



# STRATHCONA CREDIT UNION

## NEWSLETTER



Spring 2005

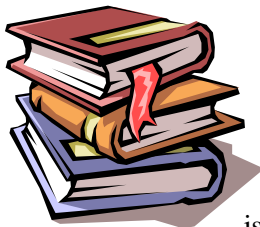
### AGM IN APRIL

The Strathcona Credit Union Annual General Meeting is coming up. The auditors have almost finished their work and will shortly be giving the official financial statements to the Board of Directors who will, in turn, present them to the members at the AGM.

The Annual General Meeting will be held on Tuesday, April 19, 2005. The venue will be, as usual, the Quebec Provincial Association of Teachers Building at 17035 Boulevard Brunswick in Kirkland. The meeting is scheduled to begin at 4:30 p.m.

The agenda will include several reports on the activities of your Credit Union during the past year, including a summary by President David Oram and the presentation of the audited financial statements. All members are cordially invited to attend this meeting. It is the major opportunity in the year for members to participate in the affairs of the organization they own. It is also an opportunity to renew old acquaintances and to make new ones. Please set aside some time to join us.

### LOANS UPDATE



#### STUDENT LOANS

As mentioned in the last newsletter, Strathcona Credit Union is now granting Quebec student loans. Anyone who has been granted a student loan and is a member of Strathcona (or an associate member by virtue of being a child or spouse of a member) may receive the loan from us. Equally, any member who already has a loan from another financial institution may transfer that loan to the Credit Union.

This means that people with student loans can now add them to their Strathcona folio and receive the friendly and efficient service they are used to from us in this aspect of their financial lives. Not least they will also enjoy a more than competitive interest rate. Our Student loan variable interest rate is the Desjardins prime rate minus 0.50%.

If you have an immediate family member who is applying for a Quebec Student loan, or has such a loan

and would like to transfer it to Strathcona give us call at either office for more information. If you know a colleague who is paying off student debts, introduce him or her to Strathcona Credit Union.



#### RRSP LOANS

The deadline for having your RRSP contribution affect your 2004 income tax bill was March 1<sup>st</sup>. That means that this is just the right time to

be thinking about your contributions for the 2005 tax year! The best financial advice on RRSPs is agreed: the sooner the better. That is to say, that the sooner you make your contribution in the tax year the better, because your investment has that much longer to earn for you. The tax advantage not change, but the tax-deferred earnings have longer to grow.

If you wish to take advantage of this leverage give one of our offices a call today: We can make the transfer from your Savings or Chequing account to your RRSP immediately.

Remember that even if you don't, at the moment, have the cash to add to your RRSP you can take advantage of our special RRSP loans to make that deposit today. The current RRSP loan rate is 4.75%--the loan term is one year during which time the funds must be kept in your Strathcona RRSP account.



#### MORTGAGE LOANS

We want to draw to your attention to the fact that this is still a good time to take a mortgage loan with your credit union. Our rates are amongst the most competitive in town—just take a look at our Current Rates box on page four.

# NEW LINES OF CREDIT AT STRATHCONA

Now you can access your credit easily, quickly and efficiently. As we mentioned in the last issue of the newsletter your credit union is offering new types of Line of Credit. Here are some more of the details.

## CONVENTIONAL LINE OF CREDIT

Strathcona Credit Union has, for many years, offered members a line of credit (LOC). Our new service gives more flexibility in payback plans and in many cases, lower interest rates than our historical LOC. The \$5,000 limit for lines of credit has been removed and applying is easier than ever.

. . . a line of credit is pre-approved personal loan.

Basically, a line of credit is pre-approved personal loan. In its simplest form it allows you to get loan approval and call on the loan proceeds only when and if you need all or part of the money and pay interest only on the loan amount that is being used.

The approval procedure for the LOC is exactly the same as is for the personal loan. A staff member will fill out a standard loan application form with the member, do any relevant credit checks, apply the ratios, and determine the maximum possible loan. This process is carried out as it is for personal loans: in person in either of our offices or over the telephone with the contract being mailed to the member and returned to the office by post. The process can also be initiated by email or fax.

Once the line of credit is approved the member may draw on it at anytime in the future. The line of credit remains open indefinitely, although it is reviewed automatically every two years. If the member's financial situation has changed radically over the intervening period the authorized loan amount may be increased or decreased accordingly or the line of credit may be terminated. In most cases the review does not require the member's participation.

There is a choice of payback plans. The borrower may decide to have a fixed amount transferred to the LOC from his or her chequing account each month or pay day. This transfer would be designed to pay off the outstanding

interest and part of the capital. Alternatively, the member may decide to pay only the interest outstanding each month and make self directed pay downs of the capital according to his or her budget. The third possibility is for the line of credit to be paid down day by day by transferring any balance in the Personal Chequing Account to the LOC (this is also referred to as overdraft protection).

The interest rate is variable, and is based on the Desjardins prime rate. Recently it stood at 6.75%.

## HOME EQUITY LINE OF CREDIT

What the personal loan is to the conventional line of credit, so the mortgage is to the Home Equity Line of Credit. With this loan plan you can borrow on the equity you have in what is probably your single most valuable asset—your house.

The Home Equity Line of Credit allows you to borrow substantial sums at a good interest rate secured by your property. Obviously the maximum loan amount with this type of LOC is greater than that for the Conventional LOC because it is linked to the equity one has in the property.

What the personal loan is to the conventional line of credit, so the mortgage is to the Home Equity Line of Credit.

The repayment plans are the similar for this type of LOC as they are for the Conventional one. That is one may make regular equal payments to cover current interest and reduce capital or make varying payments of the interest only.

The interest rate for this type of LOC is lower than the conventional one. It is variable and based on the Desjardins prime rate.

Because the Home Equity Line of Credit is essentially a mortgage loan notarial services are required to establish it (and to grant an acquittance if the LOC is ended) and these fees are at the expense of the borrower.

If you think you may interested in either of these types of loans give either of our offices a call to get more information.

# BEATING SERVICE CHARGES

There was a time when Canadian chartered banks and similar institutions made their profits simply on the “spread”—the difference between the interest paid on deposits and that charged on loans. And then these institutions discovered that by charging their customers for each and every service they provided them they could dramatically increase their profits. They were right! Canadian banks are amongst the most profitable institutions in the nation making billions of dollars in profits for their shareholders.

Strathcona Credit Union is not a bank and so we do not have to please shareholders by making huge profits: Instead., we strive to please the members of the credit union, who are the owners, by providing the best possible service at the best possible cost.

We try to keep our spread as narrow as possible and our service charges as low as we can. When we do generate a surplus it is our policy to rebate as much as possible of it to the members and when we are assessed charges by the system to which we belong we try to distribute them as evenly as possible amongst the members.

Our service charge package is the same for each member. We were recently forced to raise our monthly service charge to \$2.50 per month per folio for those members under 60 years of age. This charge covers nearly every service a member may desire to use. The charge includes the clearing of an unlimited number of cheques on a members personal chequing account (PCA), unlimited Interac™ transactions using the Desjardins Access Card, unlimited ATM transactions at a Desjardins machine, and unlimited AccesD (Internet and telephone banking service) transactions.

Some services are not included in the package. For example, money orders and bank drafts, NSF cheque returns, the clearing of US dollar cheques into Canadian dollar accounts, and the use of third party (non-Desjardins) bank machines amongst a few others.

Quebec laws stipulate that, for the safety of members and their deposits, individual credit unions must belong to a federation of such institutions. In practical terms, that means that Strathcona Credit Union must belong, for the moment at least, to the

Desjardins Federation. In Quebec, Desjardins is the only game in town.

While there is no doubt that affiliating to larger group does provide certain protections to the individual member organizations, our problem is that Desjardins seems no longer to share our co-operative views. They charge Strathcona Credit Union for all the uses of the system which our members consume and expect that we will pass on to the individual members these charges heavily marked up and thereby achieve greater profitability.

Because we share the costs of the Desjardins network equally in our Credit Union the individual member is unaware of what part of those costs he or she generated. One should be aware however that the credit union is charged for each use of the system. For the moment, our \$2.50 monthly package covers the bill—the danger is that careless use of services will lead to more charges.

Members should be aware of the costs of services, not so they will forego them, but so they will use them efficiently. The charge to your Credit Union for one member ATM transaction is thirteen cents: not a great deal of money, but if members make, for example, three cash withdrawals during the week instead of planning one a for the full amount, the charges are nearly forty cents.

The approximate “wholesale” cost charged to the Credit Union by Desjardins for selected charges is set out below.

ATM transactions	\$0.13
AccesD	\$0.13
Cheques	\$0.08
Phone assisted	
AccesD	8.00

There are costs for everything we do. Strathcona Credit Union members should use the services offered to them, but we should use them as efficiently as possible.

Using AccesD to manage our accounts by computer or telephone is a great service and a not very expensive one, but we must remember that each action generates a charge. Printing an account statement on a home computer costs \$0.13—20 of them uses up one month’s service charge!

# WHEN THERE IS NO WILL

In Quebec there are three types of last will and testament to choose from: With either a holograph, English, or Notarial will one may direct liquidators to dispose of one's property after death according to one's last wishes. All of these forms are equally valid, but are required to be written and signed by the maker—a verbal expression of one's wishes before death is not valid.

It is possible, in fact it is fairly common, for people to die intestate (ie., without a valid will). In these circumstances the Quebec Civil Code provides for a "default" will. The state decides, on behalf of those who have not decided for themselves, how the property of the deceased will be distributed. These laws may not be what you expect. Here are some examples of the law pertaining to intestate succession in Quebec:

## HEIRS

Spouse & descendants  
 Descendants only  
 Spouse & Parents  
 Spouse & Siblings

## DIVISION

1/3 2/3  
 Equal shares  
 2/3 1/3  
 2/3 1/3

Note that in Quebec there is no "common-law marriage" and so a spouse must have been legally married to the deceased. Descendants are children, natural or adopted, legitimate or illegitimate.

The only way to ensure that your worldly goods are distributed according to your wishes is to make certain that you have a valid will at the time of death. This can be easily done. In Quebec the holograph form of will is legal—its only requirements are that it be signed by and written entirely in the handwriting of the deceased (no word processing or fill in the blanks on a printed form). A notarial will is easier for the liquidator to deal with, but involves the services of a notary and a probable cost of between \$150 for a simple will to more than \$500 for one involving an informal testamentary trust.

In most cases, the default legal distribution of assets does not match our wishes. If you want to ensure your desires are carried out make a will. More on this in the next issue.

The Strathcona Credit Union Newsletter is published periodically during the year and is distributed to members of the Credit Union by:

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## CURRENT RATES

CURRENT RATES	
<b>Deposits:</b>	
Regular Savings	0.75%
Senior Savings	1.00%
US Dollar Accounts	-.--
Term Deposits*	
6 months	1.50%
1 year	2.00%
2 years	2.50%
3 years	3.00%
4 years	3.40%
5 years	4.00%
<b>Loans:</b>	
Personal Loans	9.75%
Consolidation Loans	12.75%
RRSP Loans (1 year maximum)	4.75%
Mortgages	
1 year (open)	5.95%
2 years (closed)	4.50%
3 years (closed)	4.70%
4 years (closed)	4.95%
5 years (closed)	4.70%
Line of Credit	6.75%
*2,000 minimum deposit, rate subject to change without notice.	
Monthly interest payment less 0.25%	