

Insights & Advice

2022 SPRING/SUMMER EDITION





Message from the CEO

Though it may be hard to believe, given the mixed signals Mother Nature has been sending, spring is finally here. Sometimes change can be so gradual, we hardly even notice it. Other times, change is unpredictable, strikes at record speeds, and leaves us wondering, “What’s coming next?”

Similarly, frequent shifts in interest rates have left many of us asking how rising rates and inflation will impact our day-to-day lives. There are a lot of factors at play in the market right now, such as the invasion of Ukraine; price spikes in oil, natural gas, and other commodities; rising food prices; supply chain disruptions; strong economic growth; and excess consumer demand. These and other influences have pushed inflation to heights not seen in more than 30 years.

The Bank of Canada has raised interest rates to cool inflation and will continue to do so until the market finds a neutral rate that neither stimulates, nor weighs down, the economy. Behind all these discussions of rates and markets is the impact these numbers have on our daily lives.

We’re all experiencing the effects of rising inflation every time we buy groceries, fill up at the pump, or face empty shelves. Our money doesn’t go as far as it used to, and this hurts everyone’s standard of living.

For our part, we will continue to be proactive, offering competitive rates and providing advice and guidance to help members save and spend wisely. In this issue, we offer advice and tactics for saving and budgeting to help you find a balance during times of inflation. We also begin an important new series looking at the effects of fraud on members through real-life case studies; and finally, we welcome new members to our Board of Directors and provide a wrap-up of our March AGM.

Here’s what’s happening at SCU

IT PAYS TO BE A MEMBER: \$10 MILLION MEMBER BONUS

This year, we have shown that it pays to be a member by sharing a **\$10 million cash bonus** for the 2021 fiscal year. Read our back page to learn more.

PANCAKE BREAKFAST

Who’s hungry? Join us on **June 17, 2022** for a free pancake breakfast as a kickoff to Summer in the City in Steinbach.

ASSINIBOINE PARK ZOO DINOSAURS UNCOVERED

This summer, SCU is sponsoring Dinosaurs Uncovered, an exciting and interactive dinosaur experience at the Assiniboine Park Zoo.

TASTE OF SUMMER CHARITY BBQ

Join us at our Steinbach branch **each Wednesday in July and August** for a BBQ lunch to support local charities around Southeastern Manitoba.

INSIGHTS & ADVICE: TIPS FROM AN EXPERT

Join us online **every second Wednesday of the month** to hear about a variety of topics, including estate planning, business finance, and tax planning. Visit our website to view the full event calendar and sign up to attend.

Explore all of our events at scu.mb.ca/events.

Do your finances need a spring cleaning?

If your finances are feeling off-balance these days, or just need a bit of tidying up, a financial spring-cleaning list is the perfect place to start. With a little elbow grease and these five tips, your finances will be in good condition in no time.

PRIORITIZE YOUR GOALS

It can be easy to lose your way when cleaning and get distracted by another chore, or avoid the task altogether. Making a financial to-do list provides some structure, outlines and prioritizes each task, and allows for small celebrations each time you complete a “chore” from your list.

DUST OFF YOUR BUDGET

The best way to achieve your goals and reach life’s financial milestones is to budget regularly and track your spending. Budgeting regularly not only reduces financial stress, but it also helps you move closer to accomplishing goals like paying off debt or saving for that first down payment.

TOSS OUT DEBT

Don’t hold on to old debt. Maybe you can’t pay it off in full today, but creating a plan to tackle debt is the first step to making changes. If you have more than one source

of debt, you might benefit by targeting one debt at a time, or tackling it all by consolidating your debt into one easy payment.

POLISH YOUR SAVINGS GOALS

Take time to plant seeds for your future by creating a savings plan with clear goals and a timeline that you can adjust as your needs change. Pay yourself first by opening a savings account — if you don’t have one already — and setting up an automatic deposit, putting something aside each time you’re paid.

KNOW WHEN TO CALL IN THE EXPERTS

Sometimes you need a specialist to help you get through the tough tasks or provide the added support you need. We have the products and the knowledgeable specialists to help you tidy up your finances, feel a sense of accomplishment, and stay on course for your best financial future.

5 things to do with your tax return

1. Invest into your RRSP: As a first priority, consider contributing a portion into your Registered Retirement Savings Plan (RRSP). It can get your savings goals started, and help generate another refund next year.
2. Income splitting: You can use your tax refund for your own RRSP or to put it toward a spousal RRSP. This sets the stage for income splitting between the two of you, as you get a deduction at your tax bracket now, and your spouse withdraws at an expected lower bracket later.
3. Mortgage reduction: A home purchase is likely the largest single financial event of your life, usually accompanied by a mortgage that will take many years or decades to pay off. An annual top-up from your tax refund can be a simple and effective strategy to get you mortgage-free sooner.
4. Contribute to a TFSA: The Tax-Free Savings Account (TFSA) was introduced 2009, complementing the RRSP program that has been around for more than half a century. TFSAs allow after-tax investment dollars to grow tax-sheltered and to be withdrawn tax-free.
5. RRSP loan paydown: An RRSP loan can give a boost to your RRSP if you don’t have money available as you near the contribution deadline at the 60th day of the year. Bear in mind though that interest on such loans is not tax-deductible. It’s a good idea to use the refund generated from the contribution to pay down the bulk of the loan initially, and pay off the rest over the coming months.

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TFSA and RRSPs: Why not both?

Are you using your Tax-Free Savings Accounts (TFSAs) and Registered Retirement Savings Plans (RRSPs) to their full potential? With the right strategy, you can leverage both products together to help you save for both your short-term and long-term needs.

Want to save for retirement, but think you might need to access part of those savings?

You can consider placing your savings in a TFSA until you're confident you won't need the funds, and as the end of the year approaches, you can decide how much to transfer to your RRSP. That way, you'll regain that TFSA room in the next year, since withdrawals made in one tax year can be contributed in a future year without impacting that year's contribution room.

Consider keeping some of your savings in your TFSA.

Long-term, you can use your TFSA as a way to set aside extra tax-sheltered spending money for retirement. There are two advantages to this:

- You can continue to grow your TFSA throughout your lifetime, whereas you can only contribute to an RRSP until the age of 71.
- It provides you with extra savings to fund your retirement travel, entertainment, or other purchases you'll need after you retire. Because they're tax-sheltered, funds withdrawn don't need to be recorded as taxable income.

Put your RRSP tax refund into your TFSA.

Essentially, you're using the same dollar twice: You used your TFSA savings to maximize your RRSP contribution, then you used the tax refund from your RRSP to maximize your TFSA contribution.

Consider how your RRSP contribution will affect your tax bracket.

The added benefit of using an RRSP is to help reduce your income so you can receive benefits and tax credits that come with a lower tax bracket. This includes credits like the Canada Child Benefit and GST credit. However, you also want to consider what income you will need to maintain your standard of living, and what kind of access you need to your funds.

There are many ways to divide your TFSAs and RRSPs, but at the end of the day, it all depends on your financial goals and how you intend to use those savings. If you're not sure, you can always visit scu.mb.ca/wealth/contact to contact a wealth advisor.

Fraud Files

SPOT THE RED FLAGS

“If it seems too good to be true, it usually is.”

It's one thing to hear about common scams — it's another to recognize it when it happens to you. That's why we asked our fraud prevention team to share real-life stories of the types of scams they encounter every day. To protect the identities of those involved, names and details of this story have been changed.

THE SCAM

Bethany was scrolling through her Instagram one Friday evening when she received a message from a person she didn't know, named Anthony. Anthony had some mutual followers on his page, so the 22-year-old figured he was a “friend of a friend.” Anthony told Bethany that he had a problem. He had recently moved provinces and needed to sort out some problems with his financial institution before he could access his bank account. Did Bethany mind depositing a \$2,000 cheque for him, then sending him the money through an *Interac* e-Transfer? He was so grateful for her help, he even let Bethany keep \$500.

Bethany, a university student on a tight budget, couldn't believe her good fortune. Over the course of that weekend, Anthony continued to send Bethany funds, and each time, she was able to keep some of the money for herself. Anthony would email a picture of the cheque, and was clear that it could only be deposited through mobile deposit. The money kept coming in, exactly as Anthony said it would, so Bethany eventually gave him her digital banking password so he could deposit the cheque himself.

Bethany noticed something strange with her account. All of the cheques that Anthony had sent had bounced, and her account was now overdrawn by \$10,000. She couldn't get ahold of Anthony, and didn't know what to do.

WHAT HAPPENS ON OUR SIDE

Bethany received a call from someone she didn't expect: A compliance officer from SCU. The compliance officer explained that some unusual activity had been spotted in Bethany's account, and suspected that she had been a victim of a mobile deposit cheque scam. All of the cheques that Anthony had sent were fake.

Although the compliance officer called Bethany as soon as the suspicious activity had been flagged, Anthony had already moved the money to another account, making the funds difficult, if not impossible, to recover. And because Bethany had willingly deposited the cheque, and had given the scammer her digital banking information, our insurance provider could not cover the loss.

Still, the SCU compliance officer recommended she report the incident to the Canadian Anti-Fraud Centre. It helps raise awareness of what types of fraud are happening, so they, in turn, can educate others. In addition, Bethany also reported the incident to the local authorities.

Key takeaway: We all have a role to play in fraud prevention. If it seems too good to be true, it usually is. And if you're not sure, you can always give us a call at **1.800.728.6440** to ask.

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Tell your friends and family why you love SCU, and you'll be entered to **win 1 of 6 \$500 savings accounts** for every member you refer.

Refer a friend online at scu.mb.ca/referral.

Whatever you're saving for, we can help you get there faster.



TALK TO US TODAY TO SEE HOW MUCH MORE YOU CAN SAVE.
[SCU.MB.CA/SAVINGS](https://scu.mb.ca/savings)

A smarter way to save

Inflation and interest rates: What's tipping the scales?

Building your savings strategy involves making assumptions about spending habits, market fluctuations, and expected returns. In today's economic climate, with these factors changing almost daily, what predictions can we reliably make? Chan Huynh, Senior Wealth Advisor at SCU and Credential Securities, says there are two important factors to account for right now: Interest rates and inflation.

"On one hand, rising interest rates makes it seem like Christmas for investors, because you're finally getting higher rewards for your savings," said Huynh. "But remember that you also need to balance this with inflation."

LET'S TALK INFLATION

To start, it's important to establish that inflation itself isn't a bad thing. Stable inflation is good for the economy, since rising prices encourage consumers to buy products now, rather than waiting until later. Ideally, central banks prefer to keep inflation close to 2%. This keeps the economy stable without eroding your purchasing power too dramatically.

However, inflation hurts the economy when it gets too high — which is the reality Canada is facing right now. As of May 31, 2022, inflation is sitting at 6.8% — the highest it's been since 1991. Put simply, Huynh explained, this is because the demand for goods and services far outweighs the supply. You've probably already noticed the rising prices in the grocery line and at the gas pump, but you may not realize it's also decreasing the power of your investments.

By raising interest rates, the Bank of Canada hopes to slow inflation down, and lessen the chances of an economic recession. "If we do run into a recession, we want to have a soft landing, not a crash," Huynh explained.

WHAT DOES THIS MEAN FOR ME?

In order to illustrate how these factors might affect your financial plan, Huynh described a conversation he recently had with a member. Huynh recommends members meet with him at least once a year to check in on what goals they're trying to reach, how their habits and behaviours affect those goals, and what concerns are keeping them up at night.

"Discussions around specific products come later," said Huynh. "We can't talk about tools until we know what we're building."

In their conversation, the member shared that he was concerned about how rising inflation would affect his long-term portfolio. Not only that, but higher interest rates and an increased cost of living was making it more difficult to pay down vehicle and education debt in the timeframe he originally planned.

First, Huynh recommended the member revisit his budget and prioritize his spending, so they could have a better understanding of what savings goals were realistic. Huynh also referred the member to a lending specialist to discuss how best to tackle his debts — without neglecting long-term planning.

In time, they settled on three major priorities: Staying on budget, paying down debt, and growing long-term savings. It was only once these goals were established that Huynh began to help the member explore what tools would best set him up for success. The member was concerned about market volatility, so they settled on investing part of his savings in short-term GICs to give him a guaranteed rate of return. Then, to make sure to account for inflation, and to be more tax effective, they invested another portion of his savings in the market.

By the end, the member was much more confident in his financial plan, and the steps he needed to take before their next check in.

Of course, everyone's financial situation is unique, and you may have different concerns keeping you up at night. "That's why it's so valuable to speak with an expert," said Huynh. "That way, we can make sure the scales are tipping in your favour."

We're here to help you reach your savings goals, and make sure you're getting the most from your money. Contact us at scu.mb.ca/wealth/contact to start the conversation.

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AGM highlights

This year's virtual Annual General Meeting was held on March 15, 2022. Many members joined us to hear results on the 2021 year. While we couldn't put on our usual festivities, attending members were entered to win one of 12 cash prizes.

Maria Reimer, Board Chair, was thrilled to announce SCU's member bonus — \$10 million in cash! The member bonus, based on the activities and results in 2021, was deposited directly to all qualifying accounts on March 17 of this year. The breakdown of this allocation was 60% to deposit holders and 40% to credit holders. This breakdown recognizes that in 2021, members with deposits have been impacted by lower interest rates over the last year. In contrast, borrowers have benefited from lower interest rates. That equates to an additional 6.20% on deposit interest already received and 2.08% on loan interest already paid.

The bonus was calculated on interest earned, and paid on qualifying products in the 2021 year. Eligible products included Consumer, Commercial, Agriculture, Charity, and Community accounts, with the only exceptions being RESP, AgriInvest, lawyer and realtor trust accounts, unauthorized overdrafts, and temporary overdrafts.

Members re-elected Chris Goertzen for another term, and newly elected Bonnie Goertzen and Kris Plett to the board. The Board of Directors has named Maria Reimer as Board Chair, Bruce Penner as 1st Vice-Chair, and Chris Goertzen as 2nd Vice-Chair.

In 2022, we are committed to being proactive in the market and offering highly competitive rates as we help members on their journey to save and spend wisely.

SCU Board of Directors



Maria Reimer
Board Chair



Bruce Penner
1st Vice-Chair



Chris Goertzen
2nd Vice-Chair



Doris Martens
Director



Henry Van de Velde
Director



Jeremy Hildebrand
Director



Jayson Barkman
Director



Bonnie Goertzen
Director



Kris Plett
Director

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