

My Credit Union Financial Advocate



Important Notices & Useful Links

QuickTax will be available January 30, 2009 to start your tax returns. As a member of The Credit Union, you'll receive 20% off the regular rates.

All it takes is one quick click on QuickTax on The Credit Union's home page and you'll be connected.

The RSP deadline for this year is **March 2, 2009.**

Mortgage Calculator:
www.mycreditunion.ca and click on Planning Tools, then GO Figure and then Mortgages

Home Buyers' Information:
www.cmhc-schl.gc.ca and click on your language preference and then Consumers

I want to work with a Financial Advisor, but...

how do I know who they are working for?

Every RRSP season we start asking questions about our investments – have we saved enough, do we have the right investment strategy and because of what has been happening in financial markets, when will my investments recover? It is also the time we start seeing product offers and promises of better returns. But how do you know your financial advisor is your advocate? There are three basic ways a financial advisor is paid for their services, and how they are paid is important to you. Payment can come in the form of commissions or fees for service and each comes with their own set of expectations.

When your financial advisor is paid commission they earn money based on what they sell you, or the number of trades you make in your investment account. That does not mean they are not looking out for you, but it does mean that some objectivity can be lost. Often if you have a smaller, less active portfolio, this type of financial advisor is best for you. We are not saying commission based financial advisors are not ethical, but it does mean you should get referrals from family and friends. If your commission-only financial advisor is not willing to talk to you about your debt, taxes and budget then you need to find one that will. Investing is only one side of the story.

A fee-for-service financial advisor earns a fee, typically hourly, for providing advice regardless of the number or types of transactions. They are more likely to spend time analyzing your portfolio and entire situation before making recommendations for your investments, insurance, budget and taxes. This type of advisor is best suited for an individual with a large active portfolio. However, you will still pay fees on mutual funds and other investment types, but these fees are not allocated to your advisor.

Salaried financial planners are found at your credit union and other financial institutions. These financial advisors are staff members who provide their services as a benefit to members/customers. At The Credit Union, you do not pay for their services nor do they receive any commission payments. Like a fee-for-service financial advisor relationship the member pays fees on some types of transactions and mutual funds. In some cases these fees are waived or reduced once a portfolio gets to a specific size.

Regardless of how your financial advisor is compensated, if you ever feel that you are being sold and not advised that should be a warning sign. Make sure you ask how your advisor is paid, and how they make their decisions. Do not be afraid to ask why they are making a specific recommendation. After all, it is your money and it is your life that their recommendations will affect.

Other questions to ask:

- What is your background?
 - What type of training have you had? Education counts.
 - How long have you been a financial advisor or planner? Experience counts.
 - How many clients do you have? Make sure they will have time for you.
 - How often do you typically meet with your clients? Does that meet your expectation or comfort level?
 - How do you communicate? Phone, mail, email – does their preference match with yours?
 - Will they help you figure out a budget? Or review the one you have?
 - Will they look at your debt and make recommendations for reducing interest costs?
- Getting investment advice is not your only financial need.

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“ They were unsure about how to keep their retirement dreams afloat in stormy economic times.

We listened to their goals and concerns, mapped out their retirement income sources and developed a realistic, long-term investment strategy that made sense and allowed them to sleep at night.”

As told by one of The Credit Union's Financial Planners

Turn over to read about whether your mortgage is keeping you in debt!

Is your mortgage keeping you in debt?

Go to mycreditunion.ca for:

- » 2009 Resolution – This is the last year for a last minute RRSP contribution
- » The Personal – Understanding Insurance "Lingo"- What do those terms really mean?

Your home is the single biggest purchase you will make. Figuring out what type of mortgage product you should use can be tricky. The traditional mortgage product is the term mortgage, but there are two newer products you need to be aware of. All have both positive and negative product features.

Term Mortgage

A term mortgage has a total amortization period over which the mortgage plus interest amount is repaid. Longer amortization periods mean smaller monthly payments, but the total cost of borrowing increases substantially because you pay interest longer. The amortization period can easily be confused with the term of the mortgage, but they are very different. The mortgage term indicates the length of time over which an interest rate is applied. Fixed term mortgages range between 6 months and 10 years. When the term is over, the mortgage is renewed and a new interest rate is applied. The renewal process continues until the mortgage is paid off. The good thing is you have a loan with a scheduled end and fixed payments. The down side is that there are often fees for paying off your mortgage early, and sometimes there are restrictions on the amount you can pre-pay.

The Umbrella or Wrap-Around Mortgage

This product sets up one document that covers any mortgage on the property. For example, if you have an umbrella mortgage of \$350,000 but have paid off \$75,000, – that amount is made available to you in a line of credit (LOC). Since the mortgage and LOC are in one account the total balance is really what you owe on your home. In some products you can split your mortgage up into more than one type; so you can have a portion of your mortgage in a term and some in a variable product. This type of mortgage is not for everyone and is best suited for individuals who are very disciplined about paying off their LOC. As long as there is a LOC balance you do not own your home. On the positive side you can gain access to the equity in your home without reapplying for a loan.

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Make sure your financial advisor talks to you about:

- Your will and estate
- Your debt
- Your taxes
- Your credit history
- Your life, disability and health insurance
- Your retirement and pension plans
- Your family situation and commitments
- Your plans for your children's education
- Your homeownership status and future plans
- Your financial goals and other important goals you have

At the start of your relationship it is very important you clearly explain your expectations to your financial advisor. If you need reminder calls, quarterly reviews or want more of a "don't call me, I'll call you" relationship, let your advisor know.

The All in One Mortgage

This product has been around for the last several years. It combines all loans, mortgages, chequing and savings accounts into one account. That is where the all-in-one comes in. How does it work? Based on your personal circumstances such as income, credit history, value of your home and the amount you owe you are given a borrowing limit. This is also your chequing and savings account, so your pay, investment income and any savings are deposited in the account as well. The theory is that by combining deposits and loans in one account any deposits decrease interest owing.

Each day your account balance is reviewed – if you are in a debt position then an interest owing is calculated. Different products will require different amounts to be deposited each month. Likewise, if you are in a total credit position you will earn interest. So when your pay cheque is deposited your loan balance will go down and your interest owing will decrease. But you still have to pay expenses out of the account and like any chequing account there are service charges. It can be really easy to overspend and actually increase your debt, as some products immediately re-advance your principal payment. That means you will lengthen the time before you are mortgage free. Some products allow a portion of your debt to be in a fixed payment sub-account, but you lose some of the advantages of consolidating deposits and loans. This type of product again is not for the faint of heart and is best suited for individuals with growing cash reserves, who have significant positive cash flow and are very diligent with their spending and budgeting.

No matter what type of mortgage you are interested in, talk to your financial advisor. Your mortgage is the biggest debt you will likely ever incur and it is important you make the best choice for your financial health.

With your group you have privileges

FOR YOUR HOME AND AUTO, ENJOY THE BENEFITS OF PREFERRED RATES AND EXCEPTIONAL SERVICE

Thanks to The Personal and Ontario Civil Service Credit Union, you have access to home and auto group insurance. Why not take advantage of it?

Get a quote:
1-888-476-8737
thepersonal.com/mycreditunion

thePersonal
Home and Auto Group Insurance

THE CHOOSE YOUR PRIVILEGE CONTEST
\$50,000
SHORT PACKAGE
LONGER PACKAGE

Certain conditions apply.
Auto insurance is not available in Manitoba, Saskatchewan or British Columbia due to government run plans.

The most critical piece of advice is not to delay in setting up your financial plan. If you are unsure where to start, need a second opinion on your portfolio or your financial plan we are here to help. Give us a call, send an email or drop into the branch – We'll show you how.