
Appendix: Money Management for New Comers

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CNIW Foundation

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0. Preface



Introduction

“Positive Aging: Strengthening Chinese Canadian Immigrant Seniors’ Financial Well-Being” is a project designed to support elderly immigrants in developing their financial literacy. The project was officially launched on March 30, 2023, and will continue until March 29th, 2024. It is sponsored by the Government of Canada, hosted by CNIW Foundation, and supported by CNIW (Centre for New Immigrant Well-Being) and EMAC (Education and Multicultural Alliance of Canada).

The "Positive Aging" project aims to ensure that Chinese-Canadian immigrant seniors and their caregivers have access to effective financial education and assistance, with a special focus on newcomers to Canada.

This document serves as an appendix to the original handbook and contains additional detailed information on specific topics such as banking services. Through written materials and face-to-face activities, the CNIW Foundation aims to help Chinese seniors enhance their financial literacy and take a long-term perspective on their own and their family's financial management.

1. The Basics



What is Money Management

Money management is the process of achieving personal, family, or organizational financial goals through effective planning, management, and utilization of financial resources.

It covers a wide range of aspects, including savings, investment, expenditure control, debt management, risk management and retirement planning. Money management aims to ensure financial stability, enhance wealth, realize dreams and goals, and reduce financial risk. Money management is a comprehensive process that requires an individual or family to make informed financial decisions to achieve financial goals, improve quality of life, and be able to prepare in the face of unpredictable circumstances.

Purpose of Money Management

The purpose of money management is to effectively manage and increase the financial resources of an individual or organization to achieve specific financial goals. These goals can vary from one individual, family, business, or organization to another, but typically include the following:

- **Financial stability:** a major goal of money management is to ensure that an individual or family is financially stable. By planning and managing financial resources wisely, it is possible to cope with unforeseen events, emergency expenses and unpredictable situations, thus reducing financial stress.

1. Basics

- **Wealth enhancement:** another important goal of money management is to increase wealth. Through investment, savings, and asset management, it is possible to add value to financial resources and achieve long-term financial goals, such as retirement planning, children's education and buying a home.
- **Realizing dreams and goals:** money management can help people realize their personal or family dreams and goals, such as traveling, starting a business, or buying expensive items. These aspirations can be made a reality through proper planning and investing.
- **Risk management:** money management can help reduce financial risk. Proper risk management and insurance planning can reduce losses due to unforeseen events or financial market fluctuations.
- **Enhancing quality of life:** effective money management can improve the quality of life, reduce financial worries, and stress, and enable individuals or families to enjoy life better.

Core Principles of Money Management

- **Budget planning:** establish a reasonable budget that identifies revenues and expenditures, ensures that expenditures do not exceed revenues, and allocates funds appropriately for various needs and objectives.

1. The Basics

- Saving and investing: save a portion of money and investing it for a return to grow wealth.
- Debt management: manage borrowing and liabilities to avoid over-indebtedness and use borrowing wisely for investment or consumption.
- Risk Management: purchase the right insurance to cover unexpected events, reduce financial risk, and protect yourself and your family financially and securely.
- Retirement and pension planning: plan your pensions and retirement benefits strategically to ensure stable financial resources even after retirement.
- Tax Planning and rational consumption: developing sound tax strategies to minimize tax liabilities and making rational decisions to buy, avoid unnecessary waste, ensure that consumption and income match.

What are the Means of Money Management?

- Create a budget: create a detailed budget that identifies monthly income and expenses. Allocate funds wisely to necessities, savings, investments, debt repayment and entertainment.
- Savings and Investments: in Canada, people can consider using a variety of savings and investment vehicles such as savings accounts, stocks, bonds, investment funds and real estate to achieve wealth enhancement and long-term goals.

1. Basics

- **Tax Planning:** understand the provisions of Canada's tax laws and legally minimize your personal tax liability. For example, take full advantage of tax benefits such as Registered Retirement Savings Plans (RRSPs) and Tax Free Savings Accounts (TFSA's).
- **Home Buying and Mortgages:** if you are planning to buy a home, you need to carefully consider mortgages and home buying programs. Learn about the Canadian real estate market and choose the right property for your situation.
- **Education and retirement planning:** plan for your children's education and your own retirement. Canada offers a wide range of education funds and pension plans that can be selected according to needs. For example, you can maximize your education savings by establish a Registered Education Saving Plan (RESP) for which the government matches 20% of your contributions up to maximum grant amounts of \$500/year and \$7200 over the lifespan of your RESP.
- **Insurance Planning:** purchase appropriate insurance, including health, life, property, and vehicle insurance, to protect individuals and families financially and securely in the event of unforeseen circumstances.
- **Debt management:** manage borrowing and credit card use to avoid high interest debt. Pay off debts in a timely manner and maintain your personal credit record.

1. Basics

- Educational Enhancement: continuously improve your financial knowledge and understand investment markets and economic trends to make informed financial decisions.
- Learn about these programs and be well prepared before you retire.
- Professional Advice: If you are unsure about your finances or need professional advice, you can seek the help of a financial advisor, accountant, or financial planner to develop a financial strategy that is better suited to your personal situation.

2. Working with a Bank



Advantages of Working with a Bank

- **Reputation and Stability:** most banks have long histories and good reputations, which means they are more stable in the financial markets. This provides customers with a sense of confidence that their financial resources are being managed properly.
- **Diversified financial products:** banks usually offer a wide range of financial products and services, including savings accounts, investment accounts, bonds, stocks, investment funds, and retirement plans. This allows customers to choose the right product according to their needs and risk tolerance.
- **One-stop-shop:** banks usually offer comprehensive financial services, allowing customers to manage their finances conveniently by taking care of their day-to-day banking, investment, and loan needs in one place.
- **Professional advice:** banks usually have professional financial advisors and financial experts who can provide professional advice on investment advice, financial planning, and risk management.

2. Working with a Bank

- **Convenience:** the bank has branches in various cities and regions, making it easier for customers to access and handle their financial affairs. In addition, modern banks offer online banking services that allow customers to manage their accounts and investments from anywhere and at any time.
- **Insurance Coverage:** deposits in banks are usually protected by deposit insurance agencies, which can provide customers with a measure of security for their funds, especially if the bank runs into trouble.
- **Flexibility:** the financial products and services offered by banks are usually highly flexible and can be adapted and customized by customers to suit their needs
- **Educational Resources:** banks may offer some financial education resources to help customers improve their financial knowledge and skills to better manage their finances.

Investing Account for Seniors

- Guaranteed investment certificates (GIC)
- Mutual funds with Low Risks

3. Account for Seniors



Tax-Free Savings Accounts (TFSA)

The basics of TFSA

- Tax-Free Savings Accounts (TFSA) are registered accounts that allow you to save and invest while earning tax-free income. You can hold various types of investments in a TFSA, including cash, government investment bonds, mutual funds, and stocks.
- The main advantage of a TFSA GIC is that any interest earned within the account is not subject to income tax. This means you can add to your savings in a GIC without having to pay taxes on the interest earned, even if you withdraw funds from the account. It offers a tax-efficient way to save and earn returns.
- The Government of Canada sets contribution limits for TFSA accounts. Contribution limits may vary from year to year, and unused contribution amounts can be carried forward to future years. It is important to stay within the contribution limits to avoid penalties.
- Each Canadian resident can open one TFSA account. Investment earnings within a TFSA account are generally not subject to taxation but are subject to annual contribution limits. Specific limits are adjusted based on annual indexing.

3. Account for Seniors

Example: How to Apply - RBC

- **Gather Required Documents:** make sure you have the identification documents needed to open an account. This usually includes a valid government-issued photo ID (e.g., passport, driver's license) and proof of your Social Insurance Number (SIN).
- **Contacting Royal Bank of Canada:** contact them through their customer service line or by visiting your local RBC branch. You can also visit their website for online account opening options.
- **Schedule an Appointment (if applicable):** if an in-person appointment is required, please schedule a meeting with a RBC representative at your convenience. This will allow them to guide you through the account opening process and answer any questions you may have.
- **Fill out the application form:** fill out the application form provided by RBC. You may be asked to provide personal information such as your name, address, contact information and employment information.
- **Funding Your Account:** determine the initial contribution amount you wish to make to your TFSA. Make sure you have enough funds in your bank account to transfer to RBC's TFSA account.
- **Review and Sign Documents:** carefully review the terms and conditions, disclosure documents and any other documents provided by RBC. Sign the documents required to open a TFSA account.

3. Account for Seniors

- Provide source of funds information: you will need to provide source of funds information for your TFSA. This can be an existing RBC account or an outside bank account.
- Confirmation and Account Activation: once all the paperwork is completed, confirm the details with RBC and they will activate your TFSA account. You will receive confirmation and account details, including an account number.

Registered Retirement Savings Plan (RRSP)

The Basics of RRSP

A registered retirement savings plan (RRSP) is an account designed specifically for retirement savings. While RRSPs are primarily used for investing, they can also include cash savings. RRSP contributions are tax-deductible, and any income earned within the account is tax-deferred until withdrawn.

Example: Scotiabank

Applicable Population:

- Plan to contribute to your RRSP to reduce your taxable income as your investments grow on a tax-deferred basis!
- Expect to have room to contribute until retirement based on the maximum annual contribution allowed by the Government of Canada

3. Account for Seniors

- Plan to use your RRSP to help you buy a home and qualify for a homebuyer program
- The plan pays for your, your spouse's or domestic partner's education and is eligible for the Lifelong Learning program
- Each Canadian resident can open one or more RRSP accounts. RRSPs can be used for pre-tax savings with tax benefits, but are subject to tax implications when withdrawn. Contribution limits are based on annual income.

How to Apply:

- Contacting your bank: contact Scotiabank to initiate the account opening process. You can contact them through their customer service hotline or by visiting your local Scotiabank branch. You can also choose to open an account online through their website.
- Schedule an Appointment (if applicable): if an in-person appointment is required, or if you prefer to visit a branch to open an account, schedule a meeting with a Scotiabank representative. This will allow them to guide you through the account opening process and answer any questions you may have.

3. Account for Seniors

- **Gather Required Documents:** make sure you have the identification you need to open an account. This usually includes a valid government-issued photo ID (e.g., passport, driver's license) and proof of your Social Insurance Number (SIN). You may also need to provide proof of address, such as a utility bill or bank statement.
- **Fill out the application form:** fill out the application form provided by Scotiabank Bank. You will be required to provide personal information such as your name, address, contact details and employment information.
- **Decide how much to contribute:** decide how much you want to contribute to your RRSP. Make sure you know your contribution limits for the tax year. The Canada Revenue Agency (CRA) sets annual contribution limits based on your income.
- **Choosing an investment option:** choose an investment option that is consistent with your investment objectives and risk tolerance. Scotiabank offers various investment options in its RRSP such as mutual funds, GIC, stocks and bonds.
- **Review and Sign Documents:** carefully review the terms and conditions, disclosure documents and any other documents provided by Scotiabank. Sign the documents required to open an RRSP.

3. Account for Seniors

- **Funding Your Account:** determine the source of funds for your RRSP contributions. You can transfer funds from your existing bank account to a new RRSP account at Scotiabank. You can also choose to make an automatic contribution or a lump sum contribution.
- **Confirmation and Account Activation:** once all the paperwork is complete, confirm the details with Scotiabank and they will activate your RRSP account. You will receive confirmation and account details, including an account number.

4. Margin Account



Brief Introduction

- **Leveraged Trading:** margin accounts allow investors to trade with borrowed funds, thereby magnifying the leverage effect of the investment. This means that the investor can control a larger trading position with less of their own funds. However, leverage also increases investment risk, as investment losses can exceed the investor's principal.
- **Margin Ratio:** the margin ratio of a margin account is the ratio between the investor's own funds and the borrowed funds. For example, if the margin ratio is 10%, the investor can trade \$100 with \$10 of his own funds. Margin ratio is usually set by the trading platform or broker, different markets and trading varieties may have different requirements.
- **Trading Varieties:** margin accounts can usually be used to trade a variety of financial products, including stocks, foreign exchange, futures, options and contracts for difference (CFDs) and so on. Investors can choose suitable trading varieties according to their own investment objectives and risk tolerance.
- **Risk Management:** margin accounts require strict risk control by the investor as the investment may lose more than the principal amount. Traders are often required to place stop-loss orders to limit potential losses.

4. Margin Account

- Interest Costs: borrowing funds in a margin account usually incurs interest costs, which the investor pays. At the same time, if the transaction is profitable, the investor can earn interest income.
- Maintenance Margin Requirement: trading platforms usually set a maintenance margin requirement, which is the minimum level of margin that must be maintained in the event of a loss. If account funds fall below the maintenance margin requirement, the trading platform may require the investor to make a margin call or close a portion of the position.
- Liquidity: margin accounts are usually highly liquid, allowing investors to open and close positions at any time during trading hours.
- Suitable for: margin accounts are suitable for investors who have some investment experience and understand the risks of leveraged trading. Due to the high risk of leveraged trading, it is not suitable for investors without sufficient investment knowledge and experience.

5. Mutual Funds



Mutual Fund Basics

Fund Name	Equity Fund	Fixed Income Fund	Dividend Fund	Balanced Fund
Basics	Invest primarily in equities or equity securities. They may focus on specific regions, sectors or market capitalizations (e.g., large-cap, mid-cap or small-cap stocks).	Invest in fixed income securities such as government bonds, corporate bonds and other debt instruments.	By investing in the Fund, investors also invest in the experience of the Fund's portfolio advisor. For unregistered accounts, take advantage of the Canadian Dividend Tax Credit to maximize after-tax income. Dividends are income you pay from the company that holds your shares. If you hold shares through a mutual fund or etf (exchange-traded fund), the company pays dividends to the fund, which are then transferred to you through fund dividends.	Invests in a portfolio of equities and bonds. Asset allocation is determined by the fund manager based on the fund's investment objective. Balanced funds seek to strike a balance between growth and income potential while managing risk.
Risk	High	Low	Medium	Medium
Suitable for	Looking for long-term growth potential from their investments and are looking for a core Canadian equity investment for their portfolio want a broadly diversified, high quality Canadian equity fund.	Investors who want to preserve their value, have low risk and receive a fixed monthly income.	Ideal for retirees, investors looking for a steady income, and investors with stable but modest incomes.	Wants to actively manage a portfolio of equity, fixed income, and cash securities in one fund, wants an investment that combines income and capital growth potential, and plans to hold the investment for the medium to long term.

5. Mutual Fund

Principles on Choosing a Fund

Principles:

- **Investment Objects and Risk Tolerance:** determine your investment objects, whether it's long-term growth or short-term returns. Also assess your risk tolerance to determine the investment style that suit you.
- **Fund Types:** understand different types of mutual funds, such as equity funds, bond bonds, balanced funds, etc. Choose a fund type that aligns with your investment goals.
- **Historical Performance:** review the fund's past performance. While past performance doesn't guarantee future results, it can help you understand the fund's investment style and capabilities.
- **Fees:** pay attention to fund management fees, sales commissions, and other expenses. Low-cost funds are generally more favorable for long-term investment returns.
- **Fund Management Team:** familiarize yourself with the fund's their experience, and investment strategies. A stable and experienced management team may be more trustworthy.
- **Asset Size:** consider the fund's asset size. larger funds may have better liquidity and resources, but excessive size could affect investment decisions.

5. Mutual Fund

- **Diversification:** consider diversifying your investments across different funds to reduce the impact of specific fund risks on your overall portfolio.

Considerations

- **Avoid Overreliance on Past Performance:** past performance does not guarantee future performance, so fund selection should not solely rely on historical performance.
- **Conduct Multi-Angle Research:** do not rely solely on the opinion of one rating agency. Research the fund's performance, expenses, risks, and other factors from multiple angles.
- **Understand Investment Strategy:** understand the fund's investment strategy and portfolio composition to ensure it aligns with your investment objectives.
- **Avoid Frequent Trading:** mutual funds are typically suited for long-term investment. Avoid frequent buying and selling to minimize excessive trading costs and tax implications.
- **Continuous Monitoring:** even after investing in mutual funds, regularly monitor the fund's performance and market conditions to make necessary adjustments as needed.