



# Bank account basics

Need somewhere to have your salary paid? Need somewhere to make regular payments? Need somewhere to secure your savings? Money and banking are part of everyday life. Banks offer all sorts of financial products to help you manage your money on a day-to-day basis. Managing money is getting more and more complicated, so it's good to know and understand the basic features available in most bank accounts.

## CHOOSING A BANK ACCOUNT

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The type of bank account that's right for you depends on what you need and how you bank.

## TRANSACTION ACCOUNTS

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Transaction accounts are for your everyday banking needs, whether it's somewhere to deposit your pay, or an account to use to pay bills or do some shopping.

Some transaction accounts offer unlimited transactions, while others offer a set number of free transactions, and charge for any transactions over this limit.

Most transaction accounts have a monthly fee. Generally, a higher monthly fee is charged if the account offers unlimited transactions. If you don't think you will be making many transactions, an account with a lower monthly fee may be better for you.

Some transaction accounts don't have monthly fees, but these accounts usually have less features, such as only online access, and if you need to use other services, such as branch withdrawals, you'll usually have to pay additional fees.

## SAVINGS (DEPOSIT) ACCOUNTS

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Savings accounts are a good option if you want to save money, perhaps for a holiday, to pay student fees or for Christmas spending.

Interest is paid on savings accounts. The interest rate generally depends on the account balance – the more you have in the account, the higher the rate. Banks offer a broad range of savings accounts with different features to suit different people.

Savings accounts can also be used for your day-to-day banking needs, as most let you make deposits and withdrawals.

Some savings accounts have a monthly fee. Some don't, but may have a limit on withdrawals, which means that you need to watch you don't exceed the limit to avoid fees for 'excess withdrawals'.

Some savings accounts require you to maintain a minimum balance in order to earn interest, or a higher rate of interest.

Some savings accounts provide you with a higher rate of interest if you don't make a withdrawal over a specified period.



## FACT SHEET

Most banks offer a type of savings account that can only be accessed via the Internet or automated telephone banking – you can't withdraw cash from a branch. In some cases, branch withdrawals may be permitted, but a fee is charged. An account like this must usually be linked to a transaction account you hold at the bank. This type of savings account is generally fee free – but fees invariably apply to the account it is linked to.

### TERM DEPOSIT (ACCOUNTS)

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If you've saved some money and don't want to be tempted to spend it, a term deposit could be for you.

Term deposits earn a higher rate of interest, but involve locking your money away for a fixed length of time – known as the 'term'. Terms can be anywhere from one month to five years, or even longer. Interest is earned at a 'fixed' rate – the interest rate doesn't change over the specified term.

Term deposits usually pay interest at the end of the term – known as 'at maturity'. But this is not always the case – some term deposits allow you to receive interest on a monthly or annual basis.

Term deposits usually require a minimum balance. Minimum balances can be anything between \$1,000 to \$250,000, or even greater. So it can be a good idea to build your money in a savings account, and then move your money into a term deposit once you've reached your target amount.

At maturity, you can roll your term deposit into another term. Or you can withdraw your money via bank cheque or cash or transfer your money to another bank account.

### CASH MANAGEMENT ACCOUNTS

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Cash management accounts are a good option if you've got a higher level of savings and are seeking to invest your money for a higher rate of interest. The interest rate may be tiered – the higher your account balance, the higher the interest rate.

## Special Bank Accounts

### BASIC BANK ACCOUNTS

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A 'basic bank account' is an everyday transaction account designed specifically for low-income or disadvantaged customers. People who might qualify for these accounts include those who receive a government pension or allowance and holders of Federal Government Health Care or Pensioner Concession cards.

A basic bank account allows you to have your wages or government benefits paid, make withdrawals or deposits, and access electronic payments networks. The features of these accounts vary, but may include no monthly service fee, no minimum account balance and unlimited free transactions. Some banks have also reduced or abolished exception fees on accounts for eligible low-income earners and pensioners.



## DEEMING ACCOUNTS

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A 'deeming account' is an everyday transaction account designed to provide pensioners or people over 55 years of age and retired with an account which reflects the Federal Government's deeming rules.

The Federal Government sets – or deems – interest rates for pensioners and recipients of certain allowances, which it uses to assess income under the pension income test and allowance income test. Banks use this deemed interest rate as a guide for setting the interest rate for their deeming accounts. For more information on deeming, go to the Centrelink website at [www.centrelink.gov.au](http://www.centrelink.gov.au).

### TIP: Shop around

Things to consider when you shop around for a bank account:

Put together a checklist of what's important to you.

- **Features** – free, limited or unlimited transactions account, transaction or withdrawal fees, exception fees; interest rate; minimum opening balance; minimum account balance; periodic payments.
- **Services** – electronic banking (Internet, telephone, mobile), direct debits, overdraft facility, cheque facility, overseas transactions.
- **Additional** – fraud and security protection, complaints handling, financial counselling, convenient location, hours of operation, disability access and services.

Visit different banks or go online via the bank websites and find out about the different products on offer. For example, ask about fees on your transaction account and how these fees might be impacted if you open a high-interest savings account. Or check the best interest rate available when you're about to renew your term deposit – don't just let it roll over.

## OPENING A BANK ACCOUNT

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Opening a bank account is easy as long as you know what to expect – just be ready to complete the required steps and be prepared to provide the necessary information.

You can open a bank account by going to a branch of the bank. Opening a bank account at a bank branch means you need to go during business hours. Or it may be possible to apply for your account via the Internet or over the telephone. Opening a bank account via the Internet means that you can do it at any hour of the day.

When you open a bank account for the first time, or with a new bank, you must provide the bank with some information. Banks don't open bank accounts without certain information which proves you're who you say you are. The customer identification check is important to protect you against someone fraudulently using your identity and for the bank to make sure they comply with their regulatory obligations and protect it against risks.

When you open a bank account you enter into a contract with the bank, and therefore you should know what you're getting into. Before a bank can open your account, you'll have to agree to abide by certain terms and conditions and accept responsibility for certain actions.



## FACT SHEET

There are four steps to opening a bank account:

### **Step 1: Read the product information**

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Before you open a bank account you should read the product information, including terms and conditions, product features, and fees and charges.

### **Step 2: Complete an application form**

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Whether you open an account online or over the telephone or in a bank branch, you'll need to complete an application form. To complete the application form, you'll need to provide certain details about yourself as well as provide identification documents. Completing an application form usually doesn't take very long, sometimes only around 10 minutes. Some banks can verify your identification documents without you needing to go into a bank branch. Other banks will need you to present your identification documents before the account can be activated.

### **Step 3: Have your application processed**

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Once your application form has been received, the bank can start to process your application and open the account for you. Depending on the type of account you want to open, it can take around 5-10 business days for all your information to be received, checked and verified by the bank. If you're an existing customer of the bank, an account can usually be opened more quickly.

### **Step 4: Start banking**

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Once your application has been accepted, the bank will activate your account and advise you of the account details so that you can transfer your money into the new account. Now you can start banking. Once your account is active, you can then apply and register for telephone and Internet banking.

## USING A BANK ACCOUNT

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There's more to choosing the right account than just knowing about the types of accounts on offer and their different features. You need to know how you'll be able to get cash, check your balance, manage your accounts, and pay bills.

## MAKING DEPOSITS

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Deposits into your account are likely to be of two kinds:

- Regular deposits, such as your salary or wages, or government benefits.
- Other one-off deposits you make from time-to-time, such as non-regular income.

Most people have their salary or benefits paid directly into their nominated bank account. To do this, you'll need to provide your account details to your employer, or the relevant government body. You may also provide account details to other parties, such as Medicare or your private health fund, to receive medical benefits, or to companies or institutions you have investments with, to receive dividends, rental payments and other income.



## FACT SHEET

You may also make other deposits – perhaps a cheque from selling something, or money you've received as a gift. If you deposit a cheque, you may have to wait several business days for the funds to clear and be available in your account.

### MAKING WITHDRAWALS

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Withdrawing cash from your account can happen in three ways:

- You can make a withdrawal at a branch of the bank.
- You can use the debit card that is available with most accounts to make a withdrawal from an ATM.
- You may also be able to withdraw cash when you make an EFTPOS payment. An EFTPOS payment means using your debit card to pay for goods or services, for example, your groceries at the supermarket.

### MANAGING YOUR ACCOUNTS

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With a range of transactions, both into and out of your bank account, it's important to keep track of what's happening. Your bank will issue you a statement on a regular basis, detailing what has happened in your account since the last statement. You can see your deposits, withdrawals, and transfers, and any bank or other fees that have been charged.

Depending on your account, you may receive your statements monthly, quarterly, or at some other interval. You can usually nominate whether you want to receive your statements in paper form, or online. Choosing the online option means you receive your statement faster, and there is no danger of it going astray in the mail – and it's environmentally friendly. It's a good idea to keep a copy of your statements to help manage your finances, and to refer to when it comes time to do your tax return.

Some banks allow you to request specific information regarding your bank account, such as account balances, deposits, and withdrawals, to be sent to you automatically via SMS or email. Daily alerts can help you keep track of your accounts. You can set up notifications to receive the information you want to receive, such as when a deposit has been cleared or when your account balance reaches a certain amount. Account balance alerts can help you avoid overdrawing your account. You can also be notified of suspicious activity.

### PAYING BILLS OR MAKING REGULAR PAYMENTS

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Most bank accounts offer lots of easy options for paying bills.

If you make regular payments, such as utility or phone bills, insurance premiums, memberships or subscriptions, or mortgage or loan repayments, you can set up a direct debit, in which case the payment is automatically deducted from your account.

Other options include paying your bills electronically, using either Internet or telephone banking. Electronic payment services, such as BPay and POSTbillpay, also enable you to pay your bills at any time.

If your account offers a cheque facility, you can pay bills by writing a cheque.



FACT SHEET

ACCESSING YOUR ACCOUNTS

Nowadays, you can access your bank account at any time, and in many different ways, which don't involve you going to your bank. Banks are always looking at ways to better respond to customer needs, while the fast developing world of technology and telecommunications is continually opening up new possibilities (for example, some banks now offer mobile phone banking). It's a good idea to ask your bank about the options that apply to the accounts that you're interested in.

OPTION	
<b>Branch (over the counter service)</b>	Over the counter services are available at bank branches or bank agencies. Bank staff can help you make deposits or withdraw cash over the counter, and give you information, such as your current account balance, transaction history, fees and other charges, and details of the interest rate and terms and conditions.
<b>ATMs (Automatic Teller Machines)</b>	You can use your debit card to withdraw cash from your bank account, get your account balance and transfer money into other accounts. At some ATMs, you can also deposit cash and cheques.
<b>EFTPOS (Electronic Funds Transfer at Point Of Sale)</b>	EFTPOS terminals can be found where goods or services are sold (for example at supermarkets, petrol stations, shops and restaurants). You can pay for goods and services through EFTPOS by using your debit card, rather than paying with actual cash. At some stores, when you use EFTPOS you can withdraw cash from your account at the same time.
<b>Telephone banking</b>	If you're registered for telephone banking, you can transfer money or make payments to and from accounts, get your account balance, get recent transaction information and pay bills.
<b>Internet banking</b>	If you're registered for Internet banking, you can login to your account to check your account balance, review recent transactions, view your account statements, transfer money, make or schedule future payments, pay bills, open a new account or apply for a loan or credit card.
<b>Bank@Post</b>	Bank@Post™ is an agency banking service offered at many Australia Post outlets. If you bank with a participating bank, Bank@Post allows you to use your debit card or credit card at the post office to perform transactions, such as deposits and withdrawals, account balance enquiries, and pay bills.

For more information about obtaining and managing credit, refer to 'Smarter Banking: Make the most of your money' booklet at the ABA website [www.bankers.asn.au](http://www.bankers.asn.au).

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