

# Getting Value for your Service Fees



*A guide to service fees and getting  
the most for your money*



CANADIAN BANKERS ASSOCIATION

*Building a Better Understanding*

On behalf of the banking industry, the Canadian Bankers Association has embarked on a program called Building a Better Understanding. This is our commitment to communicate better and to provide useful financial information to Canadians.

As part of the program, we are offering a free series of publications, ranging from money management and interest rates to mortgages, starting a small business and saving for your children's education. To obtain copies, call toll-free 1-800-263 0231 or visit our web site at [www.cba.ca](http://www.cba.ca). You can also order by writing to Building a Better Understanding, c/o Canadian Bankers Association, P.O. Box 130, Pickering, Ontario L1V 2R2.

Published by the Canadian Bankers Association  
April 1999. Revised edition February 2002.

Copyright Canadian Bankers Association 1999.  
All rights reserved.

These publications are also available in alternative formats for people who are partially sighted or have limited vision.

*La version française de cette brochure est disponible sur demande.*

---

This booklet gives information of a general nature and is not intended to be relied on by readers as advice in any particular matter. Readers should consult their own advisors on how this information may apply to their own circumstances.

# Table of Contents

Introduction . . . . .	Page 3
Helping You Get the Most for Your Service Fees . . . . .	Page 4
Consumer Profile . . . . .	Page 6
How Do Your Service Fees Measure Up? . . . . .	Page 9
Looking at Your Banking Habits . . . . .	Page 11
What You Wanted to Know About Service Fees . . . . .	Page 14
For More Information . . . . .	Page 16



*As a consumer, you need to be as careful about selecting your banking services as you are with your other purchases.*

# Introduction

Bank service fees are a part of financial life for many Canadians. But they are also a thorny issue for many people. If you've asked yourself: "What am I really paying for?" or "Why do I have to pay to access my own money?" or "Am I getting the best value for my fees?" – you're not alone.

At Canada's banks, we realize there are questions about service fees and the many choices open to you. There are per transaction fees, fees for various services and flat fee plans – all of which are priced and packaged differently from bank to bank. So how do you navigate through the maze of options and get the best value for your money?

The Canadian Bankers Association invites you to start right here with our latest booklet, *Getting Value for Your Service Fees*. You'll learn how you can keep service fees down and still get the most value for your dollars. You'll find out how choosing the right service plan can provide added convenience and save you time and money. We have also answered several frequently asked questions about service fees, including why they exist and what value you get in return.

Although this booklet is filled with helpful tips, it is only a starting point. Keep an eye on the products and services you use and what you're paying in service fees each month. If you don't think you're getting value, talk to your bank to find out your alternatives. You may even consider investigating what other financial institutions are offering.

Don't be afraid to ask questions because the better you understand your options, the more value you'll get for your service fees.

# Helping You Get the Most for Your Service Fees



Banking today is highly competitive. From banks to other competitors like trust companies and credit unions, your business is in demand. The good news is – along with increased competition come more options for where you bank, how you bank, and what you spend on banking.

As a consumer, you need to be as careful about selecting your banking services as you are with your other purchases. And just like any item or service you buy, you can control how much you pay.

To make sure you're getting the most value for your service fees, take a close look at your banking habits. How do you bank? Do you use ABMs, write cheques, do telephone or PC/Internet banking or in-branch banking? Many of these transactions are priced differently.

How often do you bank? If you're an active user of bank services, unless you have a flat fee package you just might be paying too much. Each bank offers a variety of flat fee packages. These packages give you a certain number of transactions for a set price each month; otherwise, you pay for each transaction. Some flat fee packages include additional services beyond the specific number of transactions. Check your last few monthly statements to see what you are paying in service fees and what features you are getting for your money.

Next, examine how your bank account fits in with your financial needs. Based on the types of transactions you do, do you have the right type of account? For instance:

- If you want to keep money handy to pay bills or personal expenses, you'll likely want a chequing account. Keep in mind that some chequing accounts pay interest, and others don't. Chequing accounts usually have lower transaction fees than savings accounts.
- Do you want to save money for short-term needs, but still have access to your funds? And do you have very little account activity each month? If that's the case, a savings account would be your best option. The amount of interest paid will vary depending on the type of savings account(s) your bank offers.
- If you want to save, but also have money available for day-to-day expenses, consider a combination account that gives you chequing privileges and pays interest on your savings. Some flat fee packages allow you to maintain both a chequing and savings account within the monthly fee.

Here are some other considerations:

- Do you have an account or a flat fee package that allows you to do free transactions as long as you maintain a minimum balance? If so, do you know what the minimum balance requirement is, and are you always able to maintain it?





# CONSUMER PROFILE

This profile is designed to examine your banking habits. It will help you in selecting or ensuring you have the most effective service fee package for your needs. Complete this profile prior to a talk with your financial institution.

Are you under 19?  Are you enrolled in a full-time post-secondary school education?

Are you a senior\*? (\*contact your bank for age stipulations)

*If you answered "yes" to any of the above questions, check with your financial institution for a specially-priced plan tailored to your situation. If none of the above apply, please continue...*

What is your estimated minimum monthly balance?

## MY BANKING ACTIVITIES

(estimated # of transactions per month)

withdraw money . . . . .	<input type="checkbox"/>	account transfers . . . . .	<input type="checkbox"/>
write cheques . . . . .	<input type="checkbox"/>	bill payments . . . . .	<input type="checkbox"/>
Interac Direct Payment . . .	<input type="checkbox"/>	pre-authorized payments	<input type="checkbox"/>

---

total estimated monthly transactions

*Next, consider any extras you may want included in your plan...*

withdrawals at other financial institutions' ABMs . .	<input type="checkbox"/>	stop payments . . . . .	<input type="checkbox"/>
overdraft protection . . . . .	<input type="checkbox"/>	direct payment outside of Canada . . . . .	<input type="checkbox"/>
cancelled cheques returned . .	<input type="checkbox"/>	travellers cheques . . . . .	<input type="checkbox"/>
spousal/joint holder benefits . .	<input type="checkbox"/>	foreign currency . . . . .	<input type="checkbox"/>
rewards . . . . .	<input type="checkbox"/>	safe deposit box . . . . .	<input type="checkbox"/>
money orders . . . . .	<input type="checkbox"/>	credit cards . . . . .	<input type="checkbox"/>



## HOW DO YOU BANK?

Some people do all of their transactions in-branch, with the assistance of a teller or branch representative. Others do a mix of in-branch and self-serve\* transactions, while still others prefer to do all of their transactions on a self-serve basis.

Now take a look at how you conduct your banking activities and estimate the number of transactions per month that will be in-branch and/or self-serve.

# of in-branch transactions

# of self-serve transactions

*\*self-serve refers to electronic banking options such as ABMs, Interac Direct Payment, telephone banking and PC/Internet banking. Your bank may also include cheques as self-serve.*

*You may want to discuss the following with your financial institution...*

- access to PC/Internet banking
- access to telephone banking
- record keeping options (passbook, statement)
- account inquiries
- fees waived for minimum account balance

## MAKING A DECISION

So, what type of service plan, if any, do you need? If you already have a plan, assess whether it's right for you. A wide variety of offerings are out there. There's "basic" (for people with little account activity per month – 12 or less transactions) to "comprehensive" (for people with diverse needs and frequent account activity each month – 40+ transactions). There are plans for "connected customers" who use electronic banking to its fullest potential, while other plans are for people who prefer the "personal touch" of in-branch banking.

If you have access to the Internet, Industry Canada has a helpful Financial Service Charges Calculator at [www.strategis.ic.gc.ca/SSG/ca00669e.html](http://www.strategis.ic.gc.ca/SSG/ca00669e.html) that allows you to compare monthly service fees at various Canadian financial institutions.

*“Fees can be much higher for consumers who don’t use the right package or who aren’t careful about the number of transactions they make.”*

*(Office of Consumer Affairs, Industry Canada, Financial Service Charges Annual Report 1999)*

- Do you have a flat fee package or do you pay per transaction?
- Do you prefer to receive a monthly statement, cheque return or do you need a passbook?

To help you decide on the best account and whether you would benefit from a flat fee package, take a few minutes to fill out the Consumer Profile on pages 6 and 7. You’ll get an accurate snapshot of your banking habits. Then you’ll need to determine which account best suits your lifestyle and whether you would be better off with a flat fee package or paying per transaction. Take this information into your branch or call your bank’s toll-free line to discuss your choices. Your banker will then work with you to find the best option for your needs.

## Finding Your Best Option

After figuring out your banking needs, you may find that you’re getting good value for your service fees. However, you may discover that your bank account and flat fee package no longer fit your needs or are costing you too much. If that’s the case, the first thing to do is talk to your financial institution about other options. This could mean a new flat fee package or a different type of bank account.

Every bank and financial institution has its own products and services, all branded, priced and packaged differently. As part of your research, you may want to shop around and compare what other financial institutions offer. Prices and offerings vary considerably.

## \$AVINGS TIP:

*Think about substituting in-branch transactions like bill payments with transactions at your bank’s ABM—they typically cost less.*



Just because you have a flat fee package, doesn't mean it's the right one for you. Flat fee packages range from \$2.00 a month to over \$30.00 a month, depending on the products and services included. Make sure you're paying for what you use and not for features you don't need.

If you have access to the Internet, Industry Canada has a helpful financial service charges calculator ([www.strategis.ic.gc.ca /SSG/ca00669e.html](http://www.strategis.ic.gc.ca /SSG/ca00669e.html)) that allows you to compare monthly service fees among various financial institutions. Here's how it works:

- You'll be asked a series of questions about how you do your banking, i.e. how many ABM and debit transactions you conduct each month, how you pay bills (at the counter, the ABM, by telephone or PC), how often you use another bank's ABM.
- You'll then have a choice of several different financial institutions; simply hit a button for the packages you want to consider and the computer will give you the costs of the different plans based on the services you actually use. For example, your package might include a certain number of ABM transactions within and outside of Canada, debit card transactions, telephone and PC banking, overdraft protection, pre-authorized debit payments, free cheques and a monthly statement.

## How Do Your Service Fees Measure Up?

- To check out another financial institution's offerings, hit another button and you'll get a direct comparison. You may find that a different package or even another financial institution might be able to drastically reduce or even eliminate your service fees.

Keep in mind that while costs are important, there are other aspects to consider – the features of the account and the package you want. Some customers may be willing to pay a higher fee based on value-added or convenience features.

## Times Have Changed

*Twenty years ago, many Canadians did their banking very differently than they do today. In the era before electronic banking, they typically visited the bank branch once or twice a week, wrote cheques for bill payments and paid for purchases either with cash, cheques or credit.*

*Since the first Automated Banking Machines made an appearance in the early 1980s, Canadians have embraced the convenience of banking any time, any place. Telephone and computer banking, ABM use and Interac® Direct Payment (IDP) have given Canadians the option of banking on their own terms. They have played a key role in bringing the bank to the customer. For instance, with Interac® Direct Payment, customers can use their debit cards to access their accounts and pay for purchases at many retail outlets, including supermarkets, department stores, gas stations and restaurants.*

*We're Number One when it comes to ABM use, logging 53.4 transactions per Canadian in 1999. Compare this with our American neighbours who took second place with 39.9 transactions per person. Canada is also Number One for direct payment use.*



## Looking at Your Banking Habits

If you want to reduce what you pay in service fees, you might also consider changing your banking habits. Here are some scenarios you may have encountered:

- Suppose you do most of your banking in-branch, but you don't have a flat fee package. If you have an account that charges you for each transaction, you could end up paying more than you should in service fees. What should you do? Consider a basic package that allows both in-branch and electronic transactions. Or if you find that you don't do enough banking to make a flat fee package worthwhile, try to use self-service banking which is typically less expensive than in-branch.
- Say you have a package that allows 15 electronic transactions a month and two at another bank's ABM. You like to withdraw small amounts of money from the ABM every couple of days and you've started using direct debit to pay for most of your purchases. Sometimes you'll use another bank's ABM if it's more convenient. In no time, you're adding another 10 transactions to your account, each of which you'll pay for at the end of the month. In this case, try to minimize your trips to the banking machine. Try not to

use another financial institution's ABM – every time you exceed your limit, you'll pay \$1.25 or more.

- Let's say you have a flat fee package that allows you to write four cheques a month and you write eight, those extra four cheques will cost you more money.

Most packages today include a certain number of electronic transactions – through an ABM, PC/Internet or telephone banking, and *Interac* Direct Payment. Instead of writing cheques or paying cash for purchases, consider using *Interac* Direct Payment – it's faster and usually cheaper than writing a cheque and you won't have to make as many trips to the branch or the ABM. Some retail outlets may offer a "cash back" option which will save you another trip to the ABM and another debit charge.

Be aware that privately-owned ABMs charge an extra fee. When you use these cash machines, known as "white label" ABMs, you'll pay a surcharge of at least \$1. This surcharge is not covered by your bank's flat fee package because you are paying a private company for the convenience of using their ABM. Before your transaction goes through, the machine will ask you if you agree to pay the surcharge. You decide if the transaction is worth the price.

## You May Be Eligible for No-Fee Banking



Banks offer a free senior package that combines electronic and in-branch banking, as well as other benefits. The age of eligibility varies, but at most banks you can sign up at 59 or 60.

If you are under a certain age (typically 19), you may be eligible for a free youth plan. This plan will give you a certain number of electronic and in-branch transactions. Full-time post-secondary students can apply for a special reduced fee plan or discounts on regular transactions.



## Get Value From Your Credit Cards Too ...

Most financial institutions offer a variety of credit cards, so shop around to find the best value and pay attention to the costs you may incur. Find out if you're paying an annual fee; if this doesn't suit your needs, you may want to consider a no-fee credit card. Ask about loyalty programs; you may be able to get travel points, special medical or warranty insurance, or have the annual fee waived by spending a set minimum each year. Once you have your credit card, try to pay your balance in full each month to avoid interest charges. If you carry a balance, look for a low interest card.

### TIP:

*Always keep track of your paper receipts and compare them to your monthly statement. If you spot an error, contact your bank immediately.*

## Protect Yourself ...

Ask your bank about overdraft protection.

Not having enough money in your account to cover a cheque or a withdrawal can be embarrassing and, without overdraft protection, you'll be charged a fee if the cheque is returned NSF. Some packages offer overdraft protection.







# What You Wanted to Know About Service Fees...

## Q. Why do banks have service fees?

A. Fees are charged on the many bank services that help you access and manage your money. Twenty years ago, Canada's banks did not charge service fees on basic banking transactions, although they did charge fees for certain services. Back then, basic banking services were funded through the "spread" between interest paid on deposits and interest earned on loans. This meant that many of the bank services that were free to customers were, in fact, subsidized. But as competition increased in the lending market and the "spread" between deposits and loan rates began to shrink in the early '80s, banks adopted a "user pay" system. This way, the services were paying for themselves and frequent users would pay more than infrequent users.

Today, consumers have many more banking services and options from which to choose. With the "user pay" system, customers pay only for the services they actually use on a per-item or package plan basis.

## Q. How does the average bank customer benefit from service fees?

A. Bank services are maintained by an extensive banking network that benefits Canadians from coast-to-coast. This banking infrastructure supports a variety of services used by the diverse clientele of banks. Service fees help recover the cost of providing such services as direct deposits of cheques, pre-authorized bill payments, redirection of NSF cheques, same day credit for businesses, maintaining accounts and processing cheques.

Not so long ago, consumers had very few options for accessing their money – there were no ABMs, direct debit, telephone or PC banking. In the past decade, banks have made extensive investments in technology, making banking more convenient for everyone. Today you can access your account 24 hours a day, seven days a week, through a variety

of service points. Not only does this include over 8,000 branches, but 35,000 ABMs, 460,000 direct payment terminals in retail outlets across Canada, as well as telephone and PC banking. When you're travelling, you also have the convenience of accessing your money through ABMs in other countries. However, for customers who prefer to deal with in-branch personnel, this option is available.

**Q. Does everyone pay service fees?**

A. No. Depending on the bank, about half of all customers don't pay any service fees. Every customer has different needs so service fees may not always be applicable. For example, many banks offer free services to customers who are able to maintain a minimum monthly balance. Seniors can sign up for a free package plan that may offer other benefits as well. Check with your financial institution to find out when you are eligible. Students can also sign up for special reduced-fee accounts and youth accounts are offered free or for a reduced fee. If you don't fit into one of these categories, but you do very few transactions each month, you can get a low-cost package for less than \$5 a month.

**Q. But aren't the banks saving money as a result of technology like ABMs? If so, why aren't they passing on these savings to their customers?**

A. In order to maintain their level of service, banks make major ongoing investments in research and development. For instance, Canada's six major banks invested over \$3 billion in new technology in 2000, helping to provide Canadians with a wide variety of new options that were unavailable even a few years ago. For bank employees, electronic commerce has opened up a host of challenging new career possibilities.

**Q. Why should I pay to withdraw my money, especially if I'm using an ABM?**

A. Your bank is providing you a service not only by ensuring the safety of your deposit, but by making it accessible to you in thousands of locations. This service includes moving your money and paying those to whom you direct funds. Just like other companies, banks are businesses with overhead, including developmental costs for new technology. However, you can minimize what you pay for this service – talk to your bank to find out if you could benefit from a flat fee package.

**Q.** I have an account that I haven't touched for some time, so why am I still being charged a service fee?

**A.** Even though there hasn't been any activity in your account, a bank still has costs associated with keeping that account open – administration costs, auditing, staffing and overhead. Talk to your banker to find out your most cost-effective option in this case. For instance, they might tell you you'd be best off to merge it with another account or transfer the funds to a better investment product.

## For More Information...

Banks, trust companies and credit unions all have information on their products, packages and service fees. Contact your own financial institution for more information.

Canadian Bankers Association: [www.cba.ca](http://www.cba.ca) 1-800-263-0231

Industry Canada's *Strategis* Financial Service Charges Calculator: [www.strategis.ic.gc.ca/SSG/ca00669e.html](http://www.strategis.ic.gc.ca/SSG/ca00669e.html)

Banca Commerciale Italiana of Canada: [www.bcibank.com](http://www.bcibank.com)  
1-800-224-5596

Bank of Montreal: [www.bmo.com](http://www.bmo.com) 1-800-555-3000

The Bank of Nova Scotia: [www.scotiabank.ca](http://www.scotiabank.ca) 1-800-267-5551

CIBC: [www.cibc.com](http://www.cibc.com) 1-800-465-2422

Canadian Western Bank: [www.cwbank.com](http://www.cwbank.com) 1-888-874-8574

HSBC Canada: [www.hsbc.ca](http://www.hsbc.ca) 1-888-310-4722

Laurentian Bank of Canada: [www.laurentianbank.com](http://www.laurentianbank.com)  
1-800-522-1846

National Bank of Canada: [www.nbc.ca](http://www.nbc.ca) 1-888-835-6281

RBC Financial Group: [www.royalbank.com](http://www.royalbank.com) 1-800-769-2599

TD Canada Trust: [www.tdbank.ca](http://www.tdbank.ca) 1-800-983-2265

As part of the program *Building a Better Understanding*, we are offering a free series of publications, ranging from money management and interest rates to mortgages, starting a small business and saving for your children's education. To obtain copies, call toll-free 1 800 263-0231 or visit our web site at [www.cba.ca](http://www.cba.ca).

The Canadian Bankers Association, established in 1891, is a professional industry association that provides its members – the chartered banks of Canada – with information, research and operational support, and contributes to the development of public policy on issues that affect financial services. The CBA also provides information to the public on industry and financial issues.



**CANADIAN BANKERS ASSOCIATION**

---

*Building a Better Understanding*