

My Whole Financial Picture



Useful Links

Deposit Insurance Corporation
of Ontario (DICO)
www.dico.com

Canadian Deposit Insurance
Corporation (CDIC)
www.cdic.ca

I want to feel secure, but...

what does all the financial news mean?

The good news is Canadian financial institutions are stable. But what has happened to the financial service industry globally? This newsletter has focused many articles on debt and our consumer behaviour. We have also written about loans that are not good for the borrower, but are good for the financial institution. In a nut shell, this is what has happened. Added to the glut of bad US loans are the forces of Wall Street, consumer confidence, corporate greed and relentless spending. You know the old saying "the chickens will come home to roost" – the chickens have arrived.

About those loans

For years, US lenders have been granting mortgages to people who could not really afford them. These mortgages are now termed sub-prime. Factors like increasing interest rates, job losses and rising prices meant these homeowners' cash flow no longer could support their payment. Coupled with credit card debt, car loans and lack of savings, it was really only a matter of time before it all caught up with the homeowner, for many the only option was to default on the loan.

If this was only a small part of the market, then banks, investors and the general economy would have been able to absorb the losses but; it was and continues to be much bigger than that. Banks were no longer receiving payments so investors in the marketplace started seeing their investments go under. Losses started to mount and the financial market began to tumble as corporate assets became less and less valuable. Cracks in the system started to show. Shaky financial regulations and risky financial products added stress to already weak balance sheets. We know what happened next.

Since the beginning of the sub-prime mortgage mess there has been a credit crunch, and it will get worse before it gets better. Financial institutions basically lend out the money that we save. When we don't save there is less money to lend and banks either have to fund loans other ways or decrease the number of loans they grant – to consumers, businesses and governments. We can expect that funding sources will be lean and that is what the US and European bailouts were about, finding money to fund loans – loans that have defaulted and those needed in the on-going economy.

What does it mean for Canadians?

It is hard to say what will happen next, but we can feel good about our financial system. We have had better regulations and more conservative lending practices. As an example, the Canadian government recently stopped 40 year amortization periods for mortgages because they did not make good financial sense for homeowners.

While our financial system is stable, we are not completely immune to what is happening. We will continue to see volatility in the stock market and the economy is predicted to slow down. That can mean job losses, higher prices and higher interest rates.

What does it mean for our members?

The Credit Union is in a very strong financial position. As a financial institution we have an excellent liquidity position. This means we have ample funds on deposit. A lack of deposits is one of the biggest issues facing financial institutions today – you can feel secure about The Credit Union's position. Our excess deposits continue to be invested in non-risk financial products. When the sub-prime mortgage issues began we were one of a few financial institutions which did not lose money on their investments. Our reserves have been built on our profit and not on special share issues or debt.

Now is the time to take stock of your financial position to make sure that you are in the best possible shape to weather any changes that are coming. The back of the newsletter provides some financial information you need to be aware of and the website provides priorities at several financial life stages.

"We noted our member had an RRSP contract with well over the maximum coverage limit for deposit insurance.

We explained how deposit insurance works and the maximum coverage limit. We recommended the member split the funds into 2 different RRSP contracts, which would then be covered by deposit insurance. The member appreciated the call and our recommendation to ensure his funds were covered."

As told by a Credit Union
Member Service Rep

Turn over to read about helpful tips on how to
Take Care of Your Finances Now

Taking Care of Your Finances Now

Go to mycreditunion.ca for:

- » Financial Lifecycle – Priorities for Every Stage
- » The Personal - Public Safety: Oh Deer, Oh Moose, Oh My!

There is no question when financial markets are in turmoil we all feel uncertain about our own finances. Watching banks collapse and governments taking unprecedented actions to help with losses is unsettling at best. There are things that you can do to make sure your financial house is in order.

First take a deep breath and relax. Often our first response is emotionally driven by uncertainty and fear. This is not the time to be making quick decisions but to look at all your financial strategies. More than ever it is time to talk to your financial advisor about your current situation and your short and long term goals. That is where The Credit Union comes in – we are here to go over all your finances, even if all of your accounts are not held at The Credit Union. As your financial advocate we want to help you be in the best possible financial shape now and in the future. We have certified financial planners on staff that are well-prepared to help you figure out what the best strategies are given the current financial turmoil.

Now is the time to take a reality check on how you are spending and saving your money. It may be time to down size and it is certainly time for those of us living beyond our means to figure out where we have to cut back. Several experts suggest that credit card limits may be decreased or will disappear all together. Be honest with yourself about your spending habits. It is time to get back to the basics; pay yourself first, save for purchases and pay off debt as fast as you can. Figure out a savings plan with the help of your financial advisor.

Making sure that your deposits are well protected is one of the things that you can check into. As a Canadian you are protected by deposit insurances in the unlikely event that a Canadian financial institution fails. The Credit Union offers insurance through the Deposit Insurance Corporation of Ontario (DICO). The insurance premiums are covered by The Credit Union. DICO insures the following types of credit union deposits:

- Savings accounts and chequing accounts
- Term deposits including index-linked term deposits and Guaranteed
- Investment Certificates (GIC)
- Money orders, certified cheques etc.
- Deposits held in one name
- Deposits held in joint names
- Deposits held in trust
- Registered savings plans

Insurance covers up to \$100,000 in deposits. The amount covered is calculated by adding the following deposits held by a named depositor:

- Savings and chequing accounts
 - Term deposits and GICs
 - Money orders, certified cheques and drafts issued by DICO
- www.dico.com/design/1_1_Eng.html insured institutions (that are payable to you and not yet cashed)

If you hold deposits in a joint account then those accounts are separate and are under their own \$100,000 coverage. The same goes for trust accounts. Registered savings plans are a bit different, with coverage being based on the registered plan or contract. Each separate plan or contract is insured up to \$100,000. If you are not sure about how your deposits add up come by a branch, call or send us an email. We can help you understand your coverage's.

DICO does not cover funds held in member shares, investment shares, mutual funds, contents of safety deposit boxes, foreign currency accounts, stocks, bonds, debentures or securities held for safekeeping.

The Canadian Deposit Insurance Corporation (CDIC) offers insurance protection up to \$100,000 to their member financial institutions. Like DICO, the CDIC covers deposits as follows:

- Savings and chequing accounts
- GICs and other term deposits of 5 years or less
- Money orders, certified cheques, travellers' cheques and bank drafts issued by CDIC members
- Debentures issued by loan companies
- Some registered savings plans
- Mortgage tax accounts

The CDIC does not cover the following:

- Mutual funds and stocks
- GICs and other term deposits of more than 5 years
- Money orders, certified cheques, travellers' cheques and bank drafts issued by non-CDIC members
- Notes, principal protected notes, bonds and debentures issued by governments, corporations or chartered banks
- Treasury bills

The CDIC has the same type of rules associated with single individual versus joint-individual deposits. To make sure that you have the maximum coverage for your non-credit union deposits it is best to talk to the financial institution where your deposits are held.

With planning, sound strategies, and a willingness to not only seek but also listen to financial advice the effect of the downturn can be lessened. Not sure where to start – we'll show you how!



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1-888-476-8737
www.thepersonal.com/mycreditunion

 **thePersonal**
Home and Auto Group Insurance

*Offer valid on new auto quotes only provided between September 4 and December 31, 2008. No purchase necessary. One gift card per household.

**The
Credit Union**
For All Government Employees

We'll show you how.

Member Assistance
416-314-6772 or 1-888-516-6664
memberassistance@mycreditunion.ca

Direct Teller
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