

2015 AWARD REPORT



Everyday Banking
& Savings Accounts



Everyday Banking & Savings Accounts

September 2015

Foreword

They are financial products that the vast majority of us have, but they are also the financial products that are probably least likely to be top of mind for us: our everyday banking (transaction) account and our savings accounts.

With our historically low official cash rate of just two percent – and our low official savings levels – savings accounts are perhaps somewhat out of favour at the moment. In a low-rate environment though, getting the best return on your funds is imperative, if only to ensure that your money is keeping pace with both inflation and tax. Currently on CANSTAR's database, the interest paid on a savings account can vary from nil up to three percent – make sure you check your savings options rather than setting and forgetting.

A transaction account is also a necessary product and we're collectively making more transactions than ever before. The Australian Payments Clearing Association (APCA) advises that we're moving closer towards a cashless society, and the CANSTAR figures suggest the same thing, with almost 70 percent of the visitors to CANSTAR's transaction account selectors indicating that they transact mostly online.

For many savers and spenders, though, the personal service received in-branch is still a vital part of their day to day banking experience.

CANSTAR's Everyday Banking & Savings Awards recognise the institutions offering a winning combination of competitive interest rate, low fees and outstanding account features.



Mitchell Watson
Research Manager

SAVINGS DROP TO RECORD LOWS

Australians' saving levels are the lowest they've been since the late 2000s, according to ABS data. The household savings ratio has fallen again in the June 2015 quarter to 6.0%, down from 6.8% in March.

In September 2014, the savings ratio was nice and high at 13.1%, still below the post-GFC peak of 15.1% in September 2011, but respectable. By December, it was already down to 8.9%.

The Australian Bureau of Statistics estimates current net saving in Australia at \$17 billion, which means a disposable income per person of just \$13,100. These levels of income are less than the income per person in 2008 when the GFC hit.

The ABS credited the low savings to the slowing down of the mining and construction industries and a decline in exports.

While we're saving so little and spending our income, Australian spenders need to look for the best value in their everyday banking transaction and savings accounts. With the official cash rate at historic lows, finding the best interest rate for the savings you have is imperative.



SO HOW ARE TRANSACTIONS GOING?

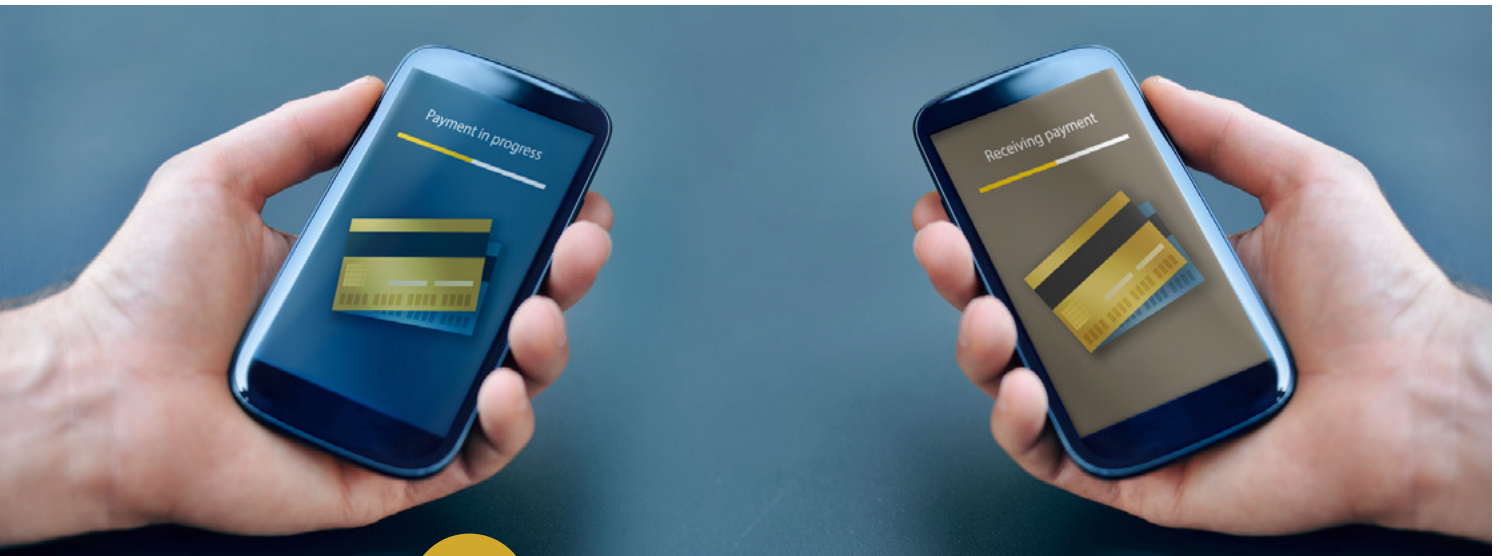
We're transacting more via EFTPOS, direct debit, and cards than ever before – and we're not using cash nearly as much anymore. Transaction statistics from the APCA and the RBA shows people are making fewer ATM withdrawals and withdrawing less cash each time, with transactions at their lowest levels since 2003.



In contrast, debit card and credit card transactions have new record highs in 2015. This year, 350.6 million debit transactions per month and 179.2 million credit card transactions per month, an increase from 315m and 169m in 2014. Even the number of EFTPOS terminals has increased from 826,000 in 2014 to 891,000 in 2015, while the number of ATM machines remains still much the same as it was in 2011, around the 31,000 mark.

This year also showed an unprecedented increase in the number of automatic direct debit and credit transactions. There have been 134.7 million direct credit transactions and 76.2 million direct debit transactions per month in 2015, a substantial increase from 115.9m and 57.0m in 2014.

A 2014 report by the Australian Payments Clearing Association (APCA) confirms our suspicions that Australian consumers are continuing to move towards a cashless system. This means it's more important than ever to find a transactions account that continues to be great value for the increased number of transactions you're probably making using debit and credit cards, online methods, and direct debit.



HOW ELSE DO WE PAY



Not everyone is using a bank card to make their everyday spending transactions anymore. Alternative payment methods such as the e-wallet PayPal and contactless mobile phone app payments are slowly taking over the market.

The latest development is PayPal.Me, the new 'pay anyone' facility created by PayPal. Now having dinner out with friends is easy, even if no one brought cash to split the bill. Just send them the link to your profile page and they can pay you using their PayPal account. Since PayPal accounts are linked to your bank accounts, payments are simple and instantaneous.

These methods are quickly gaining mainstream acceptance. According to industry research by WorldPay, alternative payments were used in 43% of transactions globally in 2012, and over 17% of transactions are made using e-wallets such as PayPal. It is expected that the number of alternative payment transactions will rise to 59% by 2017.

As for non-bank payment e-wallets,

Google Wallet and Samsung Pay have already been popular in Australia since 2013. These apps use the same Tap and Go contactless payment technology as your debit or credit card and are encrypted with the same fraud detection and payment protection. Apple Pay, meanwhile, has failed to enter the market in Australia because they've been asking for hefty, US-style interchange fees of 15c per \$100, from Australian banks who currently only get fees half that price.

Now banks are getting in on the act, making their online banking apps provide for contactless payments via your smartphone. Three of the four major Australian banks are pioneering this Tap and Go NFC technology – Commonwealth Bank, Westpac and ANZ. The Tap and Go system evolved from the NFC sticker, which was the first step towards the fully-enabled NFC smartphones we have today, from the iPhone 6 to the Samsung Galaxy 6 range, and many more. Even for older smartphones which do not have NFC capability, banks have kept the Paytag option available for use.

Apart from e-wallets, another growing trend to watch is digital currencies. These are open-source, P2P (peer-to-peer) transaction systems such as

Bitcoin and Litecoin, which are slowly gaining acceptance. It is perhaps worth noting that the Senate Economics References Committee recently released a report based on its official inquiry into digital currency, which is worth reading.

There are currently some significant barriers to using digital currencies: the governments and the Reserve Bank do not back them, so their value can fluctuate hugely from day to day. However, the Australian Digital Currency Commerce Association (ADCCA) is currently trying to find a way to regulate digital currencies for use in Australia. So who knows? We could all be paying our bills using 'OzCoin' someday.

Some of the benefits of moving to a cashless society include:

- Better hygiene from not handling germey cash
- Better security from not carrying wads of cash
- Faster payment at the register
- Faster takings-count for retailers at the end of the day
- Less human error from making change

We might have a few years to go yet before banking apps are our main payment method, as many retailers have yet to trade their old EFTPOS machines for contactless-enabled machines.

ONLINE OR BRICKS 'N' MORTAR?

However you pay, there is always a need for bank accounts. But do you need branch access anymore? You could pay a lot just for the privilege of visiting a branch.

Overall, our research shows online only banks are winners against banks with branches when it comes to interest rates, providing some of the most competitive interest rates on the market.

The following table shows how online only banks can help you save more. All rates are based on an amount in savings of \$25,000.



Average	Online Banks	Bricks & Mortar Institutions
Base Rate (@ \$25,000)	2.03%	1.84%
Total Rate (@ \$25,000)	2.17%	2.06%

Source: www.canstar.com.au Total rate consists of base & promotional rates

What about the rates for bonus accounts?

Some Bonus Saver accounts that do not have access to a branch are the Smart eSaver from Bankwest, the Bonus Saver Account from Easy Street Fin Services, the Premium Online Investor Account from Hunter United, and the Bonus saver from Quay CU.

These accounts have considerably higher rates than Bonus Saver accounts with branch access.

Average	No Branch Access	Bricks & Mortar Institutions with Branch Access
Bonus Rate (@ \$25,000)	2.39%	2.27%
Total Rate (@ \$25,000)	2.89%	2.50%

Source: www.canstar.com.au Total rate consists of base & conditional bonus rates.

Combine It Into One

Do you still need to have separate transactions and savings accounts? An increasing number of institutions are offering transaction accounts with a healthy interest rate for your savings, including the following.

Company	Product	Base Rate	High Trans Average Monthly Cost
Bank of Sydney	Everyday Saver	2.50%	Nil
Bankwest	Hero Transaction Account	2.50%	\$2.86
Gateway Credit Union	Edge Account	2.50%	Nil

Source: www.canstar.com.au (Rates are based on an amount of \$2,000.)

Not only do these accounts allow for a fantastic interest rate on a transaction account, but they also provide the standard features of a normal transaction account – international ATM and EFTPOS access, direct credit facility, internet and branch access, and much more.

They also have no fees on a lot of their facilities, such as direct credit, direct debit, ATM withdrawal fees, branch fees, Visa/MasterCard fees, or internet banking fees. In fact, they work out cheaper than the average monthly cost for our High Transactor profile of \$8.38.

Overall, a transaction account with an interest rate offers great value for someone who doesn't want the fuss of multiple accounts or transferring money in and out of their savings. These accounts provide the consumer with a good alternative to the classic transaction account.

WHO ARE THE INSTITUTIONS OF THE YEAR?

We are pleased to announce we have four winners in 2015.



**Institution of the Year
Everyday Banking**

Hume Bank

Everyday Banking Non-Bank: Hume Bank

Some of Hume Bank's winning features include:

- **Product:** All Purpose S10 transaction account, which has no monthly account-keeping fee, international ATM and EFTPOS access, Bank@Post and Sweep facilities.
- **Card facilities:** Hume Bank's Value credit card has a \$0 annual fee and a comparatively low interest rate of 13.15%. For customers chasing a rewards program, the Gold credit card offers a rate of 17.95% and a \$60 annual fee.
- **Online banking:** Personal finance management tools include online statements, transaction history, and the ability to search for transactions. Allows online applications for transaction and savings accounts.



Everyday Banking

CommonwealthBank 

Everyday Banking Bank: Commonwealth Bank

Some winning products and features for Commonwealth Bank include:

- **Product:** Smart Access account, which has a \$4 account-keeping fee (waived when you deposit \$2,000 or more each month), BPAY, EFTPOS, branch facilities, ATMs, and more. Commonwealth Bank has over 1,000 branches in Australia, the single largest branded ATM network within Australia, and access to Bankwest's ATM network.
- **Card facilities:** Platinum Awards credit card has a high cap and you can choose from American Express, Visa, or Mastercard for a rewards program.
- **Online banking:** App allows you to lock, limit and block your card at any time from your phone. Online banking system is innovative and user-friendly for mobile phones, with comprehensive services and features to do your banking anywhere, anytime. We congratulate Commonwealth Bank on their success and commend them on their constant innovative ideas in online banking.



Institution of the Year Savings



Savings Award Non-Bank: CUA

CUA has a raft of award-winning features including:

- **Product:** eSaver Plus bonus saver account, and term deposits from 1 month to 5 years, which has no fees attached, great base rate of 2.05%, with a bonus rate of 0.95% if you deposit \$200 or more per month and do not make any withdrawals. Allows branch access over the counter, direct credit and BPAY, and many more facilities.
- **Online banking:** Calculators help you work towards a savings goal or calculate how much interest you could earn from a term deposit. Budgeting advice and financial market articles and tips.
- **Notable:** Resisting the urge to cut their rates in excess of RBA movements over the past year has paid dividends for CUA and ensured the institution remains a beacon for those considering parking their cash in a non-bank.



Savings



Savings Award Bank: UBank

UBank's winning products and features include:

- **Product:** USaver with Ultra, term deposits, which has no fees attached, base rate of 2.31% and a bonus rate of 1.06% if you deposit \$200 per month.
- **Online banking:** As an online-only bank, UBank offers a stack of content and savings tools to help consumers. It offers integrated budgeting tools in its app, as well as savings graphing tools and calculators.

CANSTAR congratulates **Hume Bank**, **Commonwealth Bank**, **CUA** and **UBank** on their winning performances.



EVERYDAY BANKING AND SAVINGS AWARD

What are the CANSTAR Everyday Banking and Savings Awards?

Each year CANSTAR runs two awards to reward those institutions displaying excellence in both the transaction and savings markets. The awards are based on the price and features for a number of different product types with the winners being the strongest overall. All institutions that are rated in at least one of the product profiles are included in the award calculations.

CANSTAR's Everyday Banking and Savings Award are awarded to a Bank of the Year and Customer Owned Institution of the Year. Customer Owned Institution of the Year considers mutual banks, credit unions and building societies.

The product scores used in the calculations come directly from CANSTAR star ratings calculations, with an institution's top performing product counting towards the award. Where appropriate additional institution factors are included in the awards. For these additional factors, information is taken from the details collected for some of CANSTAR's other ratings, such as online banking.

Savings Award

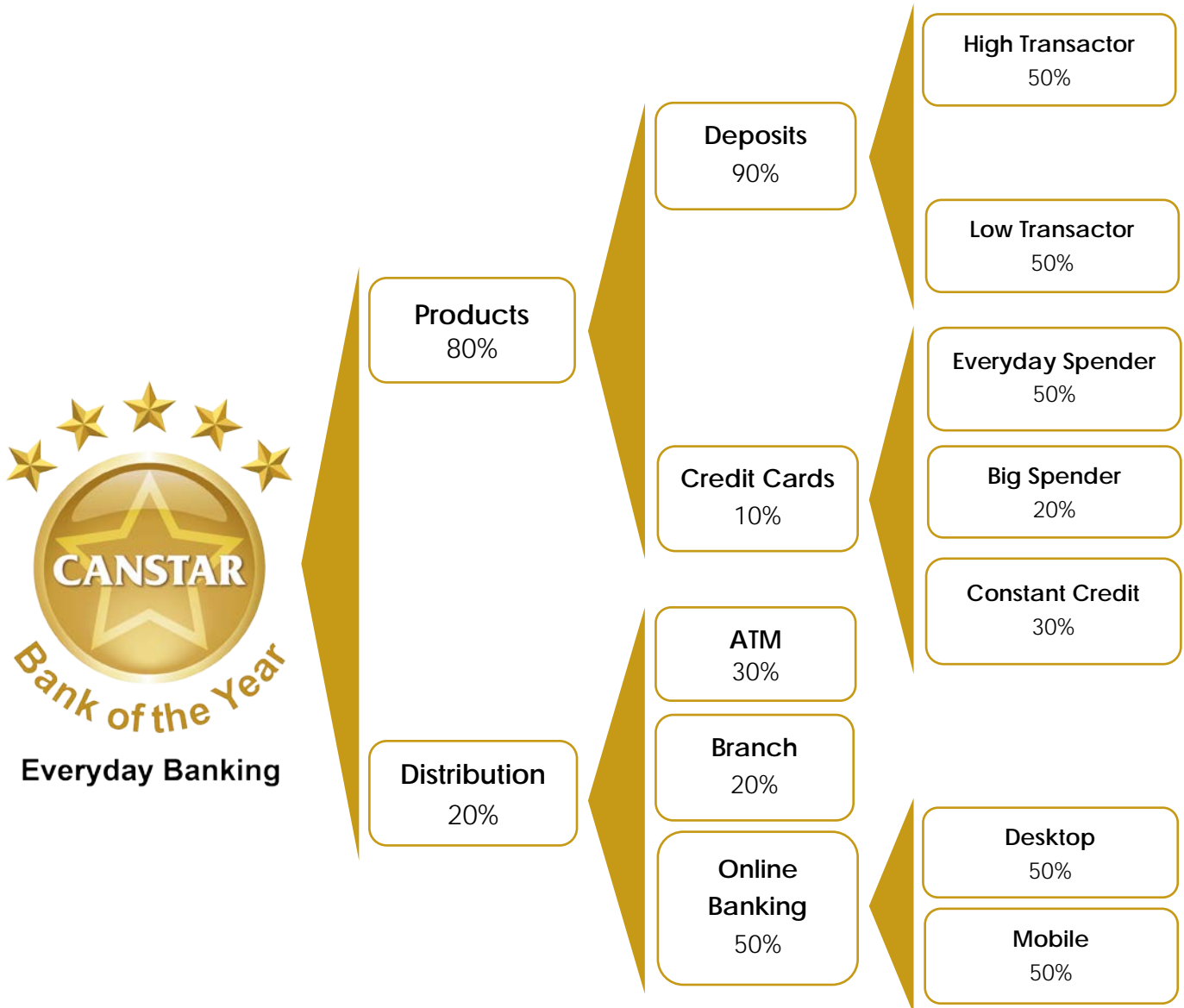
CANSTAR's Savings Award aims to give recognition to institutions offering outstanding value savings accounts and term deposits, as well as additional savings tools that benefit consumers.



Flexible Saver, Regular Saver and Term Deposits scores are an institution's best score taken from the individual product ratings respectively. The Savings tools/calculators information is taken from CANSTAR's *Online Banking Award*. This covers features such as online calculators, graphing tools and online tips and articles.

Everyday Banking Award

CANSTAR's Everyday banking Award recognises institutions that offer outstanding value transaction accounts and credit cards. Additionally, recognising institutions that provide their consumers with a strong online banking platform and offer comprehensive coverage throughout Australia (ATM and Branch).



For the *Everyday Banking Award*, the High and Low Transactor profile's scores are the best scores from individual star ratings profiles within the *Deposits Star Rating*. Additionally, the Big Spender, Everyday Spender and Constant Credit scores are taken from the latest *Credit Card Star Ratings*. The coverage score information is taken from two different sources. The online banking score comes from the *CANSTAR Online Banking Award*. ATM and branch coverage comes from calculations using the latest APRA points of presence information.

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 all the products reviewed for rating purposes?

All ratings are fully recalculated every six months based on the latest features offered by each institution. All awards are recalculated every year based on the latest ratings. CANSTAR also monitors rate 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 if you would like to view the latest star ratings reports of interest.

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



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