

When we think of financial institutions, we are often thinking about banks. However there are more financial institutions that we will explore as well.

What is a bank?

What is a bank?

A bank is a financial institution that is licensed to be a receiver of deposits.

This means in order to be a bank, an institution just has to be able to receive and retain deposits (collect and keep deposits). It does not have to do anything else but they often also lend, issue credit cards, and provide other financial services.

"The Big Five" refers to the 5 largest banks in Canada (meaning the banks holding the most assets).

What 5 banks do you think make this list?

Exploring Financial Institutions



	RBC	TD	Scotiabank	BMO	CIBC
Total Assets (in CAD billions)	1,428.94	1,415.29	1,086.16	852.20	639.72
Market Capitalization (in CAD billions)	132.61	110.31	67.85	47.17	41.41
# of Branches	1,355	1,165	1,040	939	1,100
# of employees	74,000+	85,000+	89,000+	47,000+	42,000+

3 Categories of Banks:

Commercial Bank: most visible bank in everyday society -concerned with deposits and withdrawals of individuals and small-medium businesses.

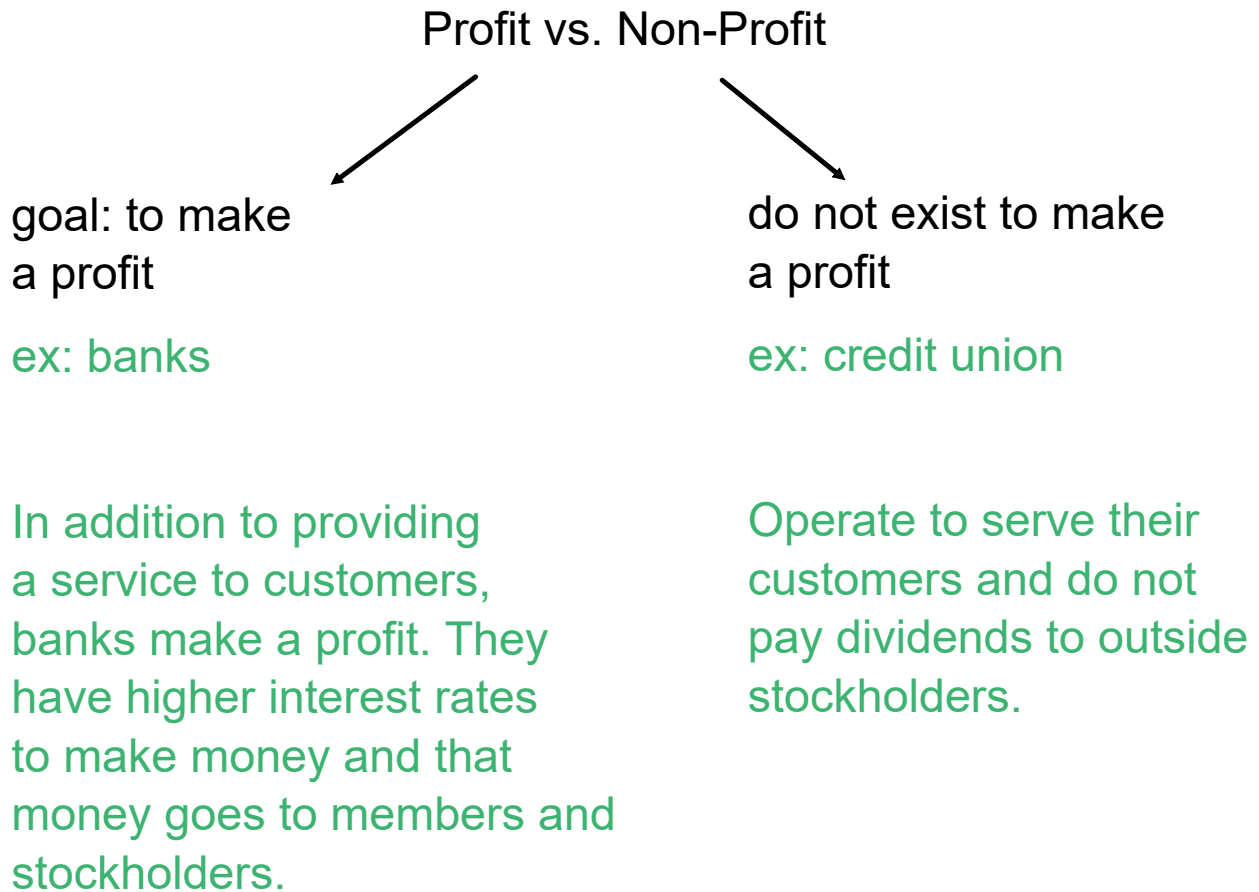
Investment Banks: financial institution primarily focused on providing services to corporate and institutional clients.
(Large and complex financial transactions)

International Bank: financial institution that offers financial services to foreign clients (individuals and companies).

We have Prairie Center Credit Union in town. Why do you think that didn't make the list?

We have Prairie Center Credit Union in town. Why do you think that didn't make the list?

Credit Unions are actually not considered banks! It is a different type of financial institution. (Although both may provide similar financial services)



Another type of financial institution is a **virtual bank**.

These financial institutions do not have a physical branch and all transactions are done online, by phone, or with the use of an ATM.

A benefit of a virtual bank is they can offer higher interest rates due to having fewer expenses through not having a physical branch.



Lenders are individuals, public/private groups, or financial institution that provides funds to someone with the expectation that they will be repaid (often including interest.)

A-Lender: a financial institution (often bank or credit union) that lends to borrowers with solid credit scores and lengthy income histories.

B-Lender: a financial institution that lends to those who do not qualify to borrow from an A-lender. B-lenders will lend to those with lower credit scores or smaller income histories, but charge higher interest rates and higher fees.

Payday Lender: a financial institution that lends with high interest (17%) and for less than 62 days.



Mortgage Lender: a mortgage lender is a company that provides funds to the borrower to buy a home. The mortgage is paid back through a series of predetermined payments and if a payment is not made, the lender can sell the property to pay for the loan.

This is different than a **mortgage broker** because the **mortgage broker** is a "middle man" who doesn't use their own funds and matches clients with a mortgage lender best for them. (Mortgage brokers have access to all mortgage lenders and will shop around and negotiate for you.)

What should we consider when choosing a financial institution?

What should we consider when choosing a financial institution?

- Location (are there branches and machines nearby to me?)
- Fees (what are the bank fees for the account I want?)
- Interest (how much interest will I collect on my savings account?)
- Can I write cheques? Do I pay a fee to order cheques?
- Will I pay extra if I use a different branch or different bank's ATM?
- Do I pay a fee for e-transfers?
- Online banking features
- Is there a minimum amount I need to keep in my account to avoid fees?

Homework:

Ask your parent(s)/guardian(s)/sibling(s) the following questions:

1. What financial institution(s) do you bank with? How did you make those decisions?

2. If you were choosing a financial institution to bank with now, would you choose differently? Why or why not?