



# METHODOLOGY

## SAVINGS AND TRANSACTION ACCOUNT STAR RATINGS

April 2019

### What are the Canstar Savings and Transaction Account Star Ratings?

Canstar's *Savings and Transaction Account Star Ratings* uses a sophisticated rating methodology, unique to Canstar, which compares deposit accounts in Australia. Canstar star-rated products represent a shortlist of financial products. This shortlist narrows the search for consumers to products that have been reviewed, assessed and ranked.

### Eligibility Requirements

To be eligible for a star rating, the product must have been on offer for at least 6 months. Products that do not have the 6 month historical information can only achieve a rising star. Rising star products will be rated in the next period once historical data is available. Products specific to certain groups or with restrictions on eligibility are not included in the ratings. Business accounts are rated separately as part of Canstar's Business Savings and Transaction Star Ratings.

### Profiles

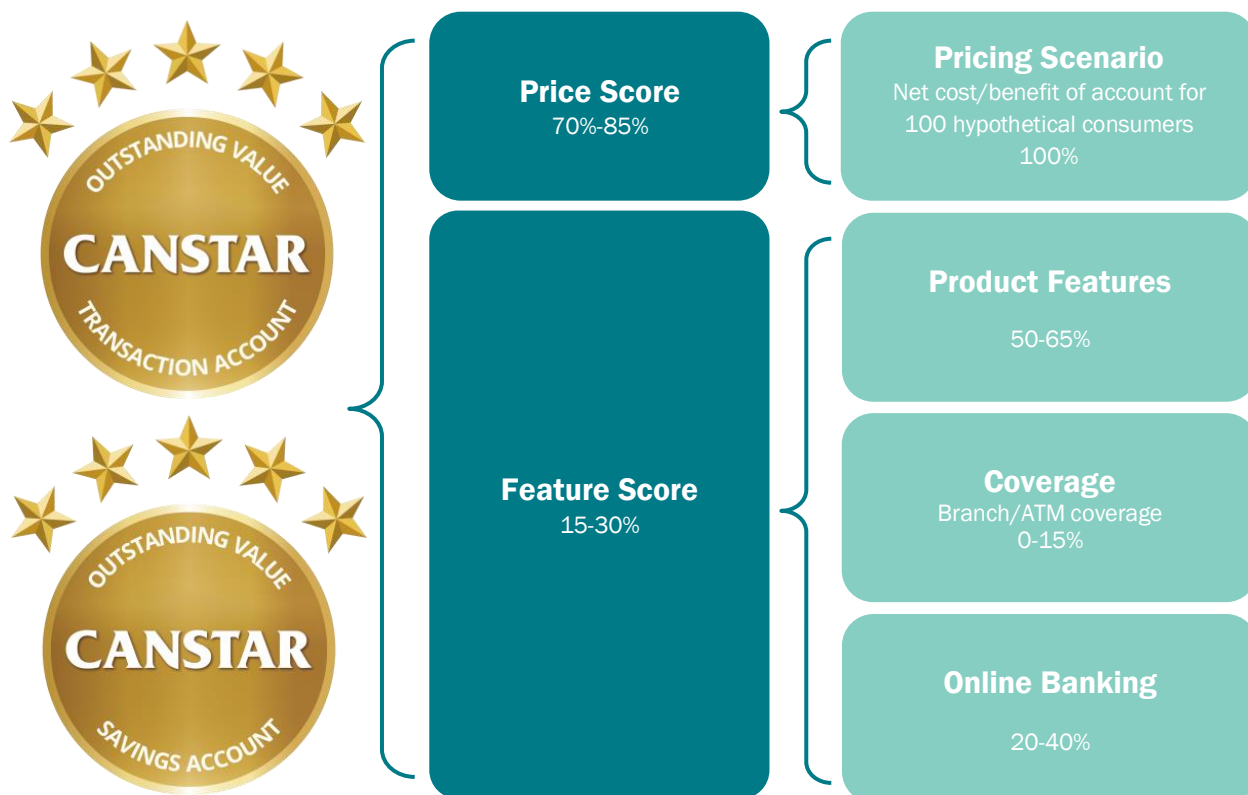
Canstar recognises that deposit account users have different needs in terms of saving and transacting. Hence the Canstar Savings and Transaction Account Star Ratings methodology has been designed to reflect a range of transacting and savings styles. The star ratings methodology differs for each customer segment in terms of the relative importance placed on the fees and features of the products assessed. Specifically, the ratings consist of the following sub-sections:

Consumer Profile	Description
<b>Flexible Saver</b>	Customers looking to maximize their savings with no restrictions. To be eligible, the account must offer a base rate of 0.50% or higher on a balance of \$25,000.
<b>Regular Saver</b>	For more active savers who are willing to meet stricter conditions to achieve higher levels of interest. To be eligible the account must offer a total rate (base plus conditional bonus rate) of 1% or higher on a balance of \$10,000.
<b>Senior Saver</b>	For retirees looking to maximize their savings and have the flexibility of an at-call savings account with no restrictions. To be eligible, the account must offer a base rate of 1% or higher on a balance of \$50,200.
<b>Junior Saver</b>	These accounts are designed specifically for children (under 12s) to help teach financial literacy and get into the habit of saving regularly.
<b>SMSF Saver</b>	For customers looking to achieve high levels of interest on the cash component within their self-managed super fund. To be eligible the account must offer a total rate (base plus conditional bonus rate) of 1% or higher on a balance of \$25,000 and be available for self-managed super funds.
<b>Low Transactor</b>	Requires full access to the account including ATM, EFTPOS and BPAY and conduct an average of 10 transactions per month.
<b>High Transactor</b>	Requires full access to the account including ATM, EFTPOS and BPAY and conduct an average of 40 transactions per month.
<b>Youth Transactor</b>	Accounts available to someone transitioning from a child to a youth between the ages of 13 and 18. They may have just started their first job and are looking to save, access and manage their money.
<b>Senior Transactor</b>	Accounts available to retirees and requires full access to the account including ATM, EFTPOS, Phone Banking and Internet Transactions, and conduct an average of 10 transactions per month.

## Methodology Tree

Each transaction or savings account reviewed for Canstar's Savings and Transaction Account Star Ratings is awarded points for its comparative pricing and for the array of positive features attached to the account. These features include accessibility, conditions attached to interest payments and transaction security. Points are aggregated to achieve a Pricing score and a Feature score.

$$\text{TOTAL SCORE} = \text{PRICE SCORE} + \text{FEATURE SCORE}$$



The table below outlines the weights allocated to price and features by profile.

Profile	Pricing	Features
Flexible Saver	80%	20%
Regular Saver	80%	20%
Senior Saver	80%	20%
Junior Saver	70%	30%
SMSF Saver	85%	15%
Low Transactor	70%	30%
High Transactor	70%	30%
Youth Transactor	70%	30%
Senior Transactor	70%	30%

## Price score

The pricing score is calculated using the behaviour of 100 hypothetical consumers, with transaction behaviour determining the transaction fees, account keeping fees and interest earned on each account, with the average net cost or benefit obtained by the consumers across the scenarios indexed along a normal distribution, determining the Pricing Score. The methodology is outlined in the below diagram:



## Interest Scenario

To recognise the various rates offered on different accounts for varying balance tiers, the interest component is the average interest earned across the 100 different balances. Scenario balances are randomly generated along a normal distribution with a profile appropriate range around the average balance for the profile.

The following scenarios are used to calculate the interest component of the Net Benefit/Net Cost, with balance details and types of interest considered:

Profile	Term (months)	Average Balance	Range of Balances	Base Rate	Conditional Bonus	Promotional Rate
Flexible Saver <sup>1</sup>	18	\$25,000	\$0 to \$30,000	✓	×	✓
Regular Saver <sup>2</sup>	12	\$10,000	\$5,000 to \$15,000	✓	✓	×
Senior Saver	12	\$50,200*	\$25,000 to \$75,000	✓	×	×
Junior Saver <sup>3</sup>	24	\$500	\$250 to \$750	✓	✓	×
SMSF Saver <sup>4</sup>	12	\$25,000	\$12,500 to \$37,500	✓	✓	×
Low Transactor	1	\$2,000	\$0 to \$4,000	✓	×	×
High Transactor	1	\$2,000	\$0 to \$4,000	✓	×	×
Youth Transactor	1	\$125	\$0 to \$250	✓	×	×
Senior Transactor	1	\$2,000	\$0 to \$4,000	✓	×	×

\*The target average balance for Senior Saver is \$50,200 which reflects the deeming rate tiers set by the Minister for Social Services.

<sup>1</sup>Conditional Bonus linked to savings behaviour is not included, is included when condition is not dependent on savings stipulations.

<sup>2</sup>\$50 deposit in month 1 with transactional behaviour conditions not met. Conditions met in month 2 – 11, and a withdrawal is made in month 12.

<sup>3</sup>\$10 deposit in month 1. Conditions met in month 2 – 11, and a withdrawal is made in month 12. \$10 deposit in month 13. Conditions met in month 14 – 23, and a withdrawal is made in month 24.

<sup>4</sup>\$50 deposit in month 1 with transactional behaviour conditions not met. Conditions met in month 2 – 11, and a withdrawal is made in month 12

## Transaction Scenario

The following scenarios are used to calculate the Account Keeping Fees and Transaction Charges component of the Net Benefit/Net Cost:

	Savings Accounts					Transaction Accounts			
	Flexible	Regular	Senior	Junior	SMSF	Low	High	Youth	Senior
Avg. no. of transactions	5	3	5	3	5	10	40	15	10
Avg. Balance	25,000	10,000	50,200	500	25,000	2,000	2,000	125	2,000
Avg. Deposit	1,000	1,000	1,000	100	-	3,000	4,000	100	3,000
ATM Withdrawal*	-	-	-	-	-	25%	20%	15%	15%
Branch cash withdrawal	-	-	30%	20%	-	5%	-	5%	15%
Branch cash deposit	-	-	15%	50%	-	-	-	-	5%
Direct Debit	-	-	-	-	-	5%	5%	-	20%
Points of Sale**	-	-	-	-	-	40%	45%	70%	20%
Internet transaction	100%	100%	35%	30%	100%	-	-	10%	20%
Internet BPAY	-	-	-	-	-	10%	15%	-	-
Internet Pay anyone	-	-	-	-	-	10%	15%	-	-
Phone Banking#	-	-	20%	-	-	5%	-	-	5%
<p>*80% of ATM withdrawals in this profile are from own branded ATM's and/or do not incur a withdrawal fee, the remaining withdrawals will have a fee attached (Fee charged by institutions for using another network ATM plus avg. direct ATM charge of \$2.50.)</p> <p>**Split of 80% to Paypass/Paywave and 20% to EFTPOS if Paypass/Paywave is available. Otherwise EFTPOS will make up 100% of the cost.</p> <p>#Phone transaction via a voice recognition system.</p>									

## Feature score

Profile	Product Features	Coverage	Online Banking
<b>Flexible Saver</b>	60%	-	40%
<b>Regular Saver</b>	60%	-	40%
<b>Senior Saver</b>	55%	15%	30%
<b>Junior Saver</b>	65%	15%	20%
<b>SMSF Saver</b>	65%	-	35%
<b>High Transactor</b>	50%	10%	40%
<b>Low Transactor</b>	50%	10%	40%
<b>Youth Transactor</b>	50%	15%	35%
<b>Senior Transactor</b>	50%	15%	35%

## Product Features

Each of the product features is allocated points that are awarded for positive deposit account traits such as no fees or greater flexibility. As features are relatively static, they are not measured over time. The following table outlines the weightings of each of the feature categories per profile:

Category Description	Flexible	Regular	Senior Saver	Junior	SMSF	Low/High/Senior Transactor	Youth Transactor
Account Facilities	50%	50%	65%	30%	50%	70%	60%
Specific Conditions	50%	50%	35%	40%	50%	20%	15%
Exception Fees	-	-	-	-	-	10%	5%
Junior Specific	-	-	-	30%	-	-	20%

## Coverage

The ratio of the total number of free ATMs and branches across all Australian states and territories (excluding ACT) against its respective population is calculated against a cap of 15,000 people per ATM and 30,000 people per branch. Any institution that exceeds the branch cap will receive full points, with the remaining institutions being indexed against the cap. Access areas are weighted differently depending on the profile:

Description	Flexible / SMSF	Regular Saver	Senior Saver	Junior Saver	Low/High/Senior Transactor	Youth Transactor
ATM Coverage	-	-	15%	5%	35%	25%
Branch Coverage	-	-	85%	95%	65%	75%

## Online Banking

Canstar assesses the features of the online banking capability of Australian institutions. Institutions will receive a high score if they offer extensive coverage across categories like banking and other services (e.g. transfers, bill payments, transfer limits, schedule and manage payments), personal finance management (e.g. account information, budgeting tools, finance tools and calculators), and self-service (e.g. ability to change personal details, personalization). Within Canstar's Online Banking Award Canstar only considers online banking components relevant to Savings and Transaction Accounts.

Category	Flexible/ Regular/ Senior/ Junior/ SMSF Saver	High/ Low/ Youth/ Senior Transactor
<b>Research and Application</b>	<b>20%</b>	<b>15%</b>
Application	55%	60%
Functions	25%	25%
ID Verification	25%	25%
Process	50%	50%
<b>Product Information</b>	<b>25%</b>	<b>30%</b>
Quick Links	50%	50%
Transparency	50%	50%
Calculators	10%	0%
Education Tools	10%	10%
<b>Banking Assistant</b>	<b>25%</b>	<b>20%</b>
Account Maintenance	20%	20%
Account Status and Information	35%	35%
Alerts	15%	15%
Budgeting Tools	20%	20%
Compatibility	10%	10%
<b>Payments and Transactions</b>	<b>30%</b>	<b>40%</b>
Bill Payments	-	30%
Contactless	-	15%
Domestic	75%	40%
International	25%	15%
<b>Support</b>	<b>15%</b>	<b>15%</b>
Community	20%	20%
Customer Support	40%	40%
Location Services	40%	40%
<b>Security</b>	<b>10%</b>	<b>10%</b>

### Does Canstar rate all products 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 Savings and Transaction Accounts reviewed for star rating purposes?

All ratings are fully recalculated every six months. Canstar also monitors changes on an ongoing basis.

### How are the stars awarded?

Canstar ranks Savings and Transaction accounts based on value-for-money measures and then awards a star rating according to rank. The top accounts will be awarded a five-star (or outstanding) rating. The number of accounts awarded each of the three- to five-star ratings will ultimately depend on the dispersion of final scores.

## 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
- Agribusiness
- Business banking
- Business life insurance
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & contents
- Home loans
- Life Insurance
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- Margin lending
- Online banking
- Online share trading
- Package banking
- Personal loans
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- Travel insurance
- Youth banking & education

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