



## Paul Clitheroe

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# check your savings rate – you could do better elsewhere

It's a fair chance you know the rate you're paying on your home loan. But how well can you recall the rate on your savings?

A recent survey by Citibank found 60% of people couldn't recall the rate they're earning on their spare cash. And maybe we're not too fussed about it anyway because only around 10% of savers bother to change accounts to earn a better return.

Shunting your cash between banks may involve a bit of effort when it comes to setting up a new account. But with big differences in the interest rates paid on deposits, it's worthwhile.

Some banks, like Bankwest and UBank are paying 5.62% on their online savings accounts. At the other end of the scale, interest on savings accounts can be zero, that's right, absolutely nothing. Go figure - I can't. All I know is that this is a massive difference, and that not getting paid any interest, or only receiving a preposterously low rate, is getting ripped off.

Look, getting a top rate on your savings is a very easy way of making your money work harder. Let's say for example that you have \$1,000 in an account paying just 3% interest. If you add an extra \$50

each week, after ten years you may have accumulated up to \$31,660.

Now let's say the same savings pattern is repeated with an account paying 5.5% interest. After a decade, the balance could be as much as \$36,371 - a difference of over \$4,711 in interest earnings.

Right now, there are plenty of good reasons to hunt around for a good rate. Global financial markets are still returning to normal and for the time being at least, customer deposits are a reliable source of funding for our financial institutions. That's seeing many offer some very attractive deposit rates in the war for your spare cash, and the big winners are savers.

As a guide to how good savers have it right now, rates on some deposits are just a whisker below the cheapest home loan interest rates.

At the time of writing, the standard variable loan rate from State Custodians was 5.64%. That's just 0.02% more than the online savings rates mentioned above. It's a tiny differential that highlights how keen financial institutions are to secure your savings.

I reckon the situation is too good to pass up, and the only way to take advantage of the big savings rates

is by tucking some cash into a well paying savings account.

If you're struggling to get control of your spending, a budget will show you where you can cut back on your outgoings to build some savings. My book Making Money can help here, or log onto websites like [www.understandingmoney.gov.au](http://www.understandingmoney.gov.au) for a free budget planner.

To find out who's offering the big rates of interest, visit [www.ratecity.com.au](http://www.ratecity.com.au) or [www.infochoice.com.au](http://www.infochoice.com.au). And don't be afraid to look beyond your own bank. In these days of internet banking plenty of institutions are offering excellent deals, and you can move your money between accounts at the click of a mouse.

*Paul Clitheroe's 'Making Money' for the week beginning 1 February 2010*



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