



METHODOLOGY

SAVINGS AND TRANSACTION ACCOUNT STAR RATINGS

October 2020

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, savings accounts 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

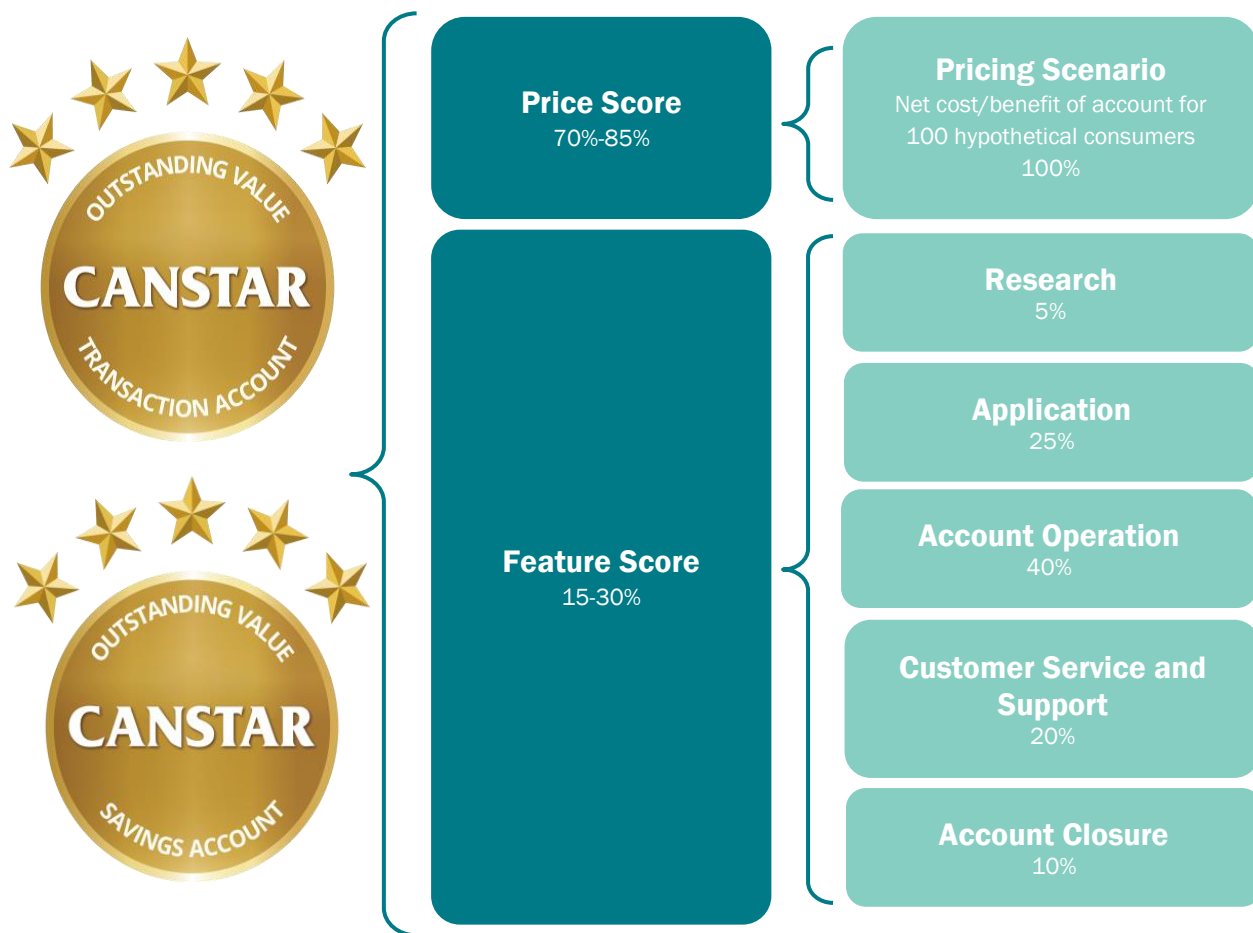
Canstar recognises that deposit account users have different needs in terms of saving and transacting. Hence the Canstar Savings and Transaction Account Star Ratings methodology has been designed to reflect a range of transacting and savings styles. The star ratings methodology differs for each customer 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
Flexible Saver	Customers looking to maximize their savings with no restrictions. To be eligible, the account must offer a base (plus promotional) interest rate of 0.05% on a balance of \$25,000.
Regular Saver	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 0.25% or higher on a balance of \$10,000.
Senior Saver	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 0.5% or higher on a balance of \$50,000.
Junior Saver	These accounts are designed specifically for children (under 12s) to help teach financial literacy and get into the habit of saving regularly.
SMSF Saver	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 0.5% or higher on a balance of \$25,000 and be available for self-managed super funds.
Low Transactor	Requires full access to the account including ATM, EFTPOS, bill payments (i.e., Bpay, direct debit), in-store purchasing (i.e., at POS) and conduct an average of 10 transactions per month.
High Transactor	Requires full access to the account including ATM, EFTPOS, bill payments (i.e., via Bpay, direct debit), in-store purchasing (i.e., at POS) and conduct an average of 60 transactions per month.
Youth Transactor	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.
Senior Transactor	Accounts available to retirees and requires full access to the account including ATM, in-store purchasing (i.e., at POS), branch access, 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	60%	40%
High Transactor	60%	40%
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 Saver¹	18	\$25,000	\$0 to \$30,000	✓	×	✓
Regular Saver²	12	\$10,000	\$5,000 to \$15,000	✓	✓	×
Senior Saver	12	\$50,000*	\$25,000 to \$75,000	✓	×	×
Junior Saver³	24	\$500	\$250 to \$750	✓	✓	×
SMSF Saver⁴	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 \$51,800 which reflects the deeming rate tiers set by the Minister for Social Services.

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

²\$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.

³\$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.

⁴\$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	60	15	10
Avg. Balance	25,000	10,000	51,800	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
Withdrawing cash from an ATM*	-	-	-	-	-	15%	10%	5%	20%
Transfers to other accounts**	100%	100%	100%	100%	100%	20%	20%	20%	30%
Making in-store purchases (in-store, online)***	-	-	-	-	-	40%	45%	75%	25%
Paying bills****	-	-	-	-	-	25%	25%	-	25%

* Split of 50/50 for cash deposit and withdrawals in branch. 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.)

**40% of transfers are within own institution, 40% are Pay Anyone and 20% are transfers through direct debit.

***Split of 80% to Paypass/Paywave and 20% to EFTPOS if Paypass/Paywave is available. Otherwise EFTPOS will make up 100% of the cost. Some financial institutions provide rebates or "cashback" for use of Paypass/Paywave, to calculate the eligible rebate that will be applied to a consumer's account, it is assumed that the average eligible contactless payment is \$20.

****Considers the minimum cost of either BPAY or transfers through Debit Card and uses the least of both options.

Feature score

The feature score is designed to consider the customer journey, and how the product is used from start to finish. The following table breaks down the main stages of a customer's journey with savings and transaction account:

Categories	Weight
Research	5%
Application	25%
Account Operation	40%
Customer Service and Support	20%
Account Closure	10%

Research

Beginning of customer journey, involves the customer researching the account. The research category considers available information provided by the institution, and ease at which this information can be accessed.

Categories	Weight
Research	5%

Application

The Application stage of the customer journey considers the identification of the customer, the opening procedures and application channels. Also considered within the application category was the conditions that need to be met to open the account and the onboarding procedures once the account is active (e.g. how long it takes to receive the card, access to instant digital cards, etc).

Categories	High / Low / Youth / Senior Transactor	Flexible / Regular / Senior / Junior / SMSF Saver
Account Opening	40%	60%
Account Opening Conditions	20%	40%
Onboarding	40%	-

Account Operation

The Account Operations category considers the usage of the product reviewing an accounts transaction options, interest conditions, and account management. Transactions considers payment options and flexibility in making those payments. Interest conditions reviews the conditions that need to be met to obtain the interest payable, and how the interest is paid. Account management considers an accounts everyday usage, this includes managing debit card pins online, budgeting tools, and transaction history options and access.

Categories	High / Low / Senior Transactor	Youth Transactor	Flexible / Regular / Senior / SMSF Saver	Junior Saver
Transactions	50%	50%	20%	20%
Point of Sale	20%	30%	20%	30%
Transfers	20%	20%	40%	40%
Bpay	20%	20%	30%	-
Staff Assisted	10%	10%	10%	20%
Cheques	10%	-	-	-
ATM	10%	10%	-	10%
ATM access	50%	50%	-	50%
ATM Transactions	50%	50%	-	50%
Overdrawing Facilities	10%	10%	-	-
Interest Conditions	-	-	50%	50%
Account Management	50%	50%	30%	30%
Card Management	25%	25%	-	-
Budgeting Tools	10%	10%	30%	30%
Statements and History	25%	25%	20%	20%
Alerts and Notifications	20%	20%	30%	30%
Security	20%	20%	20%	20%

Customer Service and Support

Customer service and support considers available communication options such as call centres and online chat. Branch availability is also taken into account. This category also takes into consideration tools and resources available to juniors under the age of 12.

Categories	High / Low / Youth / Senior Transactor	Senior / SMSF Saver	Flexible / Regular Saver	Junior Saver
Branch Availability	25%	40%	-	50%
Contact	75%	60%	100%	50%

Account Closure

This category represents the end of the customer journey and considers ease of closure and management of product after the closing of the account, e.g. availability of statements and access to transaction history after closure.

Categories	Weight
Account Closure	10%

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 if you would like to view the latest star ratings reports of interest.



- Account-based pensions
- Agribusiness
- Business banking
- Car insurance
- Credit cards
- Deposit accounts
- Direct life insurance
- Health insurance
- Home & contents insurance
- Home loans
- Managed investments
- Margin lending
- Online banking
- Online share trading
- Personal loans
- Reward programs
- Travel insurance
- Youth banking

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