

# 2014

AWARD  
REPORT

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# Term Deposits



# TERM DEPOSITS

**IN THIS AWARD REPORT**  
 We research and rate 142 term deposit products provided by 103 providers.

## Popularity waning but term deposits still provide better return

Term deposits continue to offer value for many customers throughout Australia, but they are nevertheless increasingly falling out of favour. Why?

As interest rates have fallen on the back of a lower official cash rate, customers appear to be viewing term deposits as a less attractive savings option, perhaps with the hope that rates will soon start to rise.

The fact that you forfeit easy access to your money when you lock in to a term

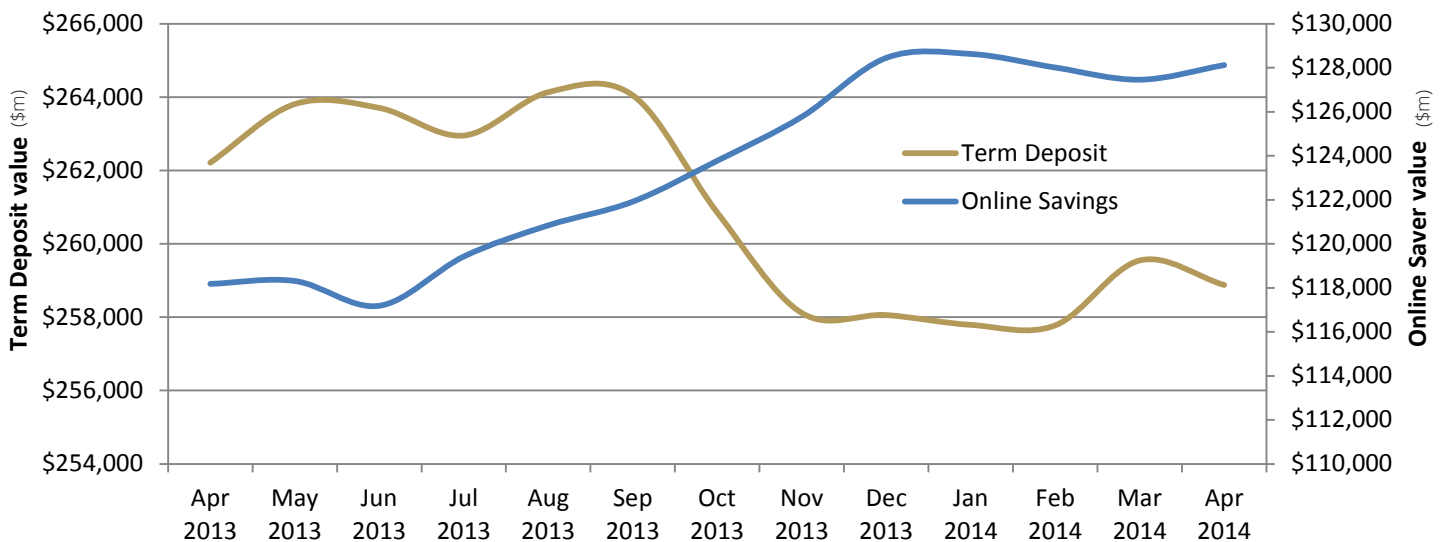
deposit – you have to wait until the end of the term or face an early access fee – means that some savers stay away, preferring to be able to get hold of their cash.

Information from the ABA CANSTAR Market Share database reveals that over the year from April 2013 to April 2014, the dollar value of money invested in Australian term deposits decreased by \$3,335 million, while the dollar value of money invested in online savings accounts increased by \$9,938 million.



Difference in term deposits and online savers over one year...

Account type	Current value	12-month growth
Term Deposits	\$258,877m	-1.27%
Online saver	\$128,118m	8.41%



Source: ABA CANSTAR Market share database

A cautionary note: those customers who are choosing easy access to their money over locking it away should also be aware that they are trading a guaranteed return for an interest rate that can fluctuate daily.

deposits have consistently produced higher average returns over the last three years when compared to online savers.

that are sometimes available on at-call cash accounts, however this does mean actively switching money around on a regular basis.

CANSTAR analysis shows that term

Some investors can boost their cash earnings by taking advantage of "honeymoon" rates and bonus offers

Investors may be better served by seeking out an above-average term deposit rate instead.

## Term Deposit returns vs Online Saver returns

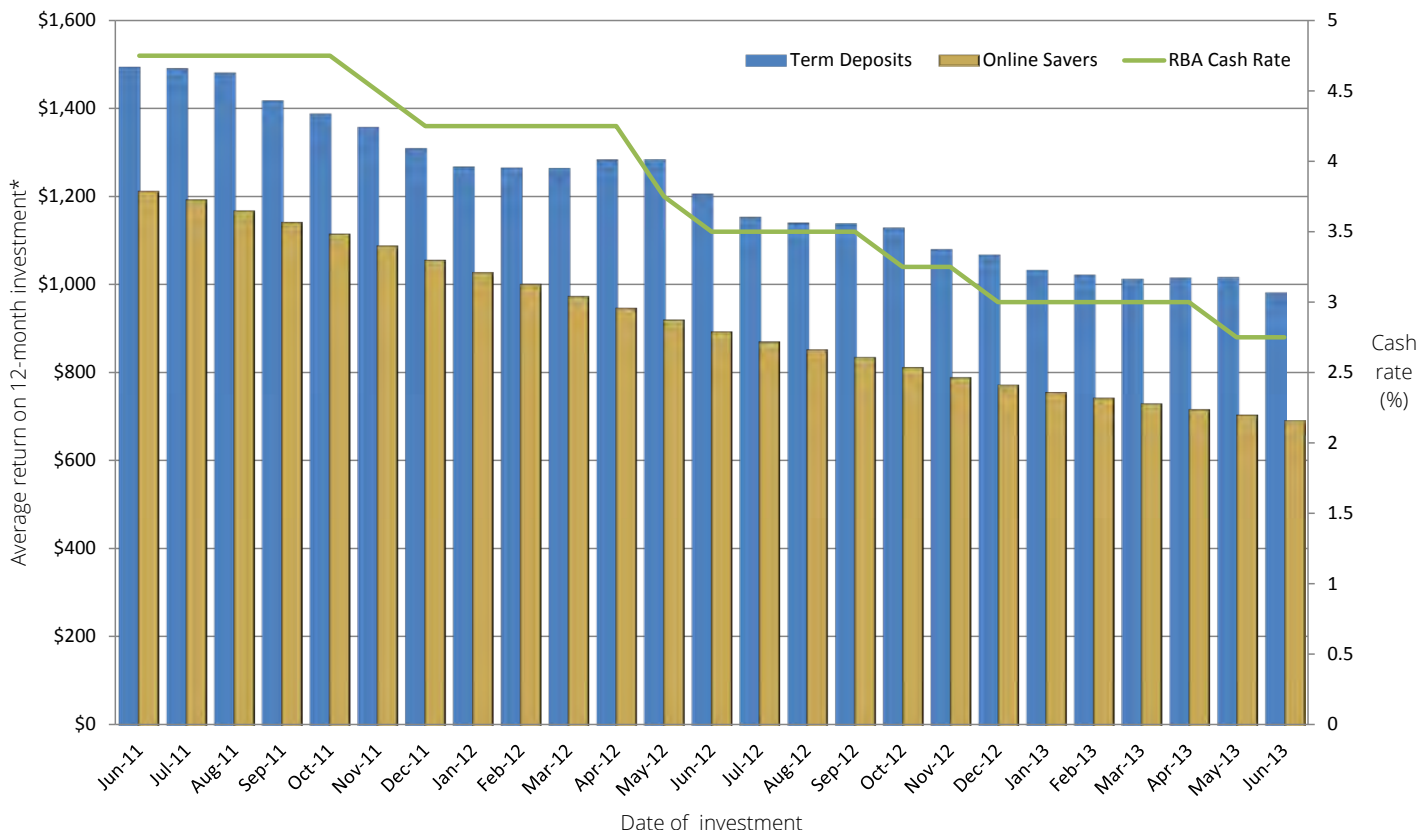


Chart shows the average dollar return on a 12-month, \$25,000 investment, for a term deposit and for an online saver account, assuming no bonus interest or extra deposits/withdrawals. All data sourced from CANSTAR, excluding RBA Cash Rate data, which is sourced from rba.gov.au.

## Where to park your cash...

Something that becomes apparent as CANSTAR researchers analyse the data is that customers should definitely look around for the best value rates.

Our analysis for the 2014 Best Value Australia Term Deposits awards shows that some of the best rates tend to be with the smaller institutions. Higher returns may be due to a perceived higher risk, but the government's deposit guarantee of \$250,000 should be sufficient for most savers anyway.

One concern when it comes to the smaller institutions is that they may require customers to have linked accounts in order to open a term deposit.

A look through the CANSTAR database, however, revealed that that is not always the case. Of the top five overall results, the Heritage Bank and Suncorp Bank were the only institutions that required a linked account. The remaining three – CUA, The Rock Building Society and Victoria Teachers Mutual Bank – had no such requirements.



Winning the award is...

# SUNCORP BANK

Taking this year's award for Best Value Australia Term Deposits is Suncorp Bank. The company demonstrated outstanding value over the 26-week period assessed by CANSTAR compared with the rest of the market. It displayed high interest rates across all length terms as well as higher rates across different investment values.



## Best Value Australia Term Deposits

When it comes to the nitty gritty of rates, Suncorp Bank outperformed the average rate offered by the market in all tiers and investment values by close to 0.3% on average.

While Suncorp Bank doesn't offer the highest level of features, the ones it does offer are still, for the most part, higher than the market average.

One of the key features that exceeds other top performers is the number of term options available – Suncorp Bank offers a whopping 17 different term options, which is substantially higher than the market average. Suncorp Bank also allows interest to be paid to another financial institution and sends maturity reminders by email, mail and phone.



In light of the win, we spoke to Suncorp Bank's David Carter about term lengths and just what customers want...

**Q** Term deposits are not as popular as they were in the immediate aftermath of the global financial crisis (GFC), however they still hold a significant amount of investor cash. Why do term deposits have such enduring appeal?

**A** Term deposits are popular with investors who prefer safe, predictable returns as opposed to fluctuations. The rate of return is locked in. There aren't many products in the market that can offer those features. But you have to be prepared to leave the money for a fixed amount of time otherwise you'll be penalised for withdrawing funds. While the rate of baby boomers retiring has been less than what most expected, it will rise over the coming years. Term deposits will be an attractive investment for baby boomers who receive a lump sum superannuation payout. A term deposit gives peace of mind for their investment and a secure income for them in retirement. The GFC put many retirement plans on hold and those memories will still be in the minds of people planning to retire over the next few years. While investor appetite has changed since the GFC, a term deposit still offers a defensive investment that will provide balance to a portfolio.

**Q** Suncorp Bank has a large number of different term options, significantly more than the market average. Is this a big drawcard for your customers?

**A** With all of our products, flexibility and choice are a key part of the offer. It's important to understand the



needs of our customers are changing and they appreciate a bank that can change with them. [Suncorp Bank Term Deposits](#) offer consistent value over a longer period of time and we've found this is what customers have been looking for. We certainly see price or return as a key component of the product but other features make the mix more attractive. Our website gives people the information they need about term deposits and has a calculator that shows how savings grow over the term and the total interest

paid at maturity. Our [flexiRates](#) are similar to term deposits but pay a higher interest rate and customers can choose a shorter term with the option to renew. We find these to be very popular with savers who choose their deposit products online and are looking for more flexibility. Interestingly, we've found our [Insight Blog](#) to be popular with customers who are looking for examples of how deposit products help manage people's finances during different stages of their life.

**Q** Have you noticed much change in the length of term that customers are opting for over the past few years?

**A** It's fair to say across the industry there has been a move towards shorter terms with the cash rate at record lows and we've seen it at Suncorp Bank too. But interest rates won't stay this low forever and it's inevitable they will start to rise and this will be good news for longer term deposit holders. The move to shorter terms in the term deposit space has coincided with the rise in popularity of flexiRates offering even shorter terms.

*David Carter  
Executive general manager, Suncorp Bank*





# Customer-owned champion

For the second year in a row, CUA has scored the award for Best Value Australia Term Deposits for a customer-owned institution, having demonstrated outstanding quality in regards to the features they offer.

Compared with the rest of the non-bank market, CUA has outperformed the average interest rate by a substantial amount, which has resulted in a high score for pricing, despite not being the highest scoring institution for that section.

When it comes to features, CUA has a number of maturity reminder options that other non-bank institutions do not have, as well as the ability for customers to specify a maturity date.

Other aspects of the features it offers are the fact that a linked account is not required, which sets CUA apart from second-placed Heritage Bank. CUA has free direct credit to another financial institution and full online application capabilities, too, extra facilities that sets it apart.

With its competitive rates and substantial features offering putting it ahead of its competitors, CUA is a deserved winner of this year's customer-owned award.



We had a chat to CUA's Jason Murray about online applications and changing demographics...

**Q** Term deposits are not as popular as they were in the immediate aftermath of the GFC but they still hold a significant amount of investor cash. Why do term deposits have such enduring appeal?

**A** We believe term deposits' enduring appeal lies in the fact that they offer a simple high rate of interest fixed for the full term. This can be a positive contrast to other savings account options, where variable interest rates can change or promotional "honeymoon" rates drop away after just a few months. Unlike shares or other investments, term deposits also offer security in that there is no risk to your capital and the government deposit guarantee applies.

**Q** CUA has a full online application process. The world is becoming more connected to technology – is applying online a popular process?

**A** Yes the popularity of applying online is growing and CUA is committed to responding to this trend. We offer a term deposit online application via our CUA website for new customers as well as a fast-track

term deposit online application within CUA Online Banking. This allows existing CUA customers that are logged in to Online Banking to answer a few simple questions and open a new term deposit account in less than a minute.

where "special" term deposit rates automatically roll over to a much, much lower rate of interest at the end of the initial term. Having a choice of interest frequencies (monthly, annually or at maturity) and a 14-day grace period if they change their mind on an investment is also important.



**Q** What term deposit features (apart from interest rate, of course) do your customers tell you that they value?

**A** Ultimately, the interest rate remains paramount but it's not just the level of the rate that's important. Our customers also value the fact that we offer consistently good rates both over time and across a range of terms. This avoids the need to constantly switch between banks as term deposits mature and avoids the pitfalls experienced at some other banks,

**Q** Have you noticed much change in the demographic make-up of term deposit customers over the past few years?

**A** Typically we find term deposits tend to appeal to a 50+ demographic that have established savings

and want to maximise their interest or have the certainty of a fixed level of income in retirement. The SMSF market has also grown strongly and term deposits have been a popular recipient for SMSF monies. We think term deposits can be a good option for other demographics too, however. For example, younger customers saving for a first home deposit might want to allocate a proportion of their savings to a term deposit in order to avoid the temptation of dipping into their deposit.

**Jason Murray**  
Head of products and marketing, CUA





# TERM DEPOSITS

## What is the CANSTAR Term Deposit Award?

The CANSTAR *Term Deposit Award* involves a sophisticated rating methodology unique to CANSTAR that compares a shortlist of term deposits in Australia, enabling consumers to narrow their search to products that have been independently assessed and ranked.

The award aims to give recognition to the institutions who offer quality term deposit products across rates, terms and product features. The award also recognises the different offerings between customer-owned institutions and larger institutions. To highlight the differences, an award is given to the most outstanding value term deposit across all institutions, and a separate award is given for most outstanding value term deposit among customer-owned institutions.



**Best Value Australia  
Term Deposits**



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## How are the CANSTAR Term Deposit Awards calculated?

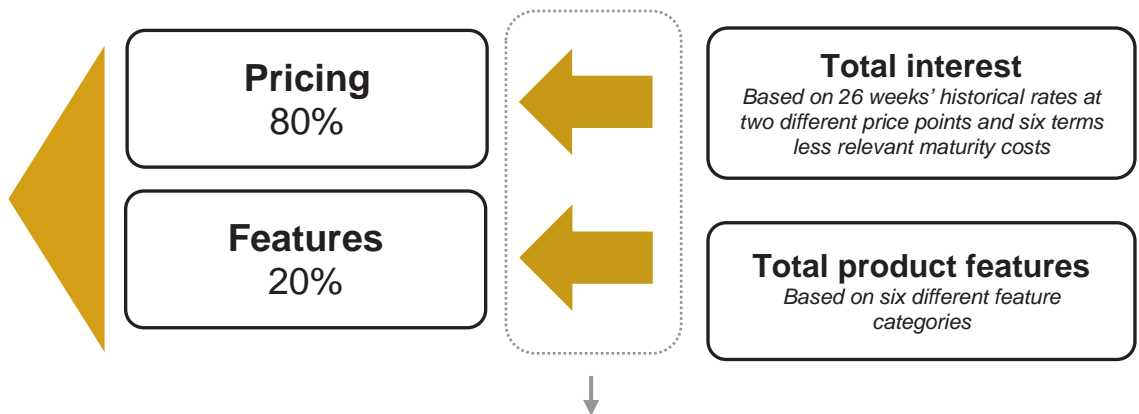
Each term deposit product reviewed for the CANSTAR *Term Deposit Award* is awarded points for its comparative pricing and for the array of positive features attached to the product. Points are aggregated to achieve a Pricing score and a Features score.

To arrive at the total score on which to base the awards, CANSTAR applies a weighting against the product Pricing and Features. This weighting of Price and Features reflects the relative importance to the consumer of either price or features when looking to purchase the product. This method can be summarised as:

$$\text{TOTAL SCORE} = \text{PRICING} + \text{FEATURES SCORE}$$



**Best Value Australia  
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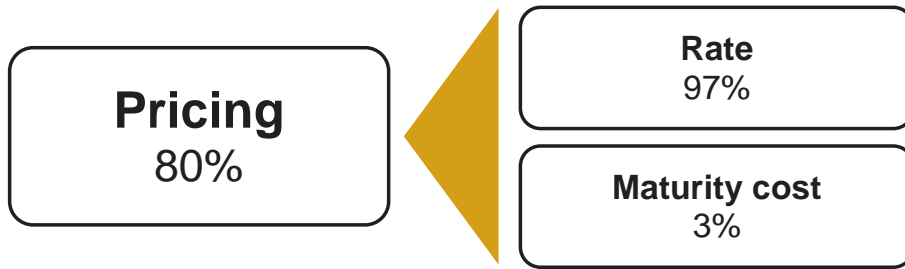


### Indexed Score

Product with the best pricing and features will receive a full score

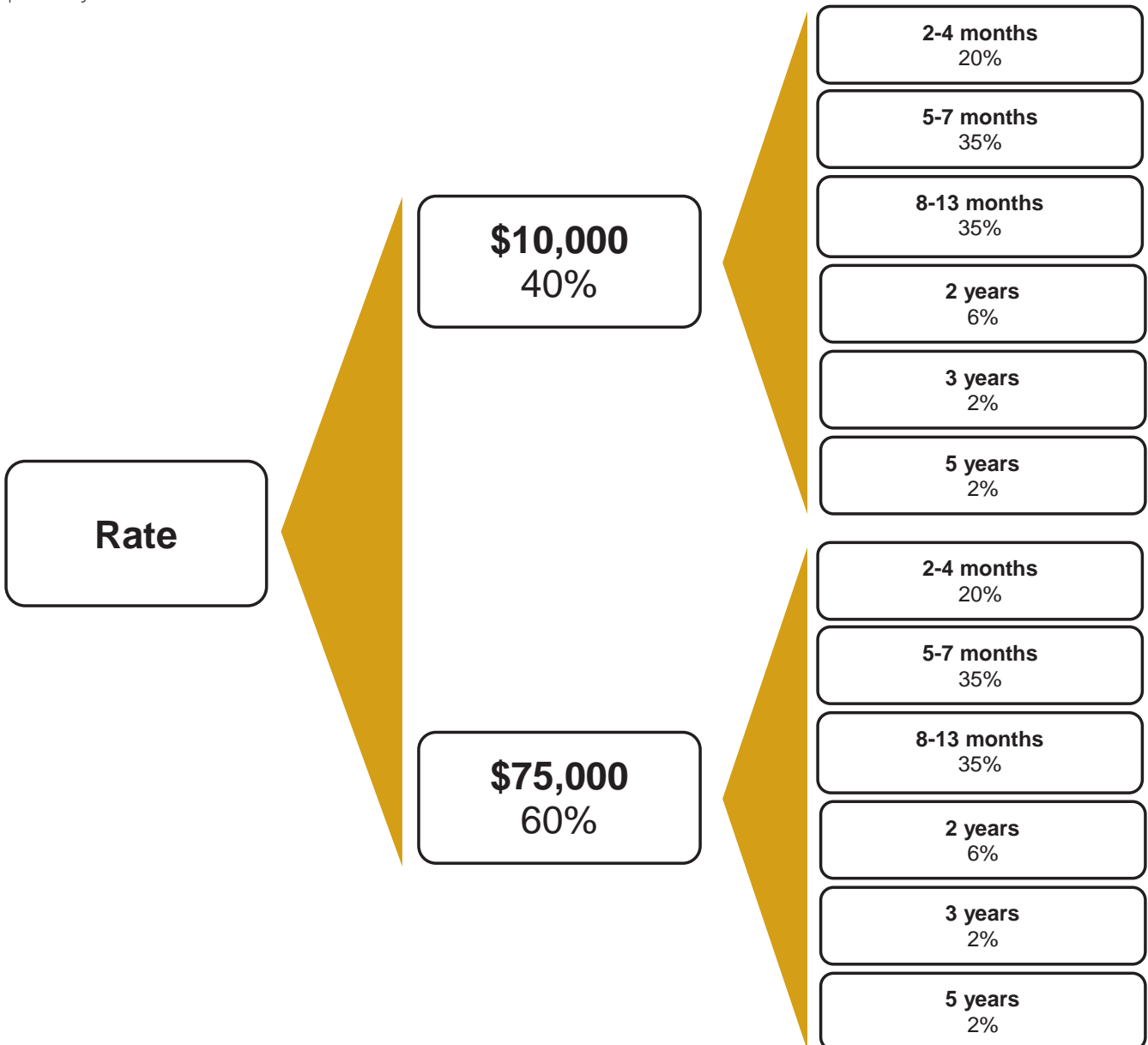
## Pricing score

CANSTAR accounts for both current and historical interest rates, terms and maturity costs in the calculation of the pricing component of the overall score:



## Rate

The rate score is calculated by taking the maximum rate from the following term deposit periods (outlined in the tree below) over the span of 26 weeks. An average rate is then taken from the maximum historical rates and indexed against the best rate from that term. This calculation is made across two term deposit amounts, \$10K and \$75, weighted 40% and 60% respectively.



## Maturity cost

In addition to current and historical term deposit rates, we also assess maturity costs in the pricing score. Maturity costs include any cost associated with retrieving or transferring your funds at maturity such as the cost for a bank cheque. An institution with low or no charges receives the highest maturity cost score.

## Feature score

More than 40 product features of each term deposit are scored and put into six different categories in the following table. Based on the points received in each category, the scores are weighted against each of the category weights provided in the table below for their respective total feature score. The total feature score is then indexed to provide final feature score.

Category	Category description	Category weight
Account options	<i>Open account, maturity reminder, maturity instruct, variation period</i>	35%
Bonus/discounts	<i>Rollover bonus, free bank cheque, free direct credit</i>	10%
Early withdrawals	<i>Prepayment interest penalty</i>	10%
Interest options	<i>Interest penalties, interest payment options, interest options available</i>	20%
Statement options	<i>Third party reporting, tax reporting</i>	10%
Term options	<i>Account facilities, deposit amounts, rollover facilities</i>	15%

## How many products and financial institutions are analysed?

In order to calculate the award, CANSTAR analysed 142 products from 103 financial institutions in Australia.

## Does CANSTAR rate all products available in the market?

We endeavour to include the majority of product providers in the market and to compare the product features most relevant to consumers in our ratings. However, this process is not always possible and it may be that not every product in the market is included in the rating nor every feature compared that is relevant to you.



## How often are products reviewed for award purposes?

All ratings are fully recalculated every 12 months, based on the latest submissions from each institution. CANSTAR also monitors changes on an ongoing basis.

## Does CANSTAR rate other product areas?

CANSTAR researches, compares and rates the suite of banking and insurance products listed below. These star ratings use similar methodologies to guarantee quality, consistency and transparency. Results are freely available to consumers, who use the star ratings as a guide to product excellence. The use of similar star ratings logos also builds consumer recognition of quality products across all categories. Please access the CANSTAR website at [www.canstar.com.au](http://www.canstar.com.au) if you would like to view the latest star ratings reports of interest.



- Account-based pensions
- Business life insurance
- Deposit accounts
- Health insurance
- Life insurance
- Online banking
- Personal loans
- Term deposits
- Youth banking
- Agribusiness
- Car insurance
- Direct life insurance
- Home & Contents
- Managed investments
- Online share trading
- Reward programs
- Travel insurance
- Business banking
- Credit cards
- First home buyer
- Home loans
- Margin lending
- Package banking
- Superannuation
- Travel money cards

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# Term Deposits

REPORT DATE: JUNE 2014

All information is correct as at May 19th, 2014

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Company	Investment Terms at \$10K (as at 19/05/2014)						Bonus Interest on Rollover	Complete Online Application	Auto Rollover Facility	Deposit account from the same institution required
	Latest Rates <a href="#">Click Here</a>									
	3 months	6 months	1 year	2 years	3 years	5 years				
ADCU	3.5	3.6	3.65	3.75	N/A	N/A	X	✓	✓	X
AMP Bank	2.95	2.95	3.15	2.9	3	3	X	✓	✓	X
ANZ	3.1	2.5	3.3	3.9	3.98	4.43	X	X	✓	X
Arab Bank Australia	3.65	3.7	3.85	4	4.15	4.4	X	X	✓	✓
Bank of Melbourne	2.9	3.25	3.35	3.9	4.05	4.55	X	✓	✓	X
Bank of Sydney	3.6	3.7	4	N/A	N/A	N/A	X	X	✓	X
bankmecu	3.3	3.3	3.5	4	4.1	N/A	X	✓	✓	X
BankSA	2.9	3.25	3.35	3.9	4.05	4.55	X	✓	✓	X
BankVic	3.25	3.25	3.5	3.9	4.05	4.25	X	X	✓	✓
Bankwest	3.6	3	3.67	3.8	4.04	4.43	X	X	✓	X
bcu	3.55	3.65	3.65	3.85	4.05	N/A	X	X	✓	X
Bendigo Bank	3.25	3.35	3.45	3.8	4.05	4.35	X	X	✓	X
Beyond Bank	3.3	3.35	3.5	3.9	4	4	X	X	✓	✓
Big Sky Building Society	3.25	3.25	3.47	3.961	4.157	3.961	X	✓	✓	✓
BOQ	3.6	3.75	3.65	3.8	3.95	N/A	X	✓	✓	X
Cairns Penny	3.4	3.5	3.55	4	N/A	N/A	X	X	✓	X
Catalyst Money	3.2	3.3	3.2	3.1	3	N/A	X	X	✓	X
CBA Online Only	N/A	N/A	3.2	N/A	N/A	N/A	X	✓	✓	X
Circle Credit Co-op	3.2	3.2	3.3	3.5	N/A	N/A	X	X	✓	X
Citibank	3.6	3.65	3.65	3.75	4	4.55	X	X	✓	X
Coastline Credit Union	3.05	3.05	3.05	3.4	N/A	N/A	X	✓	✓	X
Commonwealth Bank	2.4	2.4	3.2	3.1	3.95	4.2	X	✓	✓	X
Community First CU	3.25	3.3	3.35	4	4	N/A	X	X	✓	✓
CUA	3.4	3.8	3.85	4	4.1	N/A	X	✓	✓	X
Defence Bank	3.4	3.4	3.5	3.9	N/A	N/A	X	X	✓	X
Delphi Bank	2.4	3.35	2.4	2.7	2.95	3.25	X	X	✓	X
ECU Australia	3.45	3.5	3.5	N/A	N/A	N/A	X	X	✓	✓
Encompass Credit Union	3	3	3.1	3.5	N/A	N/A	X	X	✓	✓
FCCS Credit Union	3.4	3.4	3.4	N/A	N/A	N/A	X	X	✓	X
First Option Credit Union	3	3.25	3.5	3.75	N/A	N/A	X	✓	✓	✓
Gateway Credit Union	3.41	3.41	3.41	3.86	4.11	4.41	X	X	✓	X
Greater Building Society	3.55	3.6	3.8	4.05	4.15	4.55	X	✓	✓	X
Heritage Bank	3.65	3.8	3.8	3.9	3.9	4	X	✓	✓	✓
Holiday Coast CU	3.1	2.45	3.35	3.75	4	4.2	X	X	✓	✓
Horizon Credit Union	3.2	3.3	3.4	3.8	4	N/A	X	✓	✓	✓
HSBC	3.25	2.6	2.5	2.5	3	3.25	X	✓	✓	X
Hume Building Society	2.6	3.4	3.5	3.8	4	N/A	X	X	✓	X



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	Latest Rates <a href="#">Click Here</a>									
	3 months	6 months	1 year	2 years	3 years	5 years				
Hunter United Credit Un	3.45	3.5	3.6	3.9	N/A	N/A	X	✓	X	X
Illawarra CU NSW	3.2	3.3	3.2	3.1	3	N/A	X	X	✓	X
IMB	3.25	3.25	3.45	3.83	4.05	4.5	X	✓	✓	X
ING DIRECT	3.4	3.7	3.8	4	N/A	N/A	✓	✓	✓	X
Intech Credit Union	1.75	1.75	2.5	2.5	2.5	N/A	X	X	✓	X
Macquarie Bank	3.45	3.5	3.6	3.85	4	4.4	X	✓	✓	X
Macquarie Credit Union	3	3	3	N/A	N/A	N/A	X	✓	✓	✓
ME Bank	3.7	3.8	3.9	4.1	N/A	N/A	X	✓	✓	X
MyState	2.5	2.5	3.7	4.05	N/A	N/A	X	X	✓	X
nab	3.15	3.15	3.3	3.8	3.95	4.45	X	✓	✓	X
Newcastle Permanent	3.5	3.6	3.6	N/A	N/A	N/A	X	✓	✓	X
Northern Beaches CU	3	3.1	3.1	3.45	3.45	N/A	X	X	✓	X
P&N Bank	2.75	2.85	3.35	3.55	3.7	3.7	X	X	✓	X
People's Choice Credit Union	3	3.4	3.6	3.9	4.1	4.51	X	X	✓	X
Police Bank	3.4	3.6	3.7	4	4.3	4.6	X	✓	✓	X
Qantas Credit Union	3.75	3.75	3.75	4	4.25	N/A	X	✓	✓	X
Qld Police Credit Union	3.45	3.6	3.85	3.9	N/A	N/A	X	X	✓	X
Qld Professional CU	3.4	3.6	3.7	3.7	N/A	N/A	X	X	✓	✓
QT Mutual Bank	3.6	3.75	3.8	4	4.1	N/A	X	X	✓	X
Quay Credit Union	2.5	2.75	3.25	3.25	N/A	N/A	X	X	✓	✓
Queensland Country Credit Uni	3.3	3.3	3.5	N/A	N/A	N/A	X	X	✓	X
Queenslanders CU	3.45	3.55	3.55	3.65	3.85	N/A	X	X	✓	✓
Rabobank Australia	3.3	3.35	3.4	3.8	4.1	4.55	X	X	✓	X
RaboDirect	3.5	3.55	3.62	3.93	4.04	4.51	X	✓	✓	✓
Rural Bank Limited	3.4	3.45	3.5	3.15	3.3	3.6	X	X	✓	X
Rural Bank ONE	3.7	3.8	3.7	N/A	N/A	N/A	X	✓	✓	X
SCU	3.5	2.95	3.5	3.6	3.7	3.55	X	X	✓	X
Select Credit Union	3.1	3.1	3.2	3.4	N/A	N/A	X	✓	✓	X
SERVICE ONE Members Bank	2.9	3.15	3.3	3.4	3.6	3.7	X	X	✓	X
SGE Credit Union	1.5	1.5	1.5	1.5	1.5	1.5	X	X	✓	✓
St.George Bank	2.9	3.25	3.35	3.9	4.05	4.55	X	✓	✓	X
St.George Bank-Vic	2.9	3.25	3.35	3.9	4.05	4.55	X	✓	✓	X
Summerland CU	3.05	3.1	3.15	3.65	3.8	3.95	X	X	✓	X
Suncorp Bank	3	2.5	3	3	3	3.3	X	X	✓	✓
Teachers Mutual Bank	3.15	3	3.51	4.01	4.11	N/A	X	X	✓	X
The Capricornian	3.4	3.55	3.65	N/A	N/A	N/A	X	X	✓	X
The Mac	3.2	3.15	2.75	3.5	N/A	N/A	X	X	✓	✓



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	3 months	6 months	1 year	2 years	3 years	5 years				
The Mutual	3.55	3.6	3.8	4.05	4.15	N/A	X	✓	✓	X
The Rock Building Soc	2.5	3.8	3.9	4	3.8	N/A	X	X	✓	X
The Shire Credit Union	3	3.05	3.1	3.3	N/A	N/A	X	X	✓	X
TIO Banking	3.2	3.5	3.3	3.75	3.85	N/A	X	✓	✓	X
Transport Mutual Credit Union	3.05	3.05	2.8	2.5	N/A	N/A	X	X	✓	✓
UBank	3.7	3.75	3.81	N/A	N/A	N/A	✓	✓	✓	X
Unicredit-WA	2.85	3.05	3.15	3.25	N/A	N/A	X	X	✓	X
Victoria Teachers Mutual Bank	3.5	3.6	3.95	3.95	4.05	4.45	X	✓	✓	X
Westpac	3.15	2.5	3.3	3.6	4	4.55	X	✓	✓	X