

For immediate release
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Savings versus term deposits: Which account wins in a low-rate world?

- ➔ New research shows Aussies are currently saving just 5.6% of their income on average
- ➔ finder.com.au launches its savings versus term deposit calculator, dubbed the 'Interest Cruncher'
- ➔ Tips: How to decide if a savings or term deposit account is right for you

10 April, 2017, Sydney, Australia – The average Australian household is putting away just \$409 each month, according to a new analysis by finder.com.au, Australia's most visited comparison website¹.

The research found Australians are saving less now than at any point since 2008, currently saving just 5.6% of their income, on average. This is down from 9.8% in December 2011.

Bessie Hassan, Money Expert at finder.com.au says the decline in personal savings, together with low interest rates, makes it essential for Aussies to become more savvy with managing their funds.

“Many Aussies face the dilemma of choosing between a high-interest savings account or a term deposit account, so it's important to know which product will suit you most,” she says.

Ms Hassan says the financial crisis may have encouraged people to tighten their wallets, with the national average savings rate hovering increasing to just below 10% of disposable income in the few years following the Global Financial Crisis (GFC).

“But eight years on and there's been a gradual decline in the rate of saving which may be attributed to a number of factors such as the rising cost of living, or simply rock bottom interest rates.”

“While the average savings rate has dipped, banks have also reduced the amount of interest paid to savers, particularly with term deposit accounts. In the past six months we've seen

¹ Experian Hitwise since 2015

some banks drop their term deposit rates by as much as 0.50%.”

“As returns for Aussie savers get less attractive, it’s becoming more important than ever to do your homework and compare rates,” she says.

There’s been increased interest for the search term “interest rate calculator” on Google which jumped by 45% from early January 2016 compared to the same period in 2017.

In response, finder.com.au has launched a new tool – the [‘Interest Cruncher’](#) – that calculates whether a savings or term deposit account will pay the most interest on a given balance.

Ms Hassan says the calculator is a valuable resource savers can use to support their decision-making.

“When tossing up between a savings or a term deposit account, the calculator helps users determine which account will provide the most interest,” she says.

Currently, the average maximum savings account rate is 2.63% while the average 24-month term deposit rate is 2.58%. Savings accounts are compounded monthly, whereas term deposits accrue interest at the end of the term.

Due to this, the calculator shows you’d generally be better off sticking with the savings account. For example with a \$10,000 deposit and a 2.63% interest rate, you’d be \$13.49 better off over 12 months by sticking with the compounded monthly savings account.

“Both product types have unique benefits. A high-interest savings account provides you with the ability to earn bonus interest on top of the standard variable rate, while being able to access your money whenever you like.

“With greater flexibility, a savings account also allows you to withdraw and re-distribute your funds if a higher rate comes along.

“On the flip side, a term deposit account may offer a marginally higher interest rate and a guaranteed return as you won’t be tempted to dip into your savings during the fixed period,” she says.

Savers may also want to consider [a notice saver account](#) which acts as a hybrid between a savings account and a term deposit.

High rate savings accounts:

Provider and account	Current rate	Specifics
ME Online Savings Account	3.05%	Must make a weekly purchase using

		tap and go.
ING DIRECT Savings Maximiser	3.00%	Must deposit over \$1,000 into the account each month.
CUA eSaver Boost Account	2.95%	Must deposit \$250 per month and make no withdrawals.

Source: finder.com.au



High rate 12-month term deposit accounts:

Provider and account	12 month rate	Specifics
ME Term Deposit	2.85%	\$0 account keeping fees. The bank has no branches. \$1,000 minimum
Firstmac Term Deposit	2.85%	\$5,000 minimum investment.
Bankwest Online Term Deposit	2.60%	\$0 account keeping fees. Interest only at maturity. \$1,000 minimum

Source: finder.com.au



High rate 36-month term deposit accounts:

Provider and account	36 month rate	Specifics
St. George Term Deposit	3.20%	\$1,000 minimum investment. 31 day advance notice for withdrawals.
BankSA Term Deposit	3.20%	\$1,000 minimum investment. 31 day advance notice for withdrawals.
Bank of Melbourne Term Deposit	3.20%	\$1,000 minimum investment. 31 day advance notice for withdrawals.

Source: finder.com.au



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The savings rate is based on an initial \$10,000 balance, while the term deposit rate is based on leaving \$50,000 in the account for a year.

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