

Fact sheet 2

Saving

This fact sheet looks at how to get the most out of bank accounts and develop good saving habits.

It can be used:

- as a discussion starter with friends or family.
- for self-reflection to check how much you already know and where can you find more information.

1. Did you know?

Taking advantage of compound interest is the secret of saving. This is what makes your money grow. Generally, compound interest works by depositing regularly into your savings account, not making withdrawals, and leaving any interest you earn in your account. The interest, as well as the ever increasing principal (the original sum of money invested plus new deposits), earns even more interest.

- The earlier you open a savings account, start regular saving and leave your balance to grow, the more money you can generally expect to have in later life.
- By starting early, even with small regular deposits, you are likely to be better off than if you started saving larger amounts later in life.

2. How to choose the right bank account

There are many different types of personal bank accounts to choose from. It can be a good idea to compare accounts offered by different banks and choose the account that meets your particular needs.

There are two main types of personal bank accounts – everyday or transaction accounts and savings accounts.

You will need an everyday transaction account so that your wages can be directly deposited and so that you have easy access to your money. Look for an account that has low or no charges and fees. An everyday transaction account will have most of the following features:

- Mobile app
- Branch transactions
- ATMs
- EFTPOS
- Direct debit
- BPAY
- Transfer of funds to other banks
- Internet banking
- Mobile banking
- Telephone banking
- Cheque book
- Contactless payment with your smartphone.

Most everyday transaction accounts don't earn interest, so you might like to consider a savings account. Savings accounts help you to achieve your goals faster, by offering higher interest than transaction accounts. Online savings accounts usually offer the highest interest rates. Some savings accounts also make it harder for you to access your money. In addition to a main savings account some people also set up a separate savings account for a short or medium term goal such as a holiday.

Find the savings account which is best for you by asking the following questions:

- What is the rate of interest and how often is it paid?
- Are account keeping fees charged?
- Are there rules about minimum and maximum account balances?
- Do you lose interest if you withdraw money?
- Does it offer the facility to link to another account?



3. Saving strategies

- Identify your specific saving needs.
- Compare different financial institutions and their products.
- Read the PID carefully before committing to the product.
- Understand the difference between earning interest and paying fees.
- Have an understanding about the different types of accounts you will need for different stages of your life.

4. Power words for saving

Understanding and being able to use these words will provide you with more power to plan your savings strategy.

INTEREST	Payment received for the money you deposit into a saving account.
BANK CHARGES/ FEES	What financial institutions charge for managing accounts for customers.
COMPOUND INTEREST	Interest earned on the amount deposited as well as the accumulated interest.
PID	The Product Information Document includes information about the product's key features, fees, benefits, risks and the complaints handling procedure.

5. Need more help? Want to know more?

- Go to the Suncorp Bank website to see examples of different types of personal bank accounts.
- Read more about types of personal bank accounts on ASIC's MoneySmart website.



Disclaimer: The information on this fact sheet is general educational information. It is not financial advice. We are not financial advisors. The information is designed to improve your financial literacy by increasing your awareness and understanding of the topics described.