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STRATHCONA CREDIT UNION NEWSLETTER - September 2004

WE'RE BACK

To paraphrase, it seems that reports of the demise of the Strathcona Credit Union Newsletter were exaggerated. As you can see, we are back in a new and, may we say, more stylish format. Each issue will now be four pages, on coated paper, with an easy-to-read style which will evolve over the next few issues.

Because of changes in Desjardins' procedures for mailing statements, your newsletter will soon be coming to you from your Credit Union under separate cover. Previously, all our members' statements were prepared by Desjardins and sent to the Kirkland office where our staff (heroically) put them into envelopes along with the newsletter and any other information documents which we wished to send to you. Now, most statements are mailed centrally by Desjardins and we are permitted no "local" inserts. The new stand-alone newsletter will be sent to you four or five times a year.

Statements of account will continue to be sent to members, by Desjardins, once a month. Members who receive their cancelled cheques with their statements will, for the moment, continue to receive them. We must point out, however, that Desjardins is considering the elimination of this service.

Those of you who do receive your canceled cheques will have received this newsletter in the same mailing. This may occur again for the next issue in order to save postage costs, but eventually all statements and cheques will be processed centrally. The newsletter will then be mailed separately along with any other documents that your credit union may wish to send you.

In this time of change (when the change is often not for the better) we are happy to say that those members who receive a "virtual statement" over the Internet from Desjardins and who receive their cancelled cheques will continue to receive both services for the foreseeable future.

The newsletter will continue to be archived on our web site. Check www.strathconacu.com to refer to back issues, updates of interest rates (particularly mortgage rates which are volatile right now), and other le nouveau current information. Note also that our new

newsletter format allows us to give you a more complete view of loan and deposit rates in our expanded "Current Rates" box.

It must be noted that we received much favourable feedback from you about the newsletter in the last few months and for that we thank you. We hope you continue to read and enjoy it.

MONTHLY SERVICE CHARGE INCREASE

In the last newsletter we reported to you that after much deliberation the Strathcona Credit Union Board of Directors decided to increase the monthly service charge to \$2.50 per folio.

In keeping with our cooperative mission the principal of one service charge rate for all members was maintained. As well, an attempt was made to keep as many services in the fee package as possible.

The new service charge came into effect on September first and will, therefore, appear on your next statement. As much as we dislike having to increase the fee we still believe it to be the lowest nearly all-inclusive rate of any financial institution.

NSF CHEQUE CHARGES

One of the charges which are not included in the monthly \$2.50 package are those for NSF cheques. As most members are aware, cheques which cannot be cleared because of insufficient funds in the maker's account are subject to service charges beyond the regular monthly charge. Currently an NSF cheque is returned to the credit union from the clearing centre (a \$10 charge) and the next day may be returned to the member who wrote it (another \$10 charge).

Beginning soon, the cheque will not be physically returned to the Credit Union but its NSF status will be reported to our staff via the computer system the same day. The Manager at this point may still exercise

(Please see NSF CHARGES on page 4)

LET'S GO BANKRUPT!

Debts too high? Having trouble making your monthly payments? Just declare personal bankruptcy—it's easy.

Are you shocked by that advice? You should be, but it is advice that is given every day to Canadian borrowers: by professionals who know better.

The Bankruptcy and Insolvency Act is a Federal law which applies across the country. The Act was passed initially in 1919 in an effort to improve a rather bad existing system of handling the problem of overwhelming indebtedness.

Prior to the concept of legal bankruptcy a debtor was indebted to his or her creditors, subject to seizures of property and garnishment of salary until the debts were paid: often for the rest of the debtor's life. In some countries the malefactor was sent to Debtors' Prison—a somewhat counter-productive measure because it prevented the debtor from earning any money to pay what was owed.

Imagine a present day situation. An individual decides to establish herself in business by purchasing a motel. With savings she buys a profitable existing establishment on the main highway just outside of town from the owner who is retiring. Her business plan allows for borrowing from the bank for necessary renovations and the purchase on credit of new furnishings and linens. She and the lenders agree that she will be able to pay off the loans from profits over the next five years and still make a living.

For two years the plan works. Income increases under the new owner's management. She makes a reasonable profit and never misses a loan payment.

Then the Province builds a bypass highway five kilometers north of the town.

The owner did everything right. Nevertheless, her business becomes worthless; she loses her source of income and she has a debt of \$180,000. The Bankruptcy Act is in force to allow her to wipe the slate clean and to rebuild her life.

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What many people don't understand about this procedure that *both* the debit and the credit sides of that slate must be erased. In order to be discharged from her debts the owner must relinquish to her creditors almost all of her assets.

The Act foresees any insolvent debtor owing \$1,000 or more entering into bankruptcy proceedings

voluntarily or being forced into that state by creditors. In either case, a trustee is appointed. It is the trustee's duty to see that the interest of the creditors is protected.

The trustee is a licensed professional, in Quebec a chartered accountant with a specialization in bankruptcy law.

The trustee must inventory the assets and liabilities of the bankrupt individual, and then, usually, liquidate the property of the debtor's estate. The money raised from the sale of almost all of the property of the bankrupt is then used to pay (in order) the trustee, the secured creditors, and the regular creditors. In eighteen months or so the court issues the bankrupt with a discharge which clears him or her of all the debts declared in the original assignment.

Usually the sale of the assets does not raise enough money to pay all the unsecured debts and so these creditors must accept a *pro rata* settlement based on the amount of the proceeds of the sale of the estate divided by the total of the unsecured debts. (For example, \$90,000 raised from sale of assets divided by the remaining debts of \$180,000 = \$0.50 on the dollar—thus a creditor owed \$1,000 would receive a settlement of \$500.)

And so our unfortunate business owner has lost almost all of her personal property and business assets but at least can start fresh. One may ask what is wrong with that scenario. Answer: Probably nothing, but sometimes this is not how it happens.

Too frequently the law is twisted or broken. It sometimes happens that the debtor is persuaded to declare bankruptcy (often for fairly small debts) by dishonest trustees or their agents. In these cases the bankrupt is tutored in the art of hiding assets, thus avoiding seizure and liquidation of property. In these cases the debtor is freed from the debts, the creditors receive next to nothing, and after discharge the bankrupt retrieves the hidden property and resumes life debt-free.

Protecting assets from bankruptcy seizure as described above is not a legal loophole, a technical maneuver that "everyone uses"—it is fraud and, as such, an offence under the Canadian Criminal Code subject to penalties including fines and imprisonment.

A fraudulent bankruptcy is equivalent to stealing from one's creditors. When one goes bankrupt on a Strathcona Credit Union loan it is loss to each credit union member and no, we are not "insured against bankruptcies anyway".

The Bankruptcy and Insolvency Act is on the books to allow people with overwhelming debts to pay everything they have to their creditors and start again—to use it any other way is to commit a crime.

HELPING SENIORS KEEP THEIR HOMES

Shoveling snow getting to be too much for you or for your parent? Is someone you know beginning to wonder if, at their age, they can stay in their home much longer? Perhaps the new and improved Quebec Tax Credit Respecting Home-Support Services for Seniors is the solution. This program allows seniors to receive certain home services at a reduced cost so that they can remain in their community and enjoy a better quality of life.

Senior citizens are one of the fastest growing segments of the population in Quebec. Now almost 700,000 of us are over 70 and over the next three decades that group will increase in number to more than one and a half million. For this reason the government of Quebec has decided to accord a high priority to this age group. In accordance with this policy the home support services plan for seniors was introduced in January of 2000 and has been improved since.

Quebec residents who maintain their own dwelling and are 70 years of age or older may receive a refundable tax credit of up to \$2,760 per year to defray certain home service costs. These amounts are paid directly to the service provider and, unlike most other tax, are paid when the service is rendered and not at the end of the tax year.

The dwelling must be the applicant's principal place of residence. It may be an owned or rented house, apartment (in a residential building or seniors residence), or condominium. It may also be a room in a hotel, rooming house, private residence, or senior citizens residence, but a room in a public institution or in a publicly funded private institution does **not** qualify.

The credit applies to services and not to the supplies required to provide the service (eg., the preparation of a meal, but not the cost of the food). The services may not be rendered by the spouse or a dependant of the recipient of the credit.

Eligible services are related to: **daily activities** (assistance in dressing, bathing, eating, drinking and mobility); **meal preparation**; **supervision** (overnight, companion sitting, etc.); **civic-support** (accompaniment on outings, filling out forms, etc.); and **routine household tasks** (cleaning and upkeep of interior and exterior of the dwelling, shopping for everyday necessities, lawn mowing, window and eavestrough cleaning, snow removal, etc.) The services listed above are examples only—many more are eligible and are listed in the pamphlet *The Tax Credit Respecting Home-Support Services for Seniors* available from the Ministère du Revenu du Québec (ISBN 2-550-43022-0) by mail or on the Internet.

Eligible expenses incurred under the plan must be paid for by means of the "service employment paycheque" (SEP), offered by the *Service de paie Desjardins*. The person receiving the service **does not** pay the service provider directly. The SEP is a free service and may involve payment from accounts in any financial institutions including, of course, Strathcona Credit Union.

The qualified applicant submits his or her authorization to pay a services bill to SEP. The full amount is then paid by SEP directly to the service provider: 23% as a tax credit and 77% from the service recipient's bank account.

The annual ceiling on services eligible for the tax credit plan is \$12,000. At a rate of 23% this generates a maximum credit per recipient of \$2,760 per year. Two or more people who qualify for the plan and share a dwelling each may claim the credit for his or her expenses.

Each recipient under the plan must file an income tax form annually whether or not they are subject to income tax. Eligibility under the plan is, however, not affected by income. The same maximum applies to all Quebec residents over 70 years of age who maintain an eligible dwelling, regardless of income.

To obtain the tax credit one must complete Payment authorization form TP-1029.8.61-V and send it to SEP processing centre with a blank, void cheque for the account from which the payments are to be made. Once authorization has been granted the applicant is sent a series of payment forms.

When the service has been completed or a payment is due for ongoing services a payment form is filled out and sent to the SEP. Payment is then made to the service provider.

When using this plan, obviously, the service provider should be charging all applicable taxes and declaring all income. The senior who is negotiating the price of the service must also beware of unscrupulous providers who pad the price when they know that the customer is paying only 77% of the final bill.

This is an interesting, if somewhat obscure tax credit plan. Pass the word along to anyone you know who may benefit from it.

The brochure *The Tax Credit Respecting Home-Support Services for Seniors* (IN-102-V) is available in all offices of the Ministère du Revenu du Québec and at:
www.revenu.gouv.qc.ca.

GUARD YOUR CARD

In a recent issue of the Newsletter we told you the story of one of our members who wrote her Desjardins Access Card personal identification number (PIN) on a piece of paper which she then placed into her purse with her card. Subsequently her purse was stolen and the thieves used the card and PIN to withdraw the balance in her account and an additional \$2,000 on her line of credit. She is currently negotiating with Desjardins and her home insurance company to make good the loss. If these institutions refuse to do so, the member will, of course have to repay the \$2,000.

We printed this cautionary tale in order to point out to our members that there can be real consequences to ignoring security precautions when using a bank card. In this issue we have, unfortunately, another such story.

Over the summer one of our members lost or had stolen her Desjardins Access card on which she had written her PIN. The disappearance went unnoticed by the member.

The individual (or, investigators suspect, individuals) who came into possession of the ATM card also, it seems, stole two legitimate cheques written by a Montreal company: one for about \$36,000 and the other for \$10,000. They then rather crudely changed the name of the person to whom the cheques were made payable, forged an endorsement, and deposited the cheques into our member's account using two different Desjardins ATM machines.

The criminals then proceeded, over several evenings, to make cash payments on the stolen card to purchase gambling tokens at the Montreal Casino until the money they had "deposited" was gone.

A few days later, an accounting clerk at the company on whose account the cheques were drawn noticed the change of payee on the cancelled cheques and notified the bank. The cheques were subsequently "bounced" and our member, who habitually checks her account only every month or so, ended up with an overdraft in her account of almost \$47,000.

Desjardins has taken the initial position of not making good the loss because, even though a criminal act was perpetrated, the PIN was written on the card and the loss of the card was not reported.

We urge you **never** to write down your PIN. If you lose your card, report it. From time to time change your PIN to another non-obvious combination of digits. If you detect any anomalies on your statement or have any doubts about ATM security call the office.

QPAT TEACHERS' CONVENTION

Your Credit Union will be present once again at the annual Teachers' Convention. Convention will be at the Palais des congrès on November 11th and 12th.

We will have our booth set up and staffed by our employees and members of the Board of Directors. (Note that although our staff will be at convention it is the Remembrance Day holiday for them on that Thursday and both offices will be closed that day.) Do take the opportunity to come by and say "Hello". As usual, we would like to remind you that this would be a perfect opportunity introduce a new colleague to Strathcona Credit Union.

We hope also to be sponsoring a speaker again this year. As we go to press plans have not been finalized, but we will let you know about the event as soon as we can.

NSF CHARGES

(continued from page 1)

her judgement by returning the cheque (a second \$10 charge on the same day) or, knowing that a deposit is being made into the account shortly, cash the cheque and overdraft the account. Please note that our staff cannot "hold the cheque"—it must either be cashed or returned that day.

CURRENT RATES

Deposits:	
Regular Savings	
Senior Savings	1.00%
US Dollar Accounts	
Term Deposits*	
6 months	1.75%
1 year	2.50%
2 years	2.75%
3 years	3.25%
4 years	3.50%
5 years	4.00%
Loans:	
Personal Loans	8.75%
Consolidation Loans	10.75%
RRSP Loans (1 year maximum)	4.75%
Mortgages	
1 year (open)	5.75%
2 years (closed)	4.30%
3 years (closed)	4.50%
4 years (closed)	4.75%
5 years (closed)	5.05%
*2,000 minimum deposit, rate subject to change without notice.	
Monthly interest payment less 0.25%	