

## DEATH BY A THOUSAND (RATE) CUTS

### Australians hit with 1,479 sneaky cuts to savings accounts and term deposits, in the last six months

- Australian savers missed out on approximately \$1.6 billion in the last six months, with banks hacking away at savings rates
- There's still competition for your savings, most competitive rate on offer 1.75% compared to 0.65% average
- Westpac offering a savings rate of 3.00% for under 30's

**4 September 2020:** New analysis by comparison site Mozo.com.au has found that Australians have been hit with a whopping 1,479 cuts to savings accounts and term deposits in the last six months. The news comes off the back of Commonwealth Bank dropping their special rate on their NetBank Saver account by five basis points on Thursday last week.

While many customers won't notice a 0.05% drop in savings, which is relatively minute in the scheme of things, the cut points to a wider trend of plummeting interest rates as savers are subjected to an unrelenting number of cuts. In August 2019, the average ongoing savings rate was 1.15% - a year later, it's a meager 0.65%.

In the last six months, the Mozo database has recorded 257 rate cuts to bank accounts, 635 rate cuts to savings accounts, and 844 rate cuts to term deposits. Those numbers don't even factor in kids or business accounts.

"As mortgage holders enjoy record low-interest rates, it's no secret that the banks need to find other ways to remain profitable - and taking from Australian savings accounts is an easy way to ensure the books stay nice and plump. By hacking away at the interest rate over the last six months, Australian savers lost out on approximately \$1.6 billion<sup>1</sup>," says Kirsty Lamont, Mozo Director.

"While you'd be hard-pressed to find a savings account or term deposit rate which hasn't been cut in the past six months, savers may be surprised to learn that there is still a sizable difference between your average and most competitive ongoing interest rate. At present, the average rate is 0.65% while the most competitive rate is 1.75% with Australian Unity or 3.00% for under 30-year-olds with Westpac."

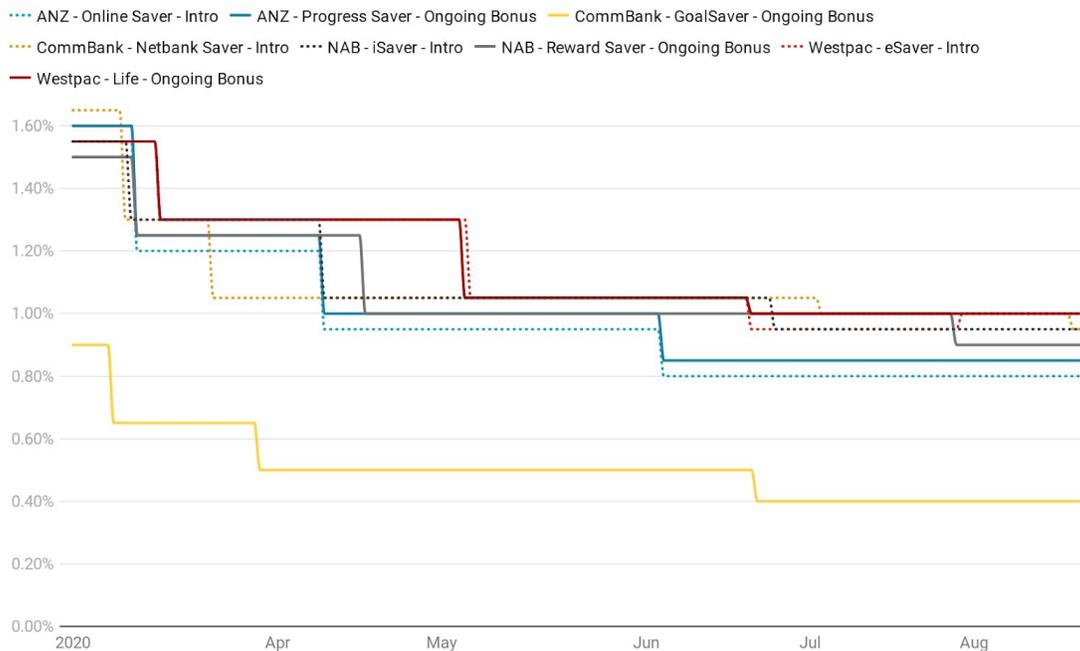
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<sup>1</sup> The average ongoing savings account rate in the past 6 months has dropped 32 basis points, from 0.97% to 0.65%. With rates so low, many Australians have given up chasing the best rates offers available, however the reduction is still significant for the Australian economy as a whole. The 32 basis point drop, applied to the \$1.03 trillion in household deposits nation-wide, *represents* a difference of \$3,328,345,445 or \$3.3bil in interest payments made to Australia over 12 months, which is \$1.6bil over 6 months

Looking at the big four banks' savings rates, there's been a steady decline in savings interest rates. From March 1, 2020, the average ongoing savings account rate with a big four bank has fallen from 0.57% to 0.32% today. Which, on a balance of say \$10,000 over three years, equates to a loss of \$25 in interest over 12 months.

### Big 4 Personal Savings Rates

March to August, 2020



Rates displayed at a balance of \$10,000  
 Source: Mozo • Created with Datawrapper

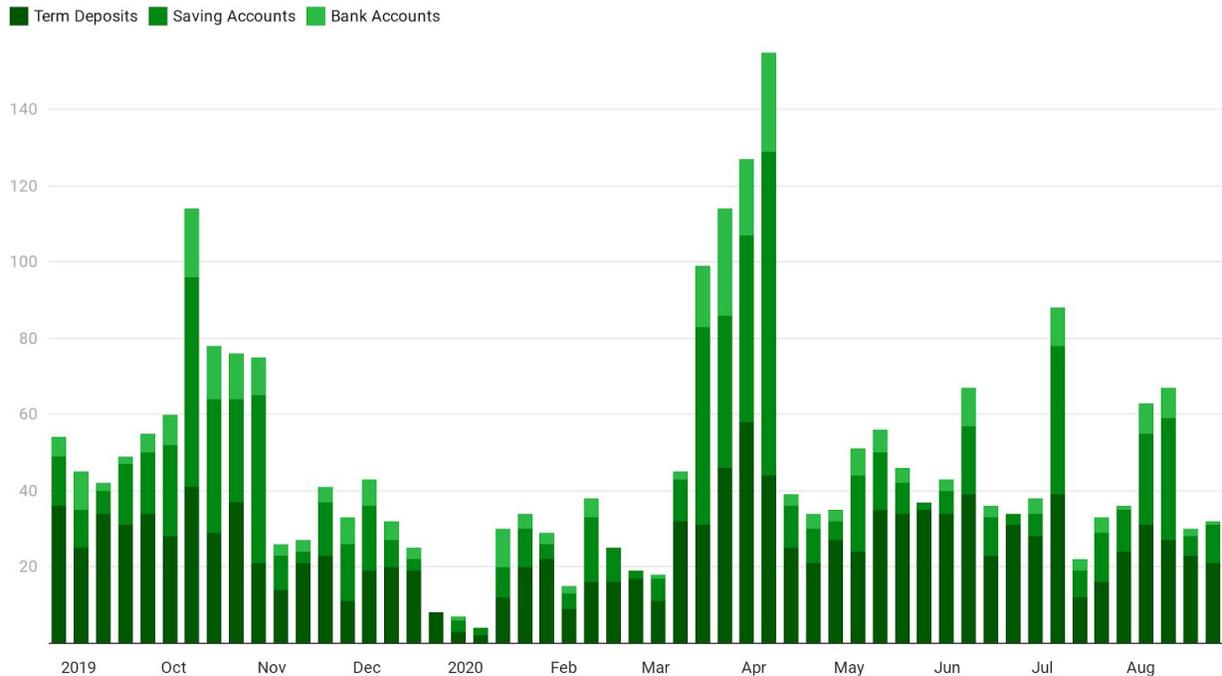
With approximately 80% of Australians bank with the big four, their rates are not stacking up as the most competitive in the market, with the exception of Westpac who offer a decent 3.00% on their Life account for 18-29-year-olds. As the graph illustrates, if you park your savings with one of the big four banks you'll be getting a rate between 1.00% and 0.40% at best, and these rates have been steadily falling since March. If you don't meet the conditions, you're looking at a base rate between 0.10% and 0.01% from each of the big four.

“With COVID19 presenting a lot of uncertainty about the future, many Australians are squirreling money away. In fact, as a nation, we just hit the one trillion dollar mark in savings and everyday accounts. As a nation, we're prioritising saving, so be sure to get the most competitive offerings on the market. It will positively impact your savings,” says Lamont.

“The best ongoing rates are currently 1.75% with Australian Unity or 3.00% for under 30-year-olds with Westpac. You could also nab a competitive intro rate of 2.20% with Heritage

Bank. As far as term deposits, Judo Bank is offering a 1.30% rate which is the best 12-month term on the market.”

### Deposit Rate Cuts, Aug 2019 - Aug 2020



Number of rate cuts per week recorded in the mozo.com.au database, personal accounts only  
 Source: Mozo - Created with Datawrapper

For more information on competitive savings, visit: <https://mozo.com.au/savings-accounts>

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**Notes on research:** All bank rates have been sourced from the Mozo database as at 25/8/20. The Australian trillion dollar figure was sourced from APRA and can be found here.