

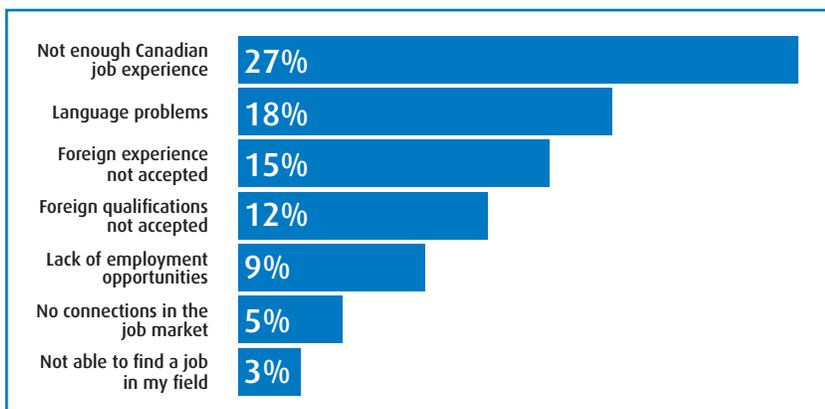
FINDING THE PATH TO FINANCIAL PROSPERITY FOR NEWCOMERS TO CANADA

Many immigrants come to Canada seeking a better life for themselves, their children and extended members of their families. Many have found that their own hard work has set the foundation from which their children are able to build even greater success. Some of the traits that help to make immigrants to Canada successful in achieving their goals are their ambition, perseverance and ability to overcome challenges.

Canada has seen waves of immigration from many parts of the world over its history. Whether it was European immigrants arriving at Halifax’s Pier 21 several generations ago, or families from Asia arriving at one of Canada’s international airports, the challenges they face have not changed very much over the generations.

Many of the challenges are financial. The costs of moving to Canada include not only transportation costs and temporary accommodation upon arrival, but also the costs to set up a home for their family in Canada. Adapting to the Canadian culture and way of life leads to some immigrants missing the family and community support of their home countries. For this reason, establishing a support network is an important factor to integration into Canadian society, yet this is not always easy to do.

To achieve a solid financial foothold after arriving in Canada, it is essential to find employment or earn business income in order to ensure financial security. Data from the Longitudinal Survey of Immigrants to Canada from Statistics Canada shows that finding adequate employment in the first six months in Canada is most hindered by not having enough Canadian job experience or qualifications¹. The following table shows the most frequent barriers experienced by new immigrants in finding employment.



Barriers to finding employment for new immigrants aged 25 to 44 in first six months of arrival

Source: Longitudinal Survey of Immigrants to Canada, 2005. Statistics Canada.

A new life

Starting a new life in Canada can be an exciting experience, but there are many unknowns and challenges to adapting to a new country. Whether saving for a home, tuition, retirement, or other long-term goals, the path to financial prosperity will depend on the financial decisions that one makes to establish a solid financial future for themselves and their family.



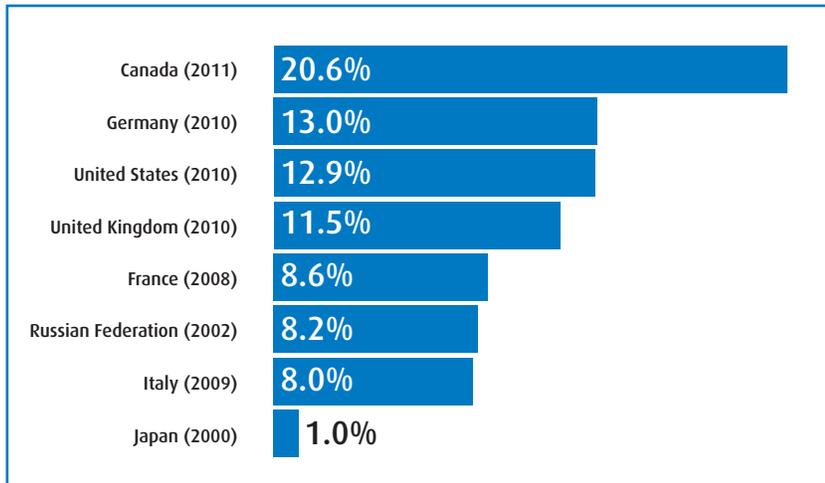
More information

The BMO Wealth Institute provides insights and strategies around wealth planning and financial decisions to better prepare you for a confident financial future.

bmo.com/wealthinstitute

 **Canada's newest arrivals**

Between 2006 and 2011, about 1,162,900 foreign-born people immigrated to Canada², accounting for 3.5% of the total population of Canada in 2011. While this number may not sound that large, as of 2011, 20.6% or more than 6.7 million people living in Canada were born outside of the country. Compared to other G8 countries, Canada has the highest proportion of foreign-born residents, about double that of the other G8 countries.



Foreign-born population, as a proportion of the total population, G8 countries

Source: Immigration and Ethnocultural Diversity in Canada. National Household Survey, 2011. Statistics Canada.

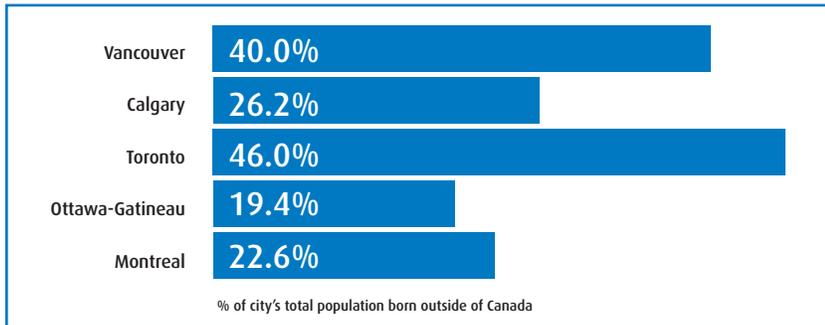
Most of the recent immigration to Canada comes from Asia, the U.S., and central and South America. The top three source countries between 2006 and 2011 were the Philippines, China and India. The list on the right shows the top 10 countries from which immigrants originate.

As multicultural as Canada has become as a result of immigration, most immigrants to Canada settle in only the largest urban centres. Greater Toronto is the most diverse city with 46.0% of the population being born outside of Canada. Vancouver, Montreal, Calgary and the Ottawa-Gatineau region are also areas that receive a larger proportion of immigrants to Canada. While smaller urban and rural areas do receive some immigration, the proportion of immigrants in their populations is much lower.

Top source countries for newcomers to Canada

- Philippines
- China
- India
- United States
- Pakistan
- United Kingdom
- Iran
- South Korea
- Colombia
- Mexico

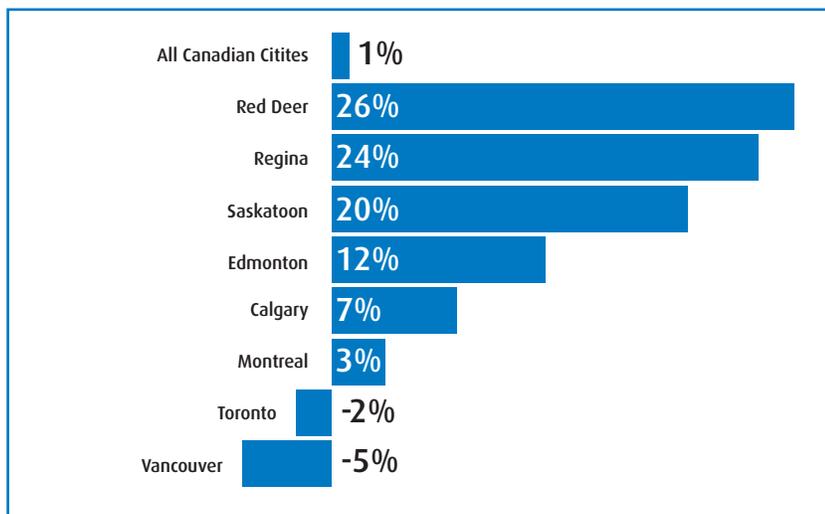
Source: Immigration and Ethnocultural Diversity in Canada. National Household Survey, 2011. Statistics Canada.



Most immigrants settling in largest urban centres

Source: Immigration and Ethnocultural Diversity in Canada. National Household Survey, 2011. Statistics Canada.

Changes in immigration policies and employment opportunities in western Canada are shifting immigration settlement outside of the key urban areas of Toronto, Montreal, and Vancouver. As shown on the following table, some of the fastest growing cities for immigration settlement are in Alberta and the prairies.



2009-2012 Compounded annual growth rates of permanent resident entries by urban area

Source: Citizenship and Immigration Canada, Facts and Figures 2012

Canada's immigrants are also younger on average than the rest of the population. Most of Canada's immigrants are of working age, between the ages of 25 and 54. When children are included, the vast majority of immigrants (92.3%) are, or will be, of working age in Canada. The small number of senior immigrants results in the median age of newcomers to Canada in 2011 was only 31.7 years, about 10 years younger than for those born in Canada.

Overall immigration is very important to Canada's growth and future prosperity, as the natural birth rate of the Canadian resident population is not self-sustaining. Immigration now provides two-thirds of Canada's population growth³.

Checklist for your first weeks in Canada

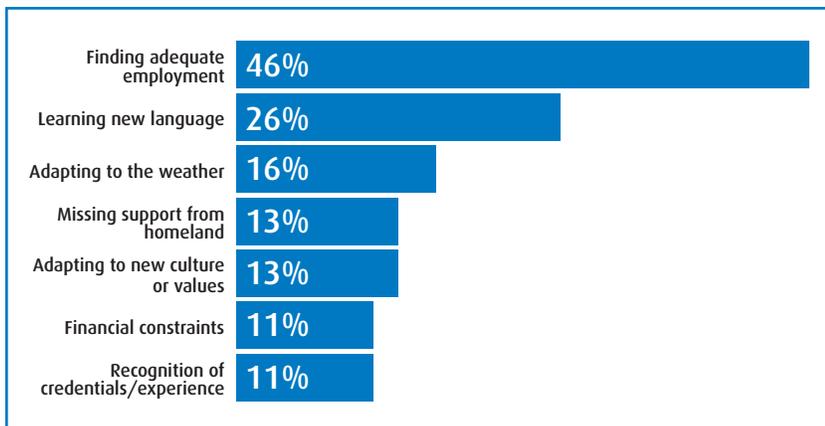
- Find an organization serving New Canadians in your community.
- Apply for Canadian Photo identification.
- Apply for a Social Insurance Number (SIN).
- Apply for a public health insurance card.
- Obtain a permanent resident card.
- Rent or buy a home, or explore other housing options.
- Open a Canadian bank account and apply for a credit card.
- Register your children in school.

For more information about services available near you and starting your life in Canada, visit www.cic.gc.ca

? The challenges immigrants in Canada face

While adapting to the new environment or a new culture may cause concerns, there are significant challenges to overcome for immigrants establishing a new life in Canada.

The challenge of not speaking one of Canada’s official languages is not as significant as it was for past generations due to most recent immigrants being able to speak English or French. For immigrants to Canada between 2006 and 2011, 91.0% were able to converse in either English or French. The vast majority, 77.3%, were also able to speak languages other than English and French. Many family members who came with a working family member are not as able to speak one of the official languages, leading to challenges in integrating in the community and into schools for the children.



Top challenges new immigrants faced since arriving in Canada (cited four years after arrival)

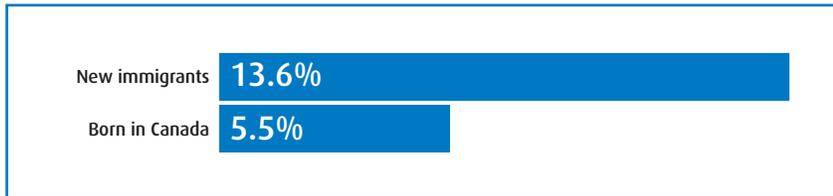
Source: Longitudinal Survey of Immigrants to Canada, 2005. Statistics Canada.

Many cultural groups help people from their homelands to succeed through ethno-specific support organizations in their local communities. Two groups that have been very successful are the Ukrainians and the South Korean communities. Organizations in these communities, as do many others, provide help for newcomers in finding accommodation upon arrival, help with seeking employment – with much of this assistance available in their own languages. These organizations are also very important in helping new immigrants expand their support networks both inside and outside of their own communities⁴.

Even with this community based support, the unemployment rate among new immigrants is typically double what it is for people that are born in Canada.

Tax considerations

As a resident of Canada, you will be responsible for paying taxes on all of your worldwide income including income earned in Canada. Also, if the aggregate cost of your foreign assets exceeds CDN\$100,000 at any time during the year, you are required to complete and file Form T1135 (Foreign Income Verification Statement) with the Canada Revenue Agency (CRA) along with your personal income tax return. Canadian resident individuals, as well as corporations, trusts and certain partnerships, are taxed on their worldwide income – regardless of source. It’s important to consult with a qualified tax professional on the status of your foreign property.



Unemployment rate among new immigrants and those born in Canada (landed within previous five years)

Source: The Immigrant Labour Force Analysis Series, 2008-2011. Statistics Canada.

One of the biggest challenges that immigrants face in finding employment in their fields is the perceived need by so many employers for Canadian experience⁵. As a result, many new immigrants invest their time and money in Canadian education and training programs to upgrade their existing credentials.

High unemployment among new immigrants has led to a disproportionate number becoming self-employed compared to the population as a whole. One survey of Chinese and South Asian immigrants found that the percentage of immigrants that would consider starting a business in the next five years in Canada was significant. The survey found that, 27% of Chinese immigrants and 52% of South Asian immigrants had indicated that starting or owning a business as a financial goal, these are far higher percentages than for the population as a whole⁶.

📍 Immigrant business owners in Canada

With the growth of the Canadian economy in the past few decades there has been opportunity for many immigrants to successfully start and build businesses in Canada. One key way immigrants have been especially successful in business is to focus on the export of goods and services. A study that used information from Statistics Canada’s Survey on Financing of Small and Medium Enterprises and taxation data found that export-oriented businesses owned by immigrants significantly outperformed immigrant-owned firms that did not export on several financial measures. The study also suggested that immigrant entrepreneurs have the resources, managerial acumen and access to international networks that give them a competitive advantage over non-immigrant businesses that focus on exporting⁷. The study also found that immigrant owned firms that do not engage in exporting were more likely to financially underperform firms owned by Canadian-born entrepreneurs.

The Canadian government in many ways encourages immigrants to establish businesses in Canada⁸.

One program is the Business Immigration Program for Self-Employed Persons. Prior relevant self-employment experience is one of many factors in the immigration selection process. The Start-Up Visa program was recently announced to leverage the financial and business support of both the Canadian government and private funding from designated venture capital funds, designated angel investor groups and designated business incubators. With these two programs in place the federal government recently ended the Immigrant Investor and Entrepreneur programs that previously supported the immigration of entrepreneurs to Canada.

Financial Priorities

An immigrant’s financial priorities may vary depending on the government immigration program they have come to Canada under. For instance, an immigrant who has arrived with a Start-up visa will need expert advice, cost-effective banking solutions and practical tools and resources to launch their business successfully. Starting a new business in a new country brings new opportunities and challenges. BMO Bank of Montreal can deliver the expert advice and banking solutions you need. Our business specialists can guide you through the financing, payment, and everyday banking solutions that can help you start and grow your business in Canada.

One limit that impacts many immigrants to Canada that intend to establish a business is access to credit. Without a Canadian credit history, obtaining the credit required for your business may not be possible. One way to be able to access credit is to build a credit score by starting with a small line of credit or credit card, and then paying off balances as required. Secured forms of credit are another alternative that can be used to help finance business needs and build credit scores for the future.

➔ Coming to Canada as a skilled employee

The Canadian government encourages immigrants with specific skill sets that are in high demand (such as health care professionals, engineers and managers in the natural resource industry) to immigrate to Canada. These immigrants, classified as Federal Skilled Workers or Federal Skilled Trades, receive permanent residence status and a fast track application process.

☑ Adapting to Canada

Immigrants today are better equipped than ever to successfully adapt to a rewarding life in Canada. They have the advantage of language skills, coming to a society that embraces and sees the value of ever increasing diversity, having people to assist from their own home countries that made the journey before them, having easier access to credit, and many government programs that encourage and help with integration into Canadian society.

Using income earned in Canada and in many cases savings brought with them at the time of immigration can initially be a challenge when trying to meet all of the financial priorities required when settling in Canada.

This is the case whether they are a new immigrant seeking their first employment in Canada, a professional coming under specific government backed programs, or an entrepreneur establishing a new business. Having a budget and establishing a credit history are integral components of an implemented financial plan.

Tips for building a budget

- Keep track of all expenses for three months using the [Cash Flow Worksheet](#). Then estimate how much you spend per year in each category.
- Use the information you've collected to make the budget. This is where you get to decide what you want your ideal monthly spending pattern to look like. It's a very personal decision – you have to decide what's important to you and what you are willing to sacrifice in order to meet your financial priorities.

Getting settled in Canada can involve many new purchases: furniture, appliances, a car, perhaps even a new home. Establishing a credit history early can help when borrowing for what's important to you as you become established in Canada.

Establishing credit history

When applying for a loan or line of credit, your credit history will determine whether you qualify for the amount you hope to borrow. That's why it's so important to start building a good credit history as early as possible once you arrive in Canada.

Ways to establish credit history:

- Get a Canadian credit card and stay within your limit.
- Pay your bills on time and in full. Or at least pay the minimum amount shown on your statement.
- Borrow only what you need and what you can afford to repay.



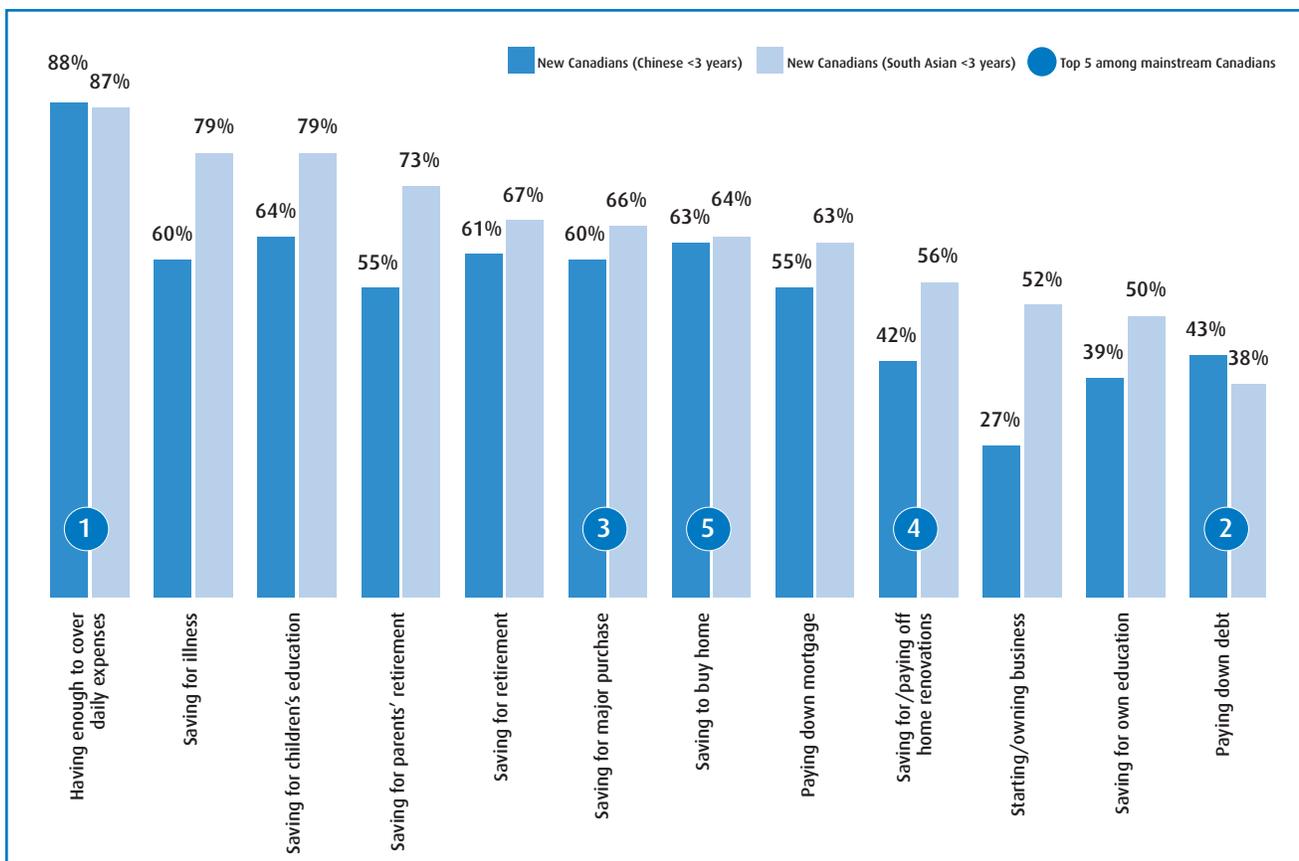
The benefits of creating a financial plan to achieve financial priorities

Beyond basics such as putting a roof over the family’s heads and buying food and clothing, specific priorities often include setting aside money for the future post-secondary education of children.

Sending money home to loved ones is often also a priority. The following table shows the top financial priorities for recent immigrants to Canada from both South Asia and China.

One item that is much more prevalent for immigrants to Canada, than for Canadian born individuals is savings for their parents’ retirement. This is a focus whether amounts are sent back to their parents or if the parents have also immigrated to Canada, often under Canada’s Family Class⁹ immigration rules.

Building a budget helps put a priority on these items in the current year. To be able to see how these goals can grow to meet your future expectations, creating a financial plan is suggested.



Top financial priorities of new and mainstream Canadians

Source: 2010 Ipsos New Canadian Report on Financial Services.

A financial plan can be created by a professional financial planner to help strategically allocate financial resources towards achieving the immigrant's financial goals in as efficient a manner as possible. One significant way to help achieve these goals is to set up the financial plan to minimize the amount of tax payable on income earned each year. Tax free plans such as Tax Free Savings Accounts (TFSA), and tax deferred plans such as Registered Retirement Savings Plans (RRSP) are key tools that are incorporated into financial plans in order to reach specific savings goals, such as for the purchase of a home or for retirement. RRSPs also provide valuable tax deductions that can provide for greater income remaining after taxes.

Another tax advantaged plan that is often included in a financial plan is a Registered Education Savings Plan (RESP) used to save for a child's future post-secondary education. Growth of funds invested every year, along with contributions from the Canadian government (and certain provincial governments) can be projected over time within the plan in order to have enough funding available to support children attending university or college to give them the head start that they need to be successful in the future. Saving for the education of children does pay benefits. The most recent National Household Survey in 2011 showed that first generation children born to Canadian immigrants are earning far greater incomes than the national median¹⁰.

At BMO Financial Group, we believe that preparing for your family's future is an important responsibility. We are here to help you to navigate the Canadian financial landscape. Speak to a BMO financial professional to develop a personalized financial plan that incorporates your financial goals for today and for your family for the future.

- ¹ Longitudinal Survey of Immigrants to Canada, 2005. Statistics Canada.
- ² Immigration and Ethnocultural Diversity in Canada. National Household Survey, 2011. Statistics Canada. <http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-010-x/99-010-x2011001-eng.pdf>
- ³ Canadian Population Surpasses 35 million. CBC News. September 26, 2013. <http://www.cbc.ca/news/canadian-population-surpasses-35-million-1.1869011>
- ⁴ Ethnocultural Community Organizations and Immigrant Integration in Canada. Couton, Philippe, June 2014. <http://irpp.org/research-studies/study-no47/>
- ⁵ Canadian Experience: the Newcomer Services' View. Keledjian, Gerard. January 15, 2013. <http://theimmigrant.ca/2013/01/15/canadian-experience-the-newcomer-services-view/>
- ⁶ Ipsos- New Canadian Report on Financial Services - 2010.
- ⁷ Immigrant Entrepreneurs and the Importance of Exporting. Neville, F., Orser, B., Riding, A., Jung, O. Small Industry Canada - Small Business Quarterly - Vol. 14, No. 1, May 2012. [https://www.ic.gc.ca/eic/site/vwapi/SBQ-BTPE_May-Mai2012_eng.pdf/\\$FILE/SBQ-BTPE_May-Mai2012_eng.pdf](https://www.ic.gc.ca/eic/site/vwapi/SBQ-BTPE_May-Mai2012_eng.pdf/$FILE/SBQ-BTPE_May-Mai2012_eng.pdf)
- ⁸ Government of Canada - Business Immigration Program. <http://www.cic.gc.ca/english/helpcentre/results-by-topic.asp?st=6.3>
- ⁹ Sponsor your parents and grandparents. Government of Canada website: <http://www.cic.gc.ca/english/immigrate/sponsor/parents.asp>
- ¹⁰ Canadian Population Surpasses 35 million. CBC News. September 26, 2013. <http://www.cbc.ca/news/canadian-population-surpasses-35-million-1.1869011>

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