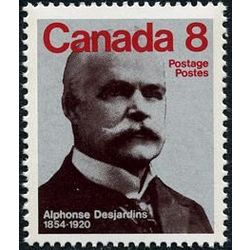
### The Different Types of Financial Institutions

There are actually many different types of financial institutions offering various services and knowing the differences between each will help you to make a more informed choice on where you would like to put your money and who you would like to manage it. The following chart will illustrate the key differences between the various types of financial institutions.

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| Financial Institution | Explanation | Examples |
| Banks  $  $  Pros  Cons | A bank is a for-profit business classified as a “deposit-taking” institution. They accept and manage money deposits as well as provide loans.  Many of the top Canadian banks offer full service brands as well as direct or scaled down versions of their brand.  Because some of Canada’s banks are larger than many credit unions they can provide more competitive services or technology.  Banks are businesses that must answer to their shareholders and therefore, their primary motive is to make a profit. To a bank you are a customer and have no say in the operation of the bank. *If a bank makes a profit, they may decide to share the profit with their shareholders in the form of dividend payments*. | At the time of writing of this course, there were over 85 different banks that have the right to operate in Canada. Some examples of domestic (Canada-based) banks operating in Canada include:   * Royal Bank of Canada (RBC) * Toronto-Dominion Bank (TD Canada Trust) * Bank of Nova Scotia (Scotiabank-full service/Tangerine-direct) * Bank of Montreal (BMO) * Canadian Imperial Bank of Commerce (CIBC-full service/Simplii Financial-direct)   For more information about the banks operating in Canada, please visit <https://cba.ca> |
| Credit Unions  Pros  Cons | A credit union is a not-for-profit cooperative that is democratically controlled by its members. Credit unions are also classified as “deposit-taking” institutions. Like banks, they accept and manage money deposits as well as provide loans.  Because credit unions are cooperatives, their main goal is to serve their members, which may result in higher interest rates on savings and lower interest rates on borrowing. As a member of a credit union you have the right to vote on how the credit union is operated. *If a credit union makes a profit, they may decide to share the profit with all of their members in the form of dividend payments*.    Because many credit unions are smaller than the large banks they may not be able to provide some services. | At the time of writing this course, there were over 31 independent credit unions operating in Manitoba. Some examples of credit unions operating in Manitoba include:   * Assiniboine Credit Union * Casera Credit Union * Beautiful Plains Credit Union * Flin Flon Credit Union * Steinbach Credit Union * Sunova Credit Union * Winnipeg Police Credit Union * Caisse Financial Group   There are also several virtual (completely online) credit unions in operation. A few examples include:   * Achieva Financial * Casera Financial * Outlook Financial   For more information about the credit unions operating in Manitoba, please visit: <https://creditunion.mb.ca> |

**DID YOU KNOW?**

The first credit union in Canada was created by Alphonse Desjardins and his wife Marie-Clara Dorimène Roy. They opened the Caisse Populaire on January 23, 1901 out of their own home in Lévis, Québec. The Caisse Populaire was established as a cooperative savings and loan company designed to allow the working class to save and plan for their future. The Desjardins wanted to make sure that the working class could get the credit they needed (in the form of loans) because he felt that many banks were taking advantage of people by charging high interest rates. Alphonse developed the idea based on cooperative models he observed in Europe.

In 1975, Alphonse was featured on a postage stamp to recognize his accomplishments in establishing credit unions and the cooperative business model in Canada. Today, the Desjardins Group operates over 300 credit unions as well as a full range of financial services.

Source: <http://www.thecanadianencyclopedia.ca>

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| Brokerage Firms  Pros  Cons | Did you know you can buy stock in a company that is publicly traded as an investment? In order to buy and sell stock, you must go through a brokerage firm. For example, the McDonald’s Corporation sells shares of its company through the New York Stock Exchange (NYSE). At the time of writing this course, one share of McDonald’s was valued at $161.25. You will learn more about the stock market in Module 6.  Stock-a share in the ownership of a company  Securities-investments that can be traded such as stocks and bonds.  *Individuals invest in stocks and other securities in order to grow their money. Examples of how profits can be made include: selling stock at a higher price than what it was purchased for or by receiving dividend payments as a shareholder*.  You need to go through a broker to buy and sell stock and securities so these financial institutions provide that service.  You must pay a commission on each transaction (trade) or a flat fee so it is always important to know what you are being charged. You will learn more about this in Module 6. | There are essentially two main types of brokerage firms:  Full Service-they offer a full range of services including estate planning, tax advice, consultation on stock prices and market analysis as well as carrying out the purchase and sale of securities. Some examples of full-service brokerage firms in Canada include:   * Edward Jones * Raymond James, Ltd. * HollisWealth * RBC Dominion Securities, Inc. * Assante Wealth Management   Discount/Online-they offer less services (but charge less) and transactions are typically carried out over the phone or online. Some examples of discount/online brokerage firms in Canada include:   * Questrade * CIBC Investor’s Edge * Qtrade Investor * Desjardins Online Brokerage * Wealth Simple |
| Wealth Management /Trust Companies  Pros  Cons | Wealth management and trust firms are financial organizations that provide a range of financial advisory services which may include: tax advising, asset management, **trust** and **estate** planning, wealth management and even **philanthropic** advice.  **Trust**-a legal term which gives authority to an individual or organization to be legally responsible for the management of a particular type of asset (such as a bank account)  **Estate**-all money and property owned by a particular person, especially after their death  **Philanthropy**-the donation of money to good causes  Financial experts at these firms are capable of handling complex financial situations for individuals and businesses.  These firms put more time and effort into your financial situation and you will have to pay management fees accordingly. | Many wealth management firms and trust companies are associated with (or divisions of) commercial banks or credit unions.  Some examples of firms specializing in **wealth management** include:   * CIBC Private Wealth Management * Tetrault Wealth Advisory Group * Lawton Partners Wealth Management (MB)   Some examples of **trust companies** include:   * BMO Trust Company * CIBC Mellon Trust Company * Fiducie Desjardins, Inc. |

Note: **Insurance Companies** are also considered financial institutions. You will learn more about insurance in Module 8.

### Other Financial Services

There are many other finance related firms that provide very specific financial services. Here are a few examples:

* PayPal is a payment system that facilitates online money transfers. You can deposit and withdraw money from your PayPal account; however, it does not meet the formal definition of a bank because it does not provide the full range of services such as interest-bearing accounts and loans. In 2000, PayPal became really popular when it partnered with e-Bay to provide a better way for buyers and sellers to transfer money electronically. Now PayPal is used to facilitate payments worldwide. In 2017, PayPal had over 218 million active accounts!
* Mortgage companies specialize in providing loans for individuals and businesses wishing to purchase real estate property. Mortgage brokers are licensed professionals that work on your behalf to negotiate with banks, credit unions and other lenders to find the best mortgage agreement and terms for you.
* Loan agencies like Cash Money and Money Mart offer cheque cashing services (for a fee). They also offer cash advances on your paycheques. These are short term loans (62 days or less in Manitoba) that will help you cover your expenses until your next payday. **Payday loans are generally very expensive compared to other types of loans because they charge you a very high interest rate on the money you borrow plus there may also be additional processing fees.**

This type of financial service is regulated by the provincial government and at the time of writing of this course the law is they cannot charge you more than 17% interest on your loan. This is still a very high interest rate to be paying compared to other loans you can get from a bank or credit union.