks once were very basic and traditional in their financial functions (accept money and make loans), they now have an expanded and varied list of services.

- Place Overhead 2 over Overhead 1 to show a comparison in bank services.

Ask if anyone knows what happened to allow banks to expand their services.

- Use “Overhead 3: Bank Act Reform 2001 (Bill C-8)” to explain the process.
- You might want to allow the participants a few minutes to read the transparency and then ask for their interpretation of the Act.

Remind everyone that banks are financial institutions but that they also see themselves as a vital part of community life on a daily basis. They want to be seen as participants in all areas of community life.

Using the flipchart, whiteboard, or a blank transparency, ask the participants to brainstorm places where they have seen the names of banks. Responses will vary but may include some of the following:

- Sponsorships (sporting events, Minor League sports teams for boys and girls, educational television programs)
- Floats in community parades for Christmas, Canada Day, Remembrance Day, Run for the Cure, etc.
- Funding for affordable housing construction

Remind the participants that while they might easily recognize the traditional ways in which banks partner with the community, there are other ways that might not be as readily seen to the public.

- Use “Overhead 4: Community-Related Services of Banks” to illustrate some of these relationships.
**Closing**

In closing, remind participants that banks have grown in the roles they play in our daily lives. Remind everyone that the future still holds much opportunity for additional growth.

Return to the original list of why people go to banks that was developed at the beginning of the session.

- Ask, **Would any of you now think of additional reasons that you would go to a bank?**
- Allow for responses as a way of assessing the activity objectives.

Thank everyone for their participation and encourage them to return for additional sessions. If such sessions are scheduled, you might provide a “sneak preview” of any activity to come.
# Traditional Services of Banks

<table>
<thead>
<tr>
<th>Traditional Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Chequing Accounts</td>
</tr>
<tr>
<td>• Savings Accounts</td>
</tr>
<tr>
<td>• GICs (Guaranteed Investment Certificates)</td>
</tr>
<tr>
<td>• Canada Savings Bonds</td>
</tr>
<tr>
<td>• Loans</td>
</tr>
<tr>
<td>• Car</td>
</tr>
<tr>
<td>• Home (mortgages and home equity loans)</td>
</tr>
<tr>
<td>• Personal</td>
</tr>
<tr>
<td>• Safe Deposit Boxes</td>
</tr>
</tbody>
</table>
## EXPANDED SERVICES OF BANKS

<table>
<thead>
<tr>
<th>EXPANDED SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Insurance Sales</td>
</tr>
<tr>
<td>• Small Business Advising and Loans</td>
</tr>
<tr>
<td>• Investments</td>
</tr>
<tr>
<td>• Credit Cards</td>
</tr>
<tr>
<td>• Remittances</td>
</tr>
</tbody>
</table>
BANK ACT REFORM 2001
(BILL C-8)

Eliminated many restrictions among banks, but also put in place a new review process for bank mergers.

The Act establishes:
- the Financial Consumer Agency of Canada (FCAC) to enforce consumer-related provisions of the legislation, to monitor the industry's self-regulatory consumer initiatives, and to promote consumer awareness.
- a new Canadian Financial Services Ombudsman (CFSO) to handle complaints from consumers and small businesses.

Results?
- Banks are required to open accounts for individuals without demanding a minimum deposit or that the individual be employed.
- Financial institutions are also required to cash government cheques for non-customers, with a minimum form of identification.
- Banks are required to make a low-cost account available to consumers.
SOME COMMUNITY-RELATED SERVICES OF BANKS

Bank employees mentor students in areas of basic financial skills.

Bank employees serve on community organizations’ boards of directors.

Banks provide scholarships to students going into the banking profession.

Banks fund affordable housing construction.

Banks organize fund-raising events, such as “Run for the Cure.”

Bank branches participate in fundraising for many community organizations, such as children’s hospitals.