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Always be on good terms

Don't get taken for a ride by ignoring deposit account interest rates and dates, writes **Anthony Keane**

FALLING interest rates are sparking fresh warnings for savers to be wary of the term deposit account traps that can potentially cost them plenty. Savers may soon be receiving just over half the interest they were two years ago as interest rates continue to fall, and financial experts say now is the time to take control. Infochoice.com.au data shows term deposit rates are about 3.7 per cent for one year. In August 2011 you could get up

to 6.25 per cent for that term. Banks offer different rates for different terms, creating a trap for people who automatically rollover their deposit each time it matures. Financial strategist Theo Marinis says savers need to be wary about their rates. "Make sure your bank's not taking you for a ride by automatically rolling you over on a three-month deposit when you can get a better deal on six months," he says.

DOWN, DOWN, DEPOSITS ARE DOWN

Bank term deposits	1mth	3mth	6mth	1yr	3yr	Average
July 2010	2.75%	3.8%	4.05%	6%	6.5%	4.3%
July 2011	2.8%	3.8%	5.15%	6%	6.15%	4.5%
July 2012	2.75%	4.4%	4.1%	4.4%	4.85%	3.75%
July 2013	2.65%	3.35%	3.3%	3.7%	4.3%	3.25%

2013 FIGURES DO NOT REFLECT 0.25% RATE CUT IN AUGUST

SOURCE: RBA

People can also be penalised if they break a term deposit early, so they should be using several different deposits with staggered maturity dates, Marinis says.

He says while interest rates have dropped sharply, it is not always wise to chase higher incomes from riskier assets such as shares. "Remember why you chose cash in the first place. Don't go trying to get all aggressive now."

Infochoice.com.au head of corporate affairs Matthew Cuming says banks will often contact customers when their term deposit date is maturing and outline their options. "If you don't take any action, your deposit may rollover to a lower interest rate. Once it has rolled over, you will most likely be charged a fee in the event you want to access your cash, so it pays to be mindful of the key dates," he says. Failing to shop around for the best deposit deal can be costly. At today's rates the difference between the best one-year term deposit deal and the worst is more than 1 percentage point.

Cuming says savers should speak with their existing bank first to try to get a better rate. "Term deposits are one area where consumers exhibit great inertia in shopping around. "This inertia is driven primarily by consumers being time poor and not completely understanding all the options." Comparison websites have flooded the market in recent years. The Australian Securities and Investments Commission's moneysmart.gov.au website says savers should remember that they are businesses that aim to make money. "Most comparison websites only cover a portion of the market, not the whole market," ASIC says.

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