

Choosing a Financial Institution: Banks vs. Credit Unions

A Financial Institution is a company or organization that deals with financial transactions such as deposits, investments, loans and currency exchange. Banks, Credit Unions, Savings and Loans Associations, Investment companies, Brokerage firms, and Insurance companies are all considered to be Financial institutions.

Today we'll look at the difference between banks and credit unions.

While there isn't a big difference between what banks and credit unions do and the services and products they offer, there are some big differences in how they operate.

Similarities between Banks and Credit Unions

Most banks and credit unions offer similar services, namely, chequing and savings accounts, loans, foreign exchange services, credit and debit cards, and digital/mobile banking services.

Differences between Banks and Credit Unions

Ownership & Regulation: A fundamental difference between banks and credit unions comes down to ownership.

Banks are federally-regulated, for-profit companies owned by stockholders and investors. Shares in the bank are sold on the stock market and the bank works to provide a profit for these investors. Banks are not limited in who their customers can be as long as they have a good financial history and meet all legal requirements.

Credit Unions are usually provincially-regulated, not-for-profit companies owned by their members. The credit union works to provide a profit for their members. Membership in a credit union is usually centered around a common bond such as living in a community, working in the same industry or even sharing the same religious faith. Membership is limited to one share per member and is usually purchased for a nominal fee (ranging from \$1 to \$50 depending on the credit union). As a member of a credit union, you get an equal vote in choosing local members to sit on the board and in major decisions about how the credit union is run.

Products & Services: In general, banks and credit unions provide similar products and services but there are some differences.

Banks are generally large institutions with branches spread throughout Canada. Because they are so large, they are often able to offer a wider selection of each of their products and services than a credit union. However, that variety may come at the cost of higher service fees so the bank can make a profit.

Credit unions are typically local institutions with branches spread throughout several communities within a province. They are able to offer many of the same products and services but may not have the same wide range of options that banks offer. However, because they are non-profit organizations, they can often provide some of these products and services for no fees or lower fees than the banks do. They are collaborative and often work with other Credit Unions to share resources and provide services to their members such as fee-free ATM network across Canada.

Customer Service: Banks and Credit Unions differ in their ability to provide personalized customer service to their customers and members.

Banks tend to be large, national organizations and so they are able to offer a wide network of branch locations across the country, multi-lingual 24/7 support through the use of call centres and are often able to provide longer and more convenient business hours. The service they provide is often rooted in convenience and self-service while personalized care and attention is often limited to large corporate clients.

Credit unions are smaller, local organizations generally limited to a smaller area or province. Their limited resources may mean shorter businesses hours and fewer off-hours resources for support. However, the small, local nature of credit unions allows them to build relationships and provide personalized service to each of their members.

Security: Both banks and credit unions are very secure and highly regulated.

Banks are required to provide protection for your deposits up to a certain dollar amount (usually ranging from \$100,000 to \$250,000) in the event that they go under or are unable to meet their obligations.

Credit Unions are also required to provide protection for your deposits to a certain dollar amount just like banks are. And in Alberta, all Credit Unions are 100% Guaranteed which means that 100% of your deposits and the accrued interest are fully protected and guaranteed in the event that the credit union goes under or is unable to meet its obligations.

Values: Credit Unions and banks are built on different values and principles.

Banks exist to make money. They provide valuable services to Canadians and they measure their success by how much profit they make each quarter.

Credit Unions exist to serve their members. They serve their members by providing valuable banking services and they serve their members more widely by improving their local communities through volunteer hours and charitable contributions. Most credit unions also pay their members a dividend or share of their annual profits at the end of each year.

Banks	Credit Unions
Federally Regulated	Provincially Regulated
For Profit	Not-for-Profit
No Membership Requirement	Membership Requirement
Wider Variety of Products & Services	More limited products & services
Typically higher service fees	Typically lower service fees
More locations spread throughout the country	Fewer locations spread throughout a province
Convenience-based service	Customer-based service
Very Secure – Limited Deposit Guarantee	Very Secure – 100% Deposit Guarantee
Exist to make money	Exist to serve Members

Choosing a Financial Institution

So, how do you choose a financial institution? Bank or credit union? Which one? It all comes down to what you want from your financial institution. Here are several factors to consider when choosing a financial institution:

Location: Is there a branch near your home or work that you can easily access? Are their hours of operation compatible with your lifestyle and schedule? If you travel regularly, will you have access to banking services when you are away from home? Is in-person banking important to you or will you do most of your banking online?

Products & Services: What kinds of accounts and services will you want to use? What financial institutions offer products and services you are interested in? What are the fees related to the services and which financial institutions offer the services you need at affordable prices? Which financial institutions offer banking solutions that will simplify your life or be convenient for you to use?

Values: What is important to you? Are those values reflected in the marketing and mission of the financial institutions you are considering?

Customer Service: Which financial institutions make you feel welcome and comfortable? Is that important to you? Do you prefer an in-person banking experience or one where you do most of your banking yourself online or at ATMs?

Choosing a financial institution is an important decision. It is worth taking the time to research your options in person and online and consider what is important to you.