

From Banking to Budgeting in Canada: A Quick Guide

Arrive is a dynamic community of newcomers dedicated to helping newcomers succeed in Canada. Our mission is to provide the support, guidance and resources every newcomer needs to achieve their career, life and financial success.

Through our own experiences and all that we've learned from other newcomers, we know how important financial success is to your life in Canada. From before you leave your home country, to when you arrive and begin your new life, this quick guide will offer you tips on opening a bank account to budgeting and making a financial plan. Let's begin by taking a quick look at the Canadian Banking landscape.

Feel Safe and Secure Banking In Canada: A Brief Overview

In Canada, you can trust that banks are secure and profitable. The industry is highly regulated by the government – which is a good thing for you as a consumer. All banks adhere to strict rules and each offers comparable products and services. There are five major banks in Canada, along with smaller financial firms like Trust Companies and Credit Unions. All fall under the umbrella of 'banking'.

Canada's Five Major Banks:

Royal Bank of Canada (RBC)
Toronto-Dominion Bank (TD)
Bank of Nova Scotia (Scotiabank)
Bank of Montreal (BMO)
Canadian Imperial Bank of Commerce (CIBC)

Opening a bank account in Canada: Why you should do so before you leave home.

Opening a bank account in Canada is quite simple. All you need is proper personal identification (see list below) and you can begin your Canadian banking experience and access accounts and service

Identification you can use to open an account

A driver's licence issued in Canada
A Canadian or foreign passport
Permanent Resident card
Immigration Canada Form IMM 1000 or IMM 1442

Note: Allowable I.D. may vary slightly per province

Opening a bank account is one of the first things you should do when coming to Canada

You can use it to transfer funds from home, show proof of funds on arrival, and you will need a bank account to rent an apartment, buy a home or lease a car (among other services). Let's review the two main types of bank accounts in Canada:

Types of bank Accounts in Canada

There are two main types of bank accounts in Canada that serve distinct purposes: Chequing and Savings. Basically, your Chequing Account is the account you use to pay bills, make purchases, transfer funds etc., while your Savings Account is, as the name implies, where you keep your savings. Here is a slightly more detailed breakdown.

Chequing Account

Your Chequing account is designed for day-to-day use. This is where you keep money that you'll use for daily transactions, making purchases, and all of your recurring monthly expenses. You will receive printed cheques and cheque-writing privileges. Typically, with your Chequing account you'll earn low or no yearly

interest rate on deposits. This is the first account you should open.

Chequing Account Features:

- In-branch and ATM deposits, withdrawals, debit card transactions, and money transfers between accounts
- Online services for transactions, and general account management and tracking
- Pre-authorized payments (you can set up all of your bills to be paid automatically)
- Fees for account usage (these will vary depending on services and transactions)

Savings Accounts

As mentioned, your Savings Account is not intended for regular, everyday spending transactions. It's ideal for money you don't need daily access to. This is literally where you save for a rainy day.

Savings Account Features:

Ideal for saving money for an emergency fund, special purchases, and longer-term needs.

Easily access your money whenever you need it

- An interest rate that brings modest earnings based on the sum of money in the account
- Service fee charges if you do not maintain a certain average monthly balance of funds
- Lower transaction fees than chequing accounts.
- Online services for bank transactions and account management and tracking.



Lucas Mendonca
Arrive Community Member

Financial planning for your first few months: Lucas's story

My name is Lucas Mendonca. I'm from Brazil and I moved to Toronto in December 2017 as an international student. While I've now successfully adjusted to the Canadian way of life, my early days in Canada were tough.

This is my story.

Coming from Brazil, where the official language is Portuguese, I encountered some language barriers once I arrived in Canada. It was difficult for me to converse in English which made it challenging to accomplish essential tasks related to banking or renting an apartment.

One unforgettable experience was when I had to open a bank account – practical banking scenarios were different from what I'd imagined.

Before arriving in Canada, I was unaware of the banking system here and had no idea about credit scores and credit history, or even account fees. I sought out information shared on social media groups. However, once I arrived in Canada, I soon realized that the information I had was just preliminary and wasn't very helpful in practical situations.

Like many other newcomers, my first priority was to rent an apartment. It didn't take me long to figure out that having a bank account was essential in order to be able to do this — something I came to realize whilst I was already mid-apartment search. Hard-pressed for time, the main factor for opening my first bank account was convenience and proximity to where I was living. Being unaware of the various financial products, service charges, and fees led me to spend more money than I ever needed to in that first experience. In hindsight, I wish I had gathered more details around financial wellbeing before I moved, or knew where to seek out accurate information.

Based on the experiences I had, here are some tips for newcomers to Canada:

- **Research, research, research!**

Start your research as early as possible; don't wait until there's a month or a week left for you to move. Do your own research and don't blindly trust content on social media. Reality and practical scenarios can be very different from what you read online.

- **Verify your sources of information**

Before you decide to follow advice from a blog, social media forums, or any person, verify their credibility. There are a few ways to do that:

Determine if they are a fellow immigrant providing advice or just influencers

Understand the motive behind their content and analyze if their main objective is to sell a product or service

Check for the number of subscribers/followers to the blog, any reader comments or reviews that may have been posted

- **Have a plan!**

Jot down all the activities that you need to accomplish upon landing and arrange them in order of priority. Have all your research and credible sources of information handy so that you utilize your time optimally once you land.

While the main objective of all banks globally is similar—to help you manage your money, there might be some differences in the way banking and financial institutions operate in Canada as compared to your home country. Authentic research can help you bridge the gap and smoothly adapt to the local banking system in Canada.

Budgeting in Canada: Get off on the right foot

No matter where we are in the world, each of us has to balance the number of rupees, pesos, or dollars we have against all of the various living expenses in that particular place. In Canada, the costs associated with housing, transportation, food and entertainment can vary from city to city and are likely to be very different from what you are accustomed to at home. To manage these expenses, especially in your early months if you are looking for employment, you've got to manage your money by creating and sticking to a budget.

What is a budget? A few universal truths.

Essentially, a budget is a comparison of how much money you have coming in (income) and how much money you have going out (expenses). It allows you to keep track of, plan and balance those two streams, while putting a little aside for the future (savings). A budget doesn't have to be difficult, and budgeting doesn't mean you have to sacrifice or give up more than you would normally; it simply allows you to manage and know where your money is, which can also reduce stress.

How to budget for your life in Canada

Like many other aspects of living in a new country, your financial life in Canada will be very different than at home. At the outset, you may need to take a job with a lower salary while you get Canadian experience or upgrade your skills. Even if your salary in Canada is higher than what you earned back home, Canada's cost of living may be higher than what you are accustomed to.

In Canada, The cost of necessities: home/ accommodation, heating and utilities, food and clothing, health insurance, and transportation can consume 35 – 50% your take-home pay.

- **Renting an apartment**

Rental costs vary widely between cities across Canada. Toronto remains the most expensive place to rent, with the cost of a 1 bedroom apartment reaching \$2,290.00 per month.

- **Buying a home**

To buy a home in Canada you will probably need to get a mortgage. Typically, you will be expected to pay 20% of the purchase price of the house from your own money.

Additionally, you will have to factor in property taxes and household insurance – if it's a condo you're buying, allow for additional costs, like monthly maintenance fees.

You can compare the costs of housing in communities across Canada in the city profiles section of the [Canada Mortgage and Housing Corporation \(CMHC\) website](#).

- **Transportation**

Canadians buy their cars new or used, or lease them (a form of long term rental). There are costs associated with each option that may affect your decision. It is the law that all vehicles must be insured and registered. Car insurance can be expensive, but it protects you and other drivers in case of an accident. In most provinces, you can find more information by contacting the [Insurance Bureau of Canada](#). Public transportation is an excellent alternative.

- **Health insurance**

Some provincial and territorial [health programs](#) may not cover some newcomers for the first three months they are in Canada.

Check the [ministry of health in your province or territory](#) website to see if you will need to buy extra health insurance.

- **Unexpected Expenses**

It is always a good idea to be prepared and put money aside for occasional expenses that may arise unexpectedly, like: Prescription medicine (not covered by health insurance), school supplies or school trips, and long-distance calls to friends or family back home.

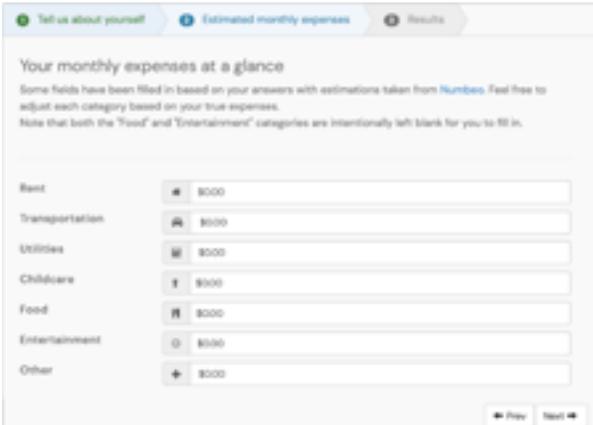
Budget Tip:

Whether you pay by cash, cheque, debit, e-transfer or credit card, remember to make a record of everything you spend.

Take action: Introducing the Arrive Budgeting Calculator!

At Arrive, we realize how important financial success is to your life in Canada. As newcomers, your financial success and security begins with proper planning and taking charge of your expenses.

Arrive's monthly expenses calculator is simple and easy to use. It helps you estimate and plan for your monthly expenses in Canada:



The screenshot shows a web interface for the Arrive Budgeting Calculator. At the top, there are three tabs: "Tell us about yourself", "Estimated monthly expenses", and "Results". The main heading is "Your monthly expenses at a glance". Below this, there is a note: "Some fields have been filled in based on your answers with estimations taken from Numbeo. Feel free to adjust each category based on your true expenses. Note that both the 'Food' and 'Entertainment' categories are intentionally left blank for you to fill in." The form contains a list of categories with corresponding input fields: Rent (\$000), Transportation (\$000), Utilities (\$000), Childcare (\$000), Food (\$000), Entertainment (\$000), and Other (\$000). At the bottom right, there are "Prev" and "Next" navigation buttons.

[Check out the calculator!](#)

The tool takes into account your responses for a few basic questions such as:

- **Housing:** The type of accommodation you're looking for.
- **Destination:** The city you plan on living in
- **Getting around:** The primary method of transportation you'll be using
- **Family:** Whether you have children under the age of 6

Additionally, you will have the option to add in estimates for food, entertainment, and other expenses. If you're unsure about the amount for these categories, check out our blog on **Five Tips To Get Your Budget Started**; it has some helpful advice on how to estimate similar costs.

Once you complete all the fields and submit the information, you will receive a rough estimate of how much you should expect to spend each month in a given city in Canada. **Building a budget early will help you establish that solid financial footing you need and make a plan for the future.**