

Canadian Financial Planner

Summer 2006

Effective February 23, 2005, the federal government announced an increase in the amount of deposit protection insurance from \$60,000 to \$100,000. In this edition of the Canadian Financial Planner, we shall provide a brief overview of how individuals can protect themselves from financial con artists and a summary of consumer protection that is available to investors. Through a combination of government regulations and private sector initiatives, consumers are offered protection from the insolvency of certain financial institutions that take deposits, sell investments or offer insurance products to the public.

When individuals invest, there is an expectation to make a profit through either the receipt of income, such as dividends and interest, or an increase in the value of the investment. If an investor assumes any type of risk, then there is the potential for loss. Losses can be tolerated if they result from economic factors, such as a decline in stock prices, currency fluctuations or misreading the direction of interest rates. However, many investors have lost money because they have dealt with a con artist or their financial institute has gone bankrupt.

Consumer Protection

The four major types of consumer protection are:

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Banks and Trust Companies	Insurance is provided on deposits through the Canadian Deposit Insurance Corporation (CDIC)
Securities Industry	Investments losses resulting from insolvency provided by the Canadian Investor Protection Fund (CIPF)
Life Insurance Companies	Policies will be continued if the insurer goes bankrupt through Assuris
Property Insurance	Coverage is provided by the Property and Casualty Insurance Compensation Corporation

Deposit Protection

The Canadian Deposit Insurance Corporation (CDIC) is a crown corporation that provides deposit protection for customers of banks, trust and loan companies.

Member Companies – The CDIC and Quebec Deposit Insurance Board (QBID) provides protection for its members, who must be banks, trust or loan companies. Since financial institutions are not required to be members, one cannot assume that because a company takes deposits, it is covered. Most large financial institutions are members, but if there is any uncertainty, one can review the list on Canadian Deposit Insurance Corporation web site.

Note – The remainder of this article is only available to subscribers of the Canadian Tax Planners Newsletter. If you elect to subscribe and wish to receive a copy of this newsletter, advise us accordingly and the complete article will be forwarded by return mail.

