



TOP 7 financial mistakes

Avoid them at all costs

By Lisa Evans

The ability to make informed financial decisions is essential for functioning in Canadian society, yet many newcomers find themselves ill-equipped to become savvy consumers. “Newcomers are big targets for fraud,” says Elizabeth Molina, community program developer, North York Community House. Knowing your financial rights and responsibilities is the best way to protect yourself from scams and is the first step toward financial independence in your new country. And avoiding these seven common financial mistakes is just as important.

Mistake 1: Not building a credit history

Building your credit history is perhaps the most important step toward improving your financial wellbeing. “Building credit history is very important because it can help with renting an apartment and borrowing money in the future for school, a car or a home,” says Adam Fair, program manager, Canadian Centre for Financial Literacy.

Your credit score is a number between 300 and 900. A high number signals to a lender that you’re likely to pay them back and improves your ability to borrow money in the future, while a low score means you’ll likely have difficulty securing a car loan, mortgage or even renting an apartment. Make establishing credit a priority and ensure a high score by paying bills on time.

Mistake 2: Being reckless with credit cards

Credit cards are the easiest way to build a credit history, but they can be a double-edged sword if used improperly. Molina says approximately 50 per cent of newcomers who attend the financial literacy course at North York Community House have a credit card, but don’t know their interest rate, grace period or what happens if they miss a payment. The others avoid credit cards altogether because they’re used to using only cash in their home country. Fair advises clients not to be afraid of credit cards, but to research the interest rates and benefits the card

can provide — such as insurance discounts or points you can redeem for gas or groceries — and then use it wisely. “Only use it for things that can be paid off in full monthly,” he says. “Signing up for a credit card is not a decision to take lightly.”

Mistake 3: Trusting department store credit cards

Many department stores sway consumers into registering for the store’s credit card by offering a one-time discount on your purchase. “Typically these are easier for newcomers to get, but they often come with higher interest rates and potentially more fees,” says Fair. Simplify your financial matters by having only one credit card. “A one-time discount isn’t enough of a reason to sign up for a credit card,” says Fair.

Mistake 4: Not reading the fine print

“Many deals sound good, but they may require a locked-in contract,” says Molina. Furniture and appliance stores that offer “buy now, pay later” programs are often attractive to newcom-

ers, but they charge high interest if you fail to pay in the agreed upon time frame and can infringe on your credit score.

Mistake 5: Not filing taxes

“Filing income tax is important to do even if [you] don’t have employment income yet,” says Fair. Many government benefits such as GST/HST credit, the Canada Child Tax Benefit, among others, are only distributed to individuals who file their taxes.

Mistake 6: Giving the bank the cold shoulder

“Newcomers primarily come with the assumption that they aren’t eligible to open up bank accounts [right away],” says Molina. If you have two pieces of identification and qualify under the Banking Act, you can open a chequing or savings account.

Establishing a relationship with a financial institution early on can speed up the process of getting access to credit when you need it. Ask about saving for your child’s education, your retirement and mortgage programs if you’re thinking about buying a home.

Remember to shop for a bank that meets your needs. Selecting a bank with a convenient location can save you money, for example. “Generic ATM machines can cost between \$3 to \$5 per withdrawal, but using the bank’s ATM or even getting cash back from the store minimizes banking costs,” says Molina.

Mistake 7: Relying on pay day loans

“Pay day loans are a very expensive way of borrowing money,” says Fair. Loan centres charge fees and interest rates as high as 60 per cent, making them very difficult to break free from. ❁



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