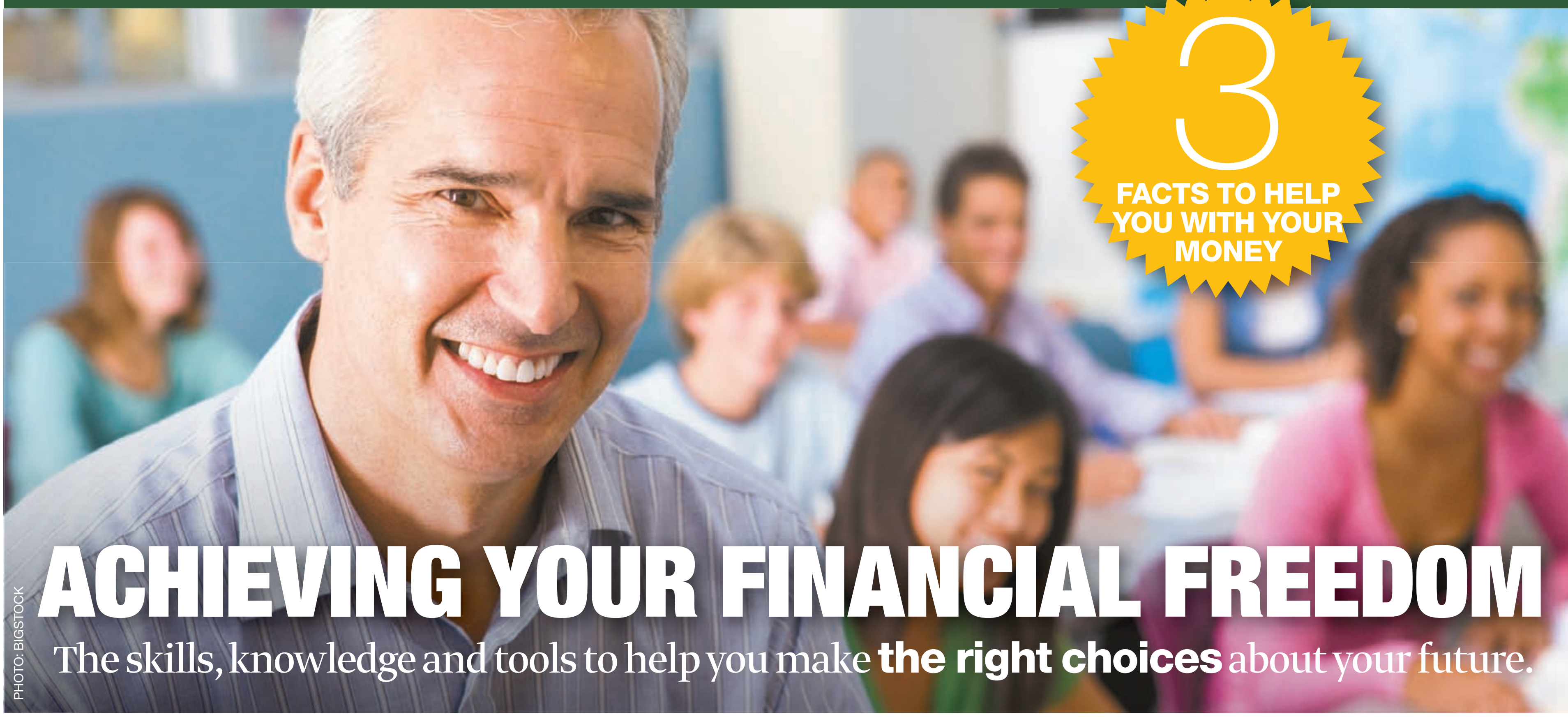
MEDIA PLANET

December 2012

FINANCIAL LITERACY



3 FACTS TO HELP YOU WITH YOUR MONEY

ACHIEVING YOUR FINANCIAL FREEDOM

The skills, knowledge and tools to help you make **the right choices** about your future.

PHOTO: BIGSTOCK

CHALLENGES

Take the time to **get control of your finances.** Make the investment in yourself.

Achieving financial health

How often have you heard these sales pitches, or said them yourself as you pull out your plastic to buy that irresistible bargain?

As Commissioner of the Financial Consumer Agency of Canada (FCAC), I know it can be easy to do, and I have seen the implications when individuals spend too much. However, if you have too much debt, it can be very stressful and difficult to find your way back to financial health. But it can be done, and it pays to know how to do it.

Financial literacy is key

Financial literacy means having the knowledge, skills and confidence to manage your personal finances. Financial Literacy Month in November brought more than 250 activities and events across the country to people of all ages who wanted to become more money savvy.

There's still time. This is your chance to begin the New Year with a new investment in yourself. Maybe you don't know much about budgeting, how to get a loan or what a mortgage is. Or maybe you have those skills, but you don't know how to safely invest your money or plan for your retirement. Not sure where to start?

Free resources are easy to find

This guide is brimming with great resources and information from government agencies, community groups, associations and companies that can help you learn more. You can find free, objective information on financial products and services such as:, mortgages, banking, retirement planning, investing and education.

Keep track of your money

If you find it hard to save money, a budget will help you find ways to pay off debt faster, achieve your financial goals and find ways to make your dollar stretch further. There are many new apps and budgeting software that make it simple to keep track of your income, your spending and your savings goals. When it comes to budgeting something like an easy-to-use interactive budget calculator that does the math for you can help you get a head start. There are even ones that you can download as a spreadsheet and save onto your computer for quick updates.

Ursula Menke
Commissioner, Financial Consumer Agency of Canada

SUGGESTIONS ON WAYS TO INCREASE YOUR FINANCIAL UNDERSTANDING

1. Record all of your spending so you know where your money goes and where you can cut spending.
2. List all your debts and the interest rate you are paying on each of them and track your progress in paying them off.
3. It pays to know that when you put money into an RRSP, it reduces your taxable income for the year, and you could receive a tax refund. You can use the refund to pay down a mortgage or other debt, save for a child's education or pursue other financial goals.

Get information when you need it

What is the best way to learn more? There are lots of options. You can attend a workshop or seminar, or go online where you'll find videos, quizzes and interactive tools that will help you find specific information

Make the investment in yourself. Take the time to get control of your finances. You'll be on the road to financial health and you'll see that it pays to know. Financial understanding. It just adds up.

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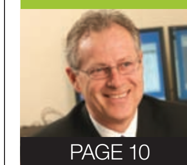
WE RECOMMEND



Peter Wouters
How to double your money

PAGE 10

MEDIA PLANET

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NEWS

Teaching young Canadians about responsible money management is key to building an economically prosperous future for Canada.

Financial literacy and the importance of engaging youth

Canada's banks know that Canadians who make healthy, long-term financial decisions not only help to build their own financial security, they are also good for the continued strength of the banking system and the Canadian economy as a whole.

Fostering financial literacy for youth

One particular focus for banks is on strengthening the financial literacy of young people. Young people need to have the skills, knowledge and tools today to make the right choices for their finances in the future. It is important to encourage the federal, provincial and territorial governments to work together to ensure that all young Canadians get a strong foundation in financial education before they graduate from high school.

Programs fostering change

Programs such as *Your Money*, developed by the CBA in collaboration with the Financial Consumer Agency of Canada, offer a non-commercial introductory seminar that uses bankers from the local community who volunteer their time and expertise to teach young Canadians about responsible money management. In a way, this program is a "conversation starter" – a way to encourage students to continue discussing with their teachers and parents the issues raised in the seminar.

To date, bankers from local communities, using the CBA's *Your Money* program, have taught over 210,000 senior high school students across Canada about budgeting, borrowing, saving, investing, and protecting themselves from financial fraud.

Educating Canadians

In addition to these resources, individual banks are committed to educating Canadians about financial matters. Banks are an active and essential part of the daily life of most Canadians — 96 percent of Canadians have an account with a financial institution, and so millions turn to banks every day for products, services and advice to help them save, plan for retirement, start businesses and buy homes.

As a result, banks already provide their customers and potential customers with a wealth of educational material, information, tools and services geared to helping them make the best choices. But our banks go beyond this. Banks in Canada are also leaders in supporting financial literacy activities and initiatives in communities across Canada.

The future of financial literacy

While these efforts are important, more needs to be done, particularly in schools across Canada. Several provinces, including Ontario, have already moved forward with integrating financial education into their curriculum and other provinces should follow suit.

Canada's banking industry is committed to working together with all levels of government, the voluntary sector and all Canadians toward the shared goal of strengthening financial literacy. It's an investment in our future.

Terry Campbell
President, Canadian Bankers Association (CBA)

TERRY CAMPBELL
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INSPIRATION

81% OF TEENS AND 92% OF PARENTS REPORT DISCUSSING MONEY AND FINANCIAL MATTERS AT HOME TOGETHER

Knowing your goals is an important aspect of earning your financial freedom. Tim Stobbs is an engineer en-route to reaching his **goal of retiring by age 42**. Find out how he is making his dream a reality.

Investing in your financial freedom

Tim Stobbs is a chemical engineer based out of Saskatchewan; he has set himself the goal of retiring by the age of 42. Through meticulous financial planning and being aware of the resources around him he was able to create a plan that is helping him reach that goal. He is a testament to the type of freedom one can be rewarded with by setting ambitious goals and putting together a realistic plan to reach them.

Question: When did you decide that you didn't want to retire at a conventional age, and at what age did you put your plan into action?

Answer: In 2001, I was having a stressful period at my job and I recall thinking "I should get a new job.", which I wasn't looking forward to finding. Then I had an idea: what if I didn't need a job at all? This led me to do a bit of reading on what exactly early retirement is, and how people manage to do it in their 30s or 40s. So while I started saving a bit more then, I didn't really have a formal plan until about 2006 when I started writing my blog.

Q: What is the best first step that someone can take towards reaching their financial goals?

A: Start saving right now (I didn't say invest). Even if you are clueless on investing start saving whatever you can right now. Regardless of your plan to own a home, buy a vacation property or retire early they all start in the same place with savings. It is really hard to save your first $100,000, but after that with compound interest it gets much easier, so the sooner you can get started the better off you will be. Also I highly recommend making it automatic, take it right out of your chequing account the day after your paycheque goes in.

Q: What has been the biggest sacrifice you have had to make in trying to retire by the age of 42?

A: It's interesting everyone focuses on what I have to sacrifice, when in fact most of the things I did sacrifice, I didn't really want in the first place. I don't have any interest in granite counters in my kitchen or traveling to somewhere warm every winter. Yet perhaps the biggest thing I had to give up was my career ambition. I was never going to get into senior management by following this plan, which took a bit of adjusting to at work. Yet as I get older I'm more comfortable with not getting the big corner office and all the headaches that come with it.

Q: How has sticking to a strict budget to reach your goal affected the way you have fun? Do you have to put everything on hold until you reach your objectives?

A: The budget made my family look at how we are spending our money and decide how to achieve similar outcomes with less money. For example, my wife and I are big book lovers, so we could easily spend $2000 or more a year just on books. Yet we choose to use our public library more often so in reality we spend less than $200. We don›t put everything on hold until we get to our early retirement goal...that would be silly. Instead we think about our priorities and plan out when is a good time to do things. For example, we delayed my wife's cork floors in the kitchen until after the mortgage has been paid off, which was about a year.

> "Start saving right now, the sooner you can get started the better off you will be..."
>
> **Tim Stobbs**
> Chemical Engineer, Personal Finance Blogger and Aspiring Retiree.

Q: What advice would you give someone that believes the quest to retire by age 42 is impossible?

A: We live by a saying my house: nothing is impossible, unlikely yes, but not impossible. Focusing on the problem will never solve anything; instead you have to get creative with your solutions for apparently impossible problems. For example, our spending before we started on this plan would have made my retirement goal impossible, but instead of worrying about that I changed my spending to match the goal in lots of little steps.

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"One of the challenges parents face when trying to teach their kids about money is a lack of time and a lack of opportunity. But by **taking advantage of "teachable moments"**, it becomes easy to build money lessons into their daily lives"

Finance encouragement for kids

No matter what the future holds for a child, having a sound understanding of finance will stand them in good stead when it comes to buying their first car or saving for their first down payment.

Teaching kids the basics

Tamar Satov, Senior Editor at CAmagazine and blogger on raising money-smart kids, has noticed that giving her son, Adam, an allowance has been a good way of teaching budgeting and saving skills. She said, "We give him $2 a week. It's not too much and it really helps him to understand the cost of things. He loves video games so we sit down together and work out how long it will take him to save for his next game. It makes him smart about his spending."

Passing on good habits

School curriculums vary and although some children are taught basic financial lessons, good habits should be passed on to children at home. Satov said, "Parents need to be aware that their kids are watching everything that they do, including how they spend their money. If a family's value system says that a child only receives gifts on their birthday and other special occasions during the year but a parent regularly buys themselves new gadgets, it is likely to send a confusing message to the child."

Kelley Keehn
Author of Canadian Institute of Chartered Accountants (CICA), *A Canadian's Guide to Money-Smart Living*

Educating about credit

Personal Finance Expert and author of Canadian Institute of Chartered Accountants (CICA), *A Canadian's Guide to Money-Smart Living*, Kelley Keehn, has a novel idea about how to educate teenagers on the realities of credit. "Teenagers should be encouraged to invent a mock credit card with the bank of mom and dad. All of the parameters that a normal credit card has like pay dates and minimal payment should be in place. This will allow a teenager to make mistakes but it won't harm their credit rating."

Keehn advises any parent who hasn't yet spoken with their child about finances to "Start right now." She continued, "There are everyday opportunities to have conversations about money whether it's planning a vacation or eating out. Make it tangible for a child. Even if it's only a thirty second conversation, so many things can be brought back to finance."

Teachable moments

"One of the challenges parents face when trying to teach their kids about money is a lack of time and a lack of opportunity. But by taking advantage of "teachable moments", it becomes easy to build money lessons into your daily lives." States Robin Taub author of CICA's, A Parent's Guide to Raising Money-Smart Kids.

Financially literate children grow into adults who borrow less and save more. Teaching younger generations about planning, saving and budgeting can help to lay down the foundations for a prosperous Canadian economy.

JOE ROSENGARTEN
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INSPIRATION

65% OF TEENS AND 73% OF PARENTS CITE PARENTS AS THE PRIMARY SOURCE OF INFORMATION ABOUT MANAGING MONEY

INSIGHT

Tom Hamza
President, Investor Education Fund

"Time is wealth. The earlier you start, the better off you are."

Proper teenage financial literacy starts from the education you receive as a child. A survey done by the IEF in 2012 on high school students uncovered the following:

1. 70 percent of Ontario high school students say that learning how to manage their personal finances is important or very important.
2. 69 percent of students think personal finance lessons should be taught in the classroom, an increase of 12 percentage points from a similar study done in 2009.
3. Only four in 10 respondents feel they are somewhat or very prepared for managing their personal finances after high school
4. High school students who felt their school provided most or all of the personal finance information they need are twice as likely to "always budget" (29 percent), compared to other high school students (15 percent). In most schools 42 percent of students "never budget." This number drops to 18 percent in schools thought to provide all or most of the personal finance information students need.
5. 55 percent of students admit their knowledge of money could be better.

SOURCE:
INVESTOR EDUCATION FUND.
WWW.GETSMARTERABOUTMONEY.CA

Apps such as RBC's "Learning Money with Leo", are a great source to get children engaged in learning about their finances.
PHOTO: COURTESY OF RBC

Turning children into educated, confident savers

Question: What are the consequences if children don't become financially literate?
Answer: A lifetime of debt and unmet goals.

Due to our country's debt crisis, preparing the next generation about personal finance is critical now more than ever before. Financial literacy is a pillar which provides life support to a better future. In a world of rapid information, it is easy to lose sight of what matters the most. But young adults today have become more aware of life's harsh realities which encompasses increased tuition fees combined with significant financial decisions which arise soon after graduation. "People are primarily interested in the implications of debt and how credit cards work, but many individuals aren't properly taught about it," says Tom Hamza, President, Investor Education Fund. By giving youth the necessary skills at an early age, they develop confidence to successfully manage their finances.

Learning can be fun

According to the 2012 Investor Education Fund (IEF) study, 69 percent of students think personal finance lessons should be taught in the classroom, an increase of 12 percentage points from a similar study done in 2009. In Ontario, the government has just introduced financial education into the school curriculum. This power move is the first step towards change and whether in the classroom or at home, the key is to create an environment which is both educational and entertaining. "You have to keep it interesting. That's the starting point. Practical firsthand experience makes the difference for kids," states Hamza. Take going to the grocery story for example; teach the basics such as allocation of budget and understanding the value of money. Give children an opportunity to handle money and make decisions by allowing them to buy their own lunches too; one of many examples which will enhance their decision making skills.

Grow one day at a time

Financial education is a life long journey. A child who is financially educated gains a basic set of skills which can be built upon for many years to come. "Youth have the potential to become productive members of society," says Stephen Ashworth, Acting CEO, Junior Achievement. He continues, "We have to understand the world that students live in. It's not about reading out of a text book, lessons have to be interactive." If the necessary tools aren't provided, a teen may find themselves struggling to achieve financial goals, creating avoidable debt and going through preventable challenges.

When you know better, you do better

Pursuing financial literacy with a fun and consistent approach opens the minds and ears of youth who will soon join the workforce and navigate life after post secondary. Bottom line, money management skills are essential. With resources so easily accessible, there's simply no excuse. "Time is wealth. The earlier you start, the better off you are," affirms Hamza. Defining goals, understanding debt and how to manage it are the puzzle pieces needed to see the overall picture. Finance is a practical topic and mastering it is within our capabilities.

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NEWS

An introduction into how **exchange-traded funds** can help you reach your investment goals.

Finding the investment that's right for you

An ETF (Exchange-traded fund) is an investment vehicle that incorporates features of both ordinary individual stocks and mutual funds. ETFs can, like stocks, be traded on a stock exchange over the course of a trading day. In most cases ETFs consist of assets such as stocks, commodities and bonds.

How do ETFs work?

ETFs operate in an open and transparent way, publishing their exact holdings on a daily basis. "This is one of the benefits of investing in an ETF," explained Ted Bader, Director at iShares. He continued, "In some cases a mutual fund's reports are only sent out once every six months. With an ETF you always know exactly what you're holding."

An ETFs multi-faceted characteristic gives investors the ability to trade flexibly and build a diversified portfolio. ETFs track share indexes that are made up of the stocks of various different types of organization. "The diversified exposure of ETF s takes away some of the risks of trading single stocks," said Mary Anne Wiley, Managing Director, Head of iShares, Canada. Wiley continued, "An ETF gives an investor access to the entire world in a few trades."

Why has the demand for ETFs grown?

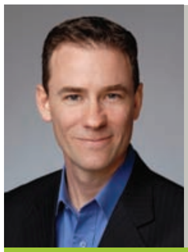
The demand for ETFs has grown steadily over the past fifteen years. Wiley believes that the accessibility of ETFs is one of the reasons for their sustained growth. She said, "More and more investors are using them because they are efficient and they allow you to buy segments of a broad market. An ETF is a fairly easy way to invest for your future."

Bader also put their popularity down to their competitive costs. He said, "ETFs have lower costs than mutual funds because there are no fees for money managers or trading desks. It's known as passive investing as opposed to active investing."

Whereas a mutual fund has its Net Asset Value (NAV) calculated at the end of every trading day, an ETF, with its stock-like characteristics, is subject to fluctuations in its price as trading patterns develop over the course of a day. ETFs can be traded long and short in the same way that individual stocks can. This is another feature that normal mutual funds do not incorporate.

How do you invest in ETFs?

Bader advises any new investor looking to create an ETF based portfolio to adopt a calm and methodical approach. He said, "A new investor needs to work out what their investment philosophy is and then gather as much information as they can from reliable sources. There is a lot of hype in the ETF market and this needs to be ignored."



Bruce Sellery
Business journalist and founder of Moolala. A personal finance training company focused on inspiring people to get a handle on their money.

> "It's so important for investors to keep it simple, increasing levels of complexity in your portfolio will not necessarily improve results. Keep it simple."

Taking control of one's financial future and planning for a comfortable retirement is an important part of modern life. "There are tangible and intangible benefits," explained financial journalist and author, Bruce Sellery. "In a tangible sense, you will have the money to do the things that are important to you. In an intangible way, taking control of your finances will give peace of mind and help to reduce stress."

"It's so important for investors to keep it simple," said Sellery. "Increasing levels of complexity in your portfolio will not necessarily improve results. Keep it simple."

JOE ROSENGARTEN
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WHAT IS AN EXCHANGE-TRADED FUND (ETF)?

- An ETF is a hybrid that incorporates the benefits of diversification and the tradability of a regular stock
- ETFs are easy to understand, but should be used by professionals such as your financial advisor
- The strength of ETFs is that they achieve a high level of diversification in specific asset classes

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Every investor is unique. That's why there's iShares.

I've got a lot to look forward to in my life. iShares ETFs has over 80 flexible and liquid options available to adjust with me – no matter what life throws my way.

See why 4 out of 5 Canadian Investment Advisors make iShares their first choice in ETFs.[1]

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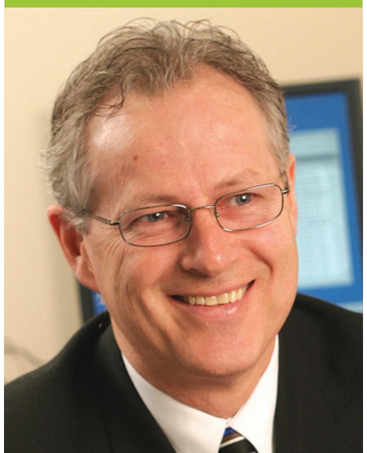
[1] 2012 Investor Economics ETF & Index Funds Report as of September 2012. As measured by Canadian Listed ETFs on Full-Service Brokerage Platforms by Sponsor (iShares has 80% market share of Canadian listed ETF assets).

NEWS

HOW TO INVEST YOUR MONEY AND WATCH IT GROW

INSIGHT



Peter Wouters
Director, Tax & Estate Planning;
Director, Retail Insurance Products and Marketing

What you need to save and how it works

How long will it take to double your money? Divide 72 by the rate of return on your investment. eg. If you earn 6 percent on your investment you will double your money in 12 years.

Let the power of compound interest really work for you. You end up with a much bigger nest egg the longer you let your money grow. Start early and you'll need less money or a lower rate of return to reach the same goal.

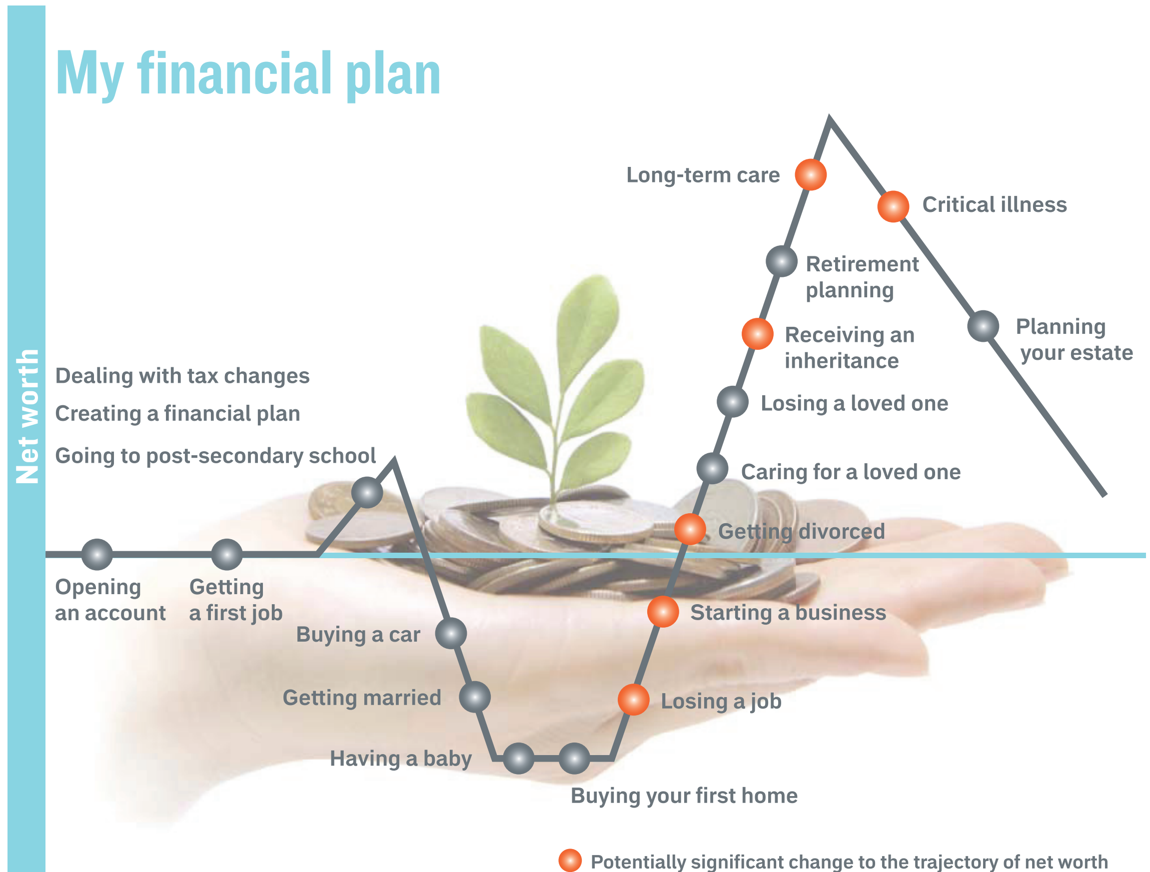
A single deposit of $10,000 plus annual deposits of $1,000 made at the beginning of each year, earning 6 percent will grow to $141,237 in 30 years. Wait just five years before starting and your money will only grow to $101,075 a loss of over $40,000!!!

Better reason to start saving now.

PETER WOUTERS
editorial@mediaplanet.com

Question: Are you struggling to meet your financial goals?
Answer: If you prioritize and execute a long-term plan, you'll be a lot richer

Canadians are living longer and our government's safety net has become insufficient to catch their financial expectations. However with a little bit of money, professional guidance, and a long-term plan, security lies ahead. With millions of baby boomers retiring and depending on very limited resources, there's a greater need to become self-reliant. Financial independence is a widespread goal amongst the population, but the knowledge gap which currently exists creates many roadblocks. Canadians have record high debt and tend to concentrate on immediate needs instead of long-term goals. "The biggest mistake is not starting at all. Part of planning means responding to things you can predict and when the unpredictable comes up, knowing your options so you can take your hand off the panic button," says Peter Wouters, Director, Tax & Estate Planning and Retail Insurance Products and Marketing, Empire Life.



SOURCE: IFIC

Seek professional help

It's never too early or too late to start planning for your future. The best person to talk to is an accredited financial advisor. It is recommended that you interview two or three in order to find a professional who understands your goals and has your best interest at heart. The first step is to make a commitment followed by a plan of action. Greg Pollock, President & CEO of Advocis says, "Plans are dynamic. Look at all of the goals that are particular to you because everyone has different needs." Consider contingencies such as a disability, critical illness, or death within the family. Reassess how these circumstances will impact your life and what you can do to protect yourself. "The sooner you start the more you can take advantage of time, which can be on your side, and the less you have to rely on the rate of return which you can't control," affirms Wouters.

You need three things to reach your goal: time, money and rate of return. Focus on the two components you can control, time and money working for you, which can ease the pressure on getting a high rate of return and taking on more risks to reach your goal.

Stress proof your plan

"A stress test provides comfort and confidence," states Wouters. Life is all about change and at the drop of a dime an emergency can occur. Examine your plan regularly so that you can adjust it before something happens. Once it is designed to do a job, ensure that your goals are supported with the right options available to you. Protect your assets and don't underestimate the need to do it sooner rather than later. Your actions will create discipline.

Invest with confidence

"In addition to questions and concerns, there's also excitement around the opportunities that market participation brings," declares Joanne De Laurentiis, President & CEO of Investment Funds Institute of Canada. Young investors should consider opening a Tax Free Savings Account because of the tax benefits. A Registered Retirement Savings Plan is a good option as well. The big payoff is that you have a far better chance to save enough money to do the things you want to do in the way you want to do them, for as long as you live," states Wouters.

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CHALLENGES

IIROC Vice President of Public Affairs Lucy Becker offers an update on some of the **investor education resources available** from the Investment Industry Regulatory Organization of Canada (IIROC), the national self-regulatory organization that oversees all investment dealers and trading activity on debt and equity marketplaces in Canada.

Protecting investors through education

Question: How does IIROC protect investors?

Answer: Investor protection is central to IIROC's regulatory mandate. We protect investors by enforcing rules and setting high quality regulatory and investment industry standards for IIROC-regulated firms and their registered employees. Advisors registered with us are subject to registration requirements, background checks and certain qualifications before they can be approved to work at an IIROC-regulated firm. We focus on strong day-to-day supervisory oversight, compliance examinations, and continuing education and training courses to keep industry participants up to date on financial products, rules and regulations, and trends.

We also set and enforce market integrity rules regarding trading activity on Canada's capital markets to ensure compliance with Universal Market Integrity Rules (UMIR). Monitoring markets is our front-line defence for detecting breaches of trading rules and promoting fair and orderly trading activity.

Q: How does investor education fit with what IIROC does?

A: Investor education is an important element of investor protection. We offer various investor education tools and resources available on our website, including brochures, webcasts and online tutorials to help educate investors so they can make informed decisions. We also partner with organizations that share our commitment to financial literacy and investor education.

Q: Is there a directory where investors can find or learn more about advisors?

A: Investors wanting to learn more about an advisor and their qualifications and backgrounds should check out the IIROC *AdvisorReport* – a free, easy to use, online tool that quickly generates reports which list advisors' relevant professional backgrounds and qualifications. This tool is especially helpful when an investor is trying to make an informed decision on a prospective or current financial advisor. Investors can find out information on over 22,000 advisors at IIROC-regulated firms across the country. Each report lists the courses advisors have completed for IIROC proficiency, employment history and a record of disciplinary cases, if any, including links to specific case documents.

Lucy Becker
Vice President,
Public Affairs

Q: What about self-directed investors who trade through online brokerages?

A: We offer an interactive online tutorial called IIROC's Guide to Trading on Equity Markets which has been designed to help investors understand the rules and mechanics involved in trading, including choosing different order types and how orders are executed. The guide features various lessons which help investors learn about trading on different marketplaces, the benefits and risks of using different order types, how orders are executed and filled, and the rules that protect investors.

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CHALLENGES

Borrowing to **buy mutual funds or other investments may boost your potential** returns, but it involves more risk than paying for an investment outright with cash.

Borrowing to invest: Know the risks

IF YOU BORROW AGAINST YOUR HOME AND INVEST THE MONEY YOU COULD PUT YOUR HOME AND EQUITY AT RISK

Investing with borrowed money is called "leveraging". As long as the increase in your investment is higher than your borrowing and investment costs, you can make money. Remember, no matter what happens to your investment, you still have to pay back the loan plus interest. If you rely solely on your investment returns to cover your borrowing costs and your investment falls in value, you could end up defaulting on the loan.

What to consider

There are many things to consider before you borrow to invest, such as the level of debt that you are comfortable with. For example, are you comfortable going into debt for an investment that may fluctuate in value? Leveraged investing could result in much greater losses than investing with cash.

Collateral for leverage

Another important factor to consider is whether you can afford to lose the collateral you put up for the loan. Any asset used as collateral, including your home, can be taken by the creditor to satisfy the loan if you fail to repay it.

If you choose leveraged investing, how will you pay for the mortgage or loan if your investment falls in value or interest rates rise? Do you have a secure salary, a cash reserve or other sources of income?

Additional terms and fees

The terms and fees are also important when considering leveraged investing. You should be aware of the terms for repaying the loan and interest. The higher the interest rate, the more it will cost you to borrow. There may also be other fees associated with the loan or the investment which will impact your returns.

As with any investment, you need to ensure that the investments you plan to buy with borrowed money are suitable for your goals and risk tolerance.

Finally you should consider the tax consequences. You may be able to deduct the interest you pay on money you borrow to invest, but any profit you realize may be taxed.

If you have any questions or concerns about borrowing to invest, get a second opinion from a trusted financial adviser, lawyer or accountant. You should also make sure the person or firm offering you the investment is registered.

Eleanor Farrell
Director,
Office of the Investor,
Ontario Securities Commission

For more information, you can read the investor brochures available on the OSC website (www.osc.gov.on.ca).

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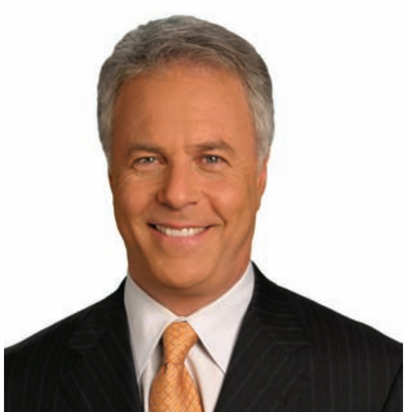
ASK THE EXPERT



Howard Green
Anchor, "Headline with Howard Green", Business News Network

Question 1:
After the crisis of 2008, how stable are Canadian banks, and in the event of a bank failure what happens to the assets of depositors?

For the past five years, the World Economic Forum has ranked Canada's banks as the soundest in the world. During the crisis, they did not require capital injections from taxpayers. If a bank failure were ever to happen, the deposits of Canadians are protected up to a limit of $100,000 by the CDIC, the Canada Deposit Insurance Corporation. Most Canadian chartered banks are members of the CDIC. So are trust companies and loan companies. Credit unions and caisse populaires are not, nor are branches of foreign banks operating in Canada.

Question 2:
What is the role of the Canada Deposit Insurance Corporation (CDIC)?

The role of the CDIC is to insure deposits, and foster confidence and stability in the country's financial system. The CDIC is not a bank or a private insurance company. It is a federal crown corporation created by Parliament. Its members pay premiums to the CDIC to fund the insurance. The corporation has a board of directors consisting of eleven people including the Governor of the Bank of Canada. The CDIC does not cover losses as a result of fraud.

Question 3:
What kind of deposits does the CDIC cover?

Savings accounts, chequing accounts, and Guaranteed Investment Certificates (GIC's) up to 5-year maturities are insured. Stocks, bonds, mutual funds, treasury bills or GIC's with maturities longer than 5-years are not. The CDIC also does not insure deposits in U.S. funds or other foreign currencies. Savings and GICs held in RRSPs, TFSAs, RRIFs are covered. Money orders, certified cheques and bank drafts issued by member institutions are insured as well. Savings in the name of a business are insured up to a maximum of $100,000. Sole proprietorships are not covered.

INSIGHT

Understanding your biggest investment: Homebuying 101

The purchase of a home is the biggest financial investment decision you will likely ever make in your lifetime. It is extremely important that you do your research and educate yourself on key mortgage terms in order to make an informed decision about what mortgage product is best for you.

Picking the right mortgage

Different consumers are at different stages in their lives. They have different mortgage needs and there are many mortgage products to choose from. The best result will occur when you work with a mortgage professional who can offer sound, professional advice and a mortgage solution that matches your needs and particular circumstances. Above all, you need to be comfortable with your mortgage choice.

Be prepared

There is no substitute for being prepared. Educate yourself and get the facts you need to make the right mortgage decision by following these initial steps: save for a down payment; understand your credit score; build your homebuying team - look for the services of a mortgage broker, preferably with the AMP designation; determine how much you can comfortably afford; understand mortgage basics such as principal, rates, terms, amortization etc.

The Canadian Association of Accredited Mortgage Professionals (CAAMP) is the association representing the mortgage industry in Canada. The association strongly encourages borrowers to use the services of an Accredited Mortgage Professional (AMP™) when taking out a mortgage. In addition to minimum education requirements, AMPs undertake extra mortgage-related training and are required to complete continuing education on an annual basis.

Picking a mortgage professional

"The role of a mortgage professional is multifaceted. A mortgage professional is your personal advisor throughout the home-buying and mortgage financing processes, taking into account both a borrower's short- and long-term goals," states John Panagakos Principal Broker at Dominion Lending Centres Home Financial.

Some key questions to ask your mortgage professional include: What is your role in helping me buy a house? You need to know exactly what they do to help you buy a home. Why are you recommending this particular mortgage? Understand the different options and ask why the product they are suggesting is best suited to your needs. How long have they been in business? You want to ensure they are knowledgeable, competent and maintain minimum education standards. What documents do you need to provide? From confirmation of income and evidence of your down payment, to agreement of purchase, you need to understand everything that is required to close the deal.

CANADIAN ASSOCIATION OF MORTGAGE PROFESSIONALS (CAAMP)
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INSIGHT

Getting an appraisal could **save you** thousands of dollars.

How much is your home actually worth?

An appraisal consists of an impartial expert surveying a property and giving it an estimated valuation. Appraisals are a component of virtually all real estate deals and are also used by homeowners who want to refinance their home to release equity.

Finding the fair market value

The amount of money that a bank or mortgage lender is willing to loan a buyer will be dependent on the findings of an appraisal. In some cases, the initial asking price, proposed by the property owner or real estate agent, may not be considered the fair market value by the appraiser.

The aim of an appraisal is to ensure that a buyer does not pay too much and, in turn, the mortgage broker does not lend more than is necessary. "The appraiser will examine the structure, condition, interior and exterior finish, layout and deficiencies of a home," explained Peter B. Mclean, President, Appraisal Institute of Canada, Ontario. Features like plumbing and heating are also assessed in a part of the appraisal called the inspection.

How an appraisal works

Mclean continued, "When carrying out a 'direct comparison approach' appraisal, the property is compared with similar houses in the same area that have been sold. The appraiser will gather all of the relevant information including the price that the other houses sold for. It is then that the appraiser may possibly suggest a change in asking price."

"Buying a house is the largest investment that most people will ever make and an appraisal is a necessary form of due diligence."

Peter McLean President, Appraisal Institute of Canada, Ontario

The 'cost approach' is a method of appraisal usually used for newer residential properties. This method involves the appraiser calculating the value of the land and the prospective rebuilding costs in the event of the property being destroyed. The 'income approach' is a means of appraisal used to calculate the value of a commercial or rental property usually by estimating the income that the property is likely to generate.

Spending a relatively small amount on an appraisal could save a buyer thousands of dollars. McLean said, "It amazes me when people spend hundreds of thousands of dollars on a house without getting an appraisal. Buying a house is the largest investment that most people will ever make and an appraisal is a necessary form of due diligence."

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