

Chapter 1: Banking

Why open a bank account?

- to cash or write a **cheque**
- to use bank machines or **ATMs**
- it is safer than keeping your money at home
- it will improve your chances of being able to borrow money in the future
- your money can gain **interest** in a bank account

Where can I open a bank account?

There are three different types of financial institutions where you can open a bank account: banks, credit unions and trust companies. All three offer similar banking services.

There are some differences between these institutions. At a **credit union**, for example, you must be a member to use their services. You must buy a share in order to be a member. The share usually costs about \$5. Once a year, members receive a small amount of the profits of the credit union.

It is very important to shop around to compare the services offered by different financial institutions before you choose where to open an account.

How is my money protected?

Your money is safe in a bank or trust company. It is protected by the Canadian Deposit Insurance Corporation. You can get more information on how your money is protected in a bank or trust company by phoning the CDIC at 1-800-461-2342.

Cheque: a written order for payment taken out of your bank account to pay for something.

Automatic Teller Machine (ATM) or Bank Machine: lets you withdraw and deposit money, and pay bills 24 hours a day. Also known as an ABM or automated bank machine.

Deposit: when you put money into your bank account. This can be done by cash, cheque, ATM or direct deposit.

Interest: is a fee either earned or paid on money.

Dividend: an amount of the profit paid to members of a credit union. This amount is based on the number on common shares you own.

Think about the following when choosing an account:

- What type of account should I open?
- How many transactions will I make each month?
- Will I use the bank machine or ATM?
- Will I make withdrawals and bill payments at my branch?
- When is the bank open?
- Is the branch close to where

Your money is also protected in a credit union. For more information phone the Credit Union Deposit Guarantee Corporation at 942-8480.

What type of bank account can I open?

There are three types of bank accounts:

- savings
- chequing
- combination

The type of account you choose will depend on how you use your bank account.

Savings account - This account may be a good choice if you want to save your money or if you do not need your money right away. You cannot usually write cheques on this account. With some savings, you can cash cheques and pay bills.

Chequing account - This account allows you to write cheques. It is a good choice if you use your account often. The interest rate paid on a chequing account is lower than on a savings account. Some chequing accounts do not pay any interest.

Combination account - You can use this account if you would like to save some money but also write cheques. This account offers lower interest than a savings account.

Make a list of questions to ask when comparing banks, credit unions and trust companies. Do not be afraid to take them with you when you go to open an account.

The bank, credit union or trust company will explain the different accounts you can choose from, the service charges involved, the way interest is

I live, work or go to school?

- Will I use my bank card to buy items at stores?

Transaction: when money is put into or taken out of your bank account. This can be a withdrawal, deposit, debit card purchase, service charge or interest charge.

Withdrawal: when money is taken out of your account. This can be done by cash, cheque, ATM, debit card, or pre-authorized payment.

Branch: banks, credit card unions and trust companies usually have many different locations. Each location is called a branch.

Identification (ID): is a way to prove who you are.

Some examples of ID are:

- Immigration papers
- Canadian Citizenship card
- Blue Cross card
- Valid Canadian driver's license
- Valid Passport

Signature card: is a card on which you write a sample of your signature. The bank keeps it on file.

Passbook: This booklet lists the transactions in your bank account. You can update it at the bank or ATM.

Monthly statement: A sheet that shows your account transactions

calculated and how often it will be paid to you. They will also tell you what type of record keeping they do.

You can usually choose between a **passbook** and **monthly statement**. A monthly statement is automatically mailed to you. If you have a passbook you are responsible for updating it.

What can I expect?

You must show two pieces of **identification (ID)** before you can open an account. This identification should show your signature and a photograph, if possible.

The bank will need your name, address, telephone number, and Social Insurance Number (SIN). If you are working, the bank will want to know the name of your employer, your work address and telephone number. They will also ask you to sign a **signature card**.

The bank will also ask you to sign an **account agreement**. Before you sign, make sure you understand what you are agreeing to. Ask questions if you do not understand.

If you use a bank machine or make **debit purchases**, you will need a **bank card** and a **PIN**. When you get a bank card, you must choose your PIN. Do not use your birth date, telephone number or name for the PIN. These would make it easy to someone to guess your PIN. Choose a secret number. It is important that you never give your PIN code to **anyone!** If you give your PIN to another person, you are responsible if money is taken from your account using your debit card, even if you did not take the money.

Cheques

for the past month.

Account agreement: explains the rules for using your bank account.

Debit purchases: In most stores you can use your bank card to buy products or services. The money is taken out of your bank account immediately.

Bank card: is the card you use to make transactions at an ATM or to make debit purchases.

PIN (Personal Identification Number): This is a secret number that only you know. This code is needed when using your bank card to access your account.

Personalized cheque: These cheques have your name, address and account number pre-printed on them.

NSF (Non sufficient funds) fee: A fee for not having enough money in your account to cover the amount for the cheque you wrote.

Teller: the person behind the counter who helps you at a bank, credit union or trust company.

Endorse: a signature you put on the back of a cheque.

Holds: The bank does not allow you to cash the cheque as soon as it is deposited unless you already have that amount of money in your account.

If you open a chequing account, you can take money out of your account using a cheque or an ATM.

Most cheques are **personalized** with your name, address and account number pre-printed on them. You can buy these cheques where you open your account. When you run out of cheques you can order more from the bank. Remember you cannot borrow cheques from a friend or relative since your name and account number is written on the cheque.

If you do not have enough money in your bank account to cover the cheque, you will be charged an **NSF (non-sufficient funds) fee**. This fee is usually between \$10 - \$25 plus the amount of the cheque. When do not have enough money in your account to cover a cheque you write, it is called "bouncing a cheque."

If your cheques are lost or stolen, phone your bank immediately. A person might spend your money by pretending to be you and using your lost or stolen cheques.

If you want to cash a cheque you receive, you must sign the back of it, or **endorse** the cheque. Do not sign the bank of the cheque until you deposit it or are in front of a **teller**. If your lose an endorsed cheque, anyone can cash it and take the money. If you deposit the cheque in your account, you can write "for deposit only" on the back to make it harder for someone else to cash it.

Sometimes banks place a **hold** on a cheque to make sure the person or company who wrote the cheque has enough money in their account. You may have to wait 3 to 5 business days before you can withdraw money from a cheque. Contact your bank or credit union if you would like to remove a hold on your account.

Service charge: a fee for using your bank account.

Service plan: is a package of services for your bank account. You pay a monthly fee for a service plan.

Tips to reduce service fees:

- Try only to use ATMs for your bank, credit union or trust company. Other banks will charge \$1.00 - \$1.50 to use their ATM.
- Try to use a bank machine instead of a bank teller. Service charges are cheaper at an ATM than at a teller.
- Use your debit card instead of writing a cheque to buy items in stores. Cheques often cost more than the service charges of a debit card.

Ombudsman: a person who investigates and resolves complaints.

Safety Deposit Box (SDB): a box in the bank where you can keep valuable items safe such as jewellery, papers or your passport.

PIN (Personal Identification Number): This is a number that only you know. You need it when using your bank card.

SIN (Social Insurance Number): Your SIN is used when you apply for a job or fill out income tax forms. Banks may also request this

Service charges

A **service charge** is a fee for using your bank account. Each time you withdraw money or use other services you may have to pay a service charge.

Even though each service charge is a small amount of money, it can become expensive if you make many transactions each month.

Service plans can lower the amount you pay for service charges each month. You pay a monthly fee for a service plan. Ask about the service plans when you choose a bank account. First, look at your passbook or monthly statements to see how much you pay each month for service charges. Then ask if the bank has a service plan that will cost less for the same number of transactions. The teller can help choose a plan that is right for you.

What if I have a problem?

The first thing to do when you have a problem with a bank is to discuss the issue with the branch manager.

If the branch manager cannot solve the problem, write or call the regional or head office manager. If this does not help, contact the internal **ombudsman** who will investigate your complaint. Ask your branch manager or customer service representative at your branch how to contact the ombudsman.

If none of these options solves the problem, call Canadian Banking Ombudsman toll free at 1-888-451-4519.

If you have a problem with a credit union, talk to the branch manager. If the problem does not get resolved, phone the Head Office of your credit

number when you open a bank account.

Tips to protect your PIN and other personal information:

- Never give your PIN, SIN, bank account number or date of birth to anyone over the phone for any reason.
- If you have trouble using a bank machine (ATM) do not accept help from person behind you in line. Go into the bank or credit union and ask a teller for help.
- If you have to provide your PIN or account number at a payphone, make sure no one can see you do this.

See **Chapter 7 - Protect Yourself** for more information.

union to explain your problem.

If this doesn't solve the problem, call the Consumer and Corporate Affairs Registrar at (204) 945-4466.

Safety Deposit Boxes

You can rent a safety deposit box (SDB) in different sizes, depending on what you want to keep safe. You pay an annual fee for SDBs. The amount you pay depends on the size of the box. This amount can be deducted from your income tax.

You need two keys to open a SDB. The bank will give you one key and keep the second one. You must ask for assistance from a bank employee to open the box. Because of this, you can only access the SDB during branch hours. Be sure to keep your key in a safe spot. If your key is lost the bank cannot open the box. You may have to pay for another key.

Protecting Your Bank Account and Credit Card

Occasionally banks may call you to ask questions about your account, credit card or other services. Be careful with these types of phone calls. The call may be pretending to be a bank employee in order to get personal information from you. The bank may ask you questions to identify you such as your postal code. Banks will **NEVER** ask you to give an account number, your PIN or your SIN **if they phone you**. Do not give your PIN or SIN to anyone over the phone.

If you feel uncomfortable with this type of phone call, ask the caller's name and hang up. Then, look up the bank's phone number and call them. Ask them if the caller is an employee and if it was a legitimate call.

If anyone phones and asks you for your bank account or credit card information, hang up immediately and contact the police. It is okay to give information over the phone **if you call the bank** yourself.

