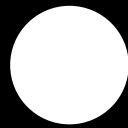




Financial **SAFEGUARD**



SAVINGS: BANKING PRODUCTS



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Words and meanings •

Bank

A bank is more than just a place to save money.

A bank is an institution. Banks make and receive payments on behalf of their clients. Banks accept deposits and offer loans and different types of banking products to clients.

Interest

The fee paid for using other people's money. If you are borrowing money, it is the cost you pay for using other people's money. If you are lending money, it is the amount you get paid for someone else using your money.

Compound Interest

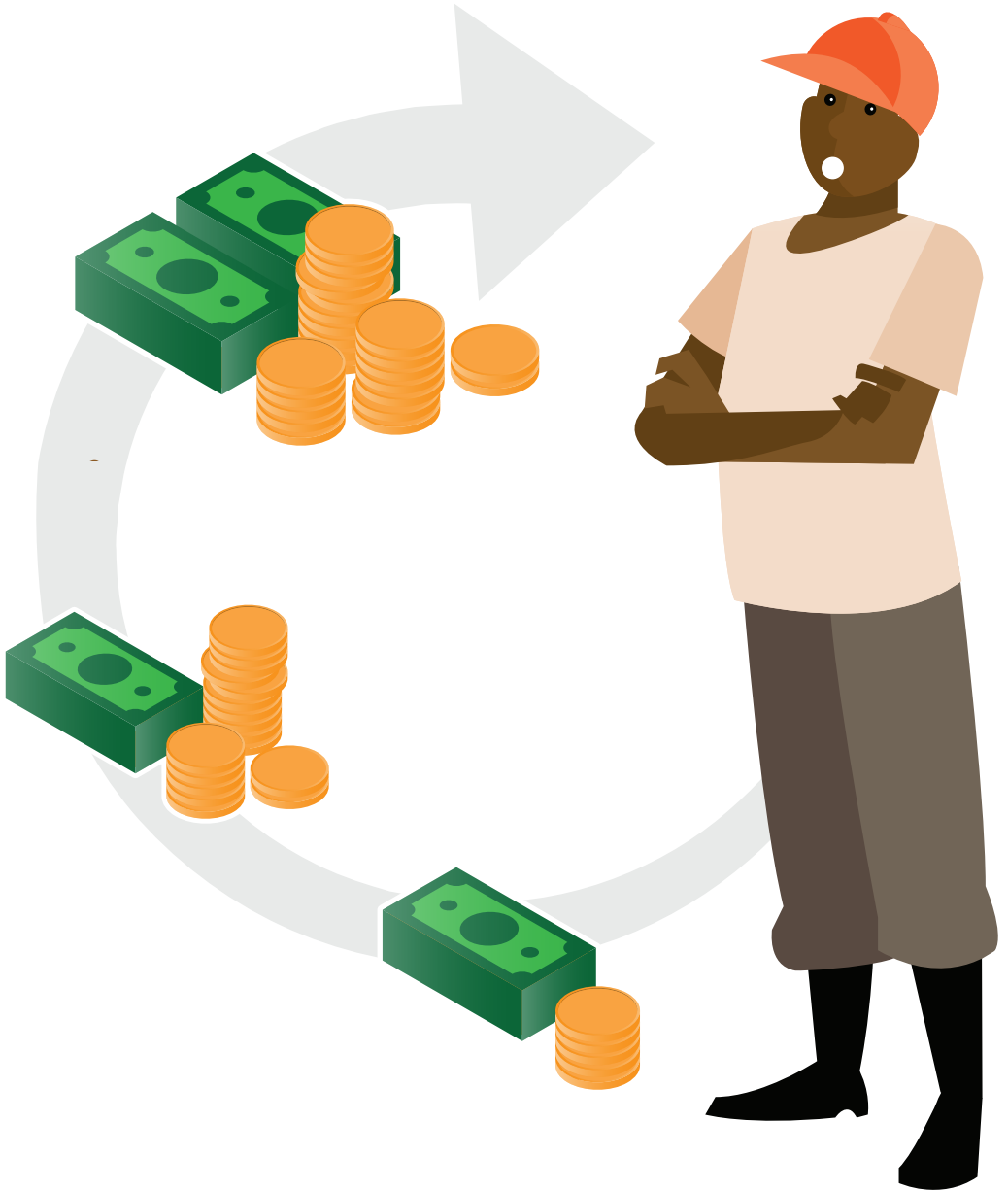
Fee that is calculated not just on the initial amount of money borrowed/lent but also on the accumulated amounts paid from previous repayment periods.

Save

To put money away which can be used later. For example, you can save your money in a savings account at the bank. You can also save money by putting extra money in your money box.

Investment

When you put money into an investment product for a specific time period. You do so in order to make more money than you originally invested. Investment products include shares, property or unit trusts.



Banking products ●

All around the world, banks offer basic banking products and services, such as:

debit cards

money transfers

access to ATMs

branch and internet banking

basic bank accounts, e.g. current / cheque accounts

investment products, e.g. fixed deposits, money market products and savings accounts

banking products, e.g. car and home loans/personal loans

The difference between banking products and banking services:

In banking, a product is a packaged offer made by the bank. It is structured in a specific way, it is aimed at specific target audiences and has a price tag. This product becomes a service when you make use of it.

For example, a loan would be a product that is advertised and 'bought' and the service would be part of a product during the actual delivery of the product .

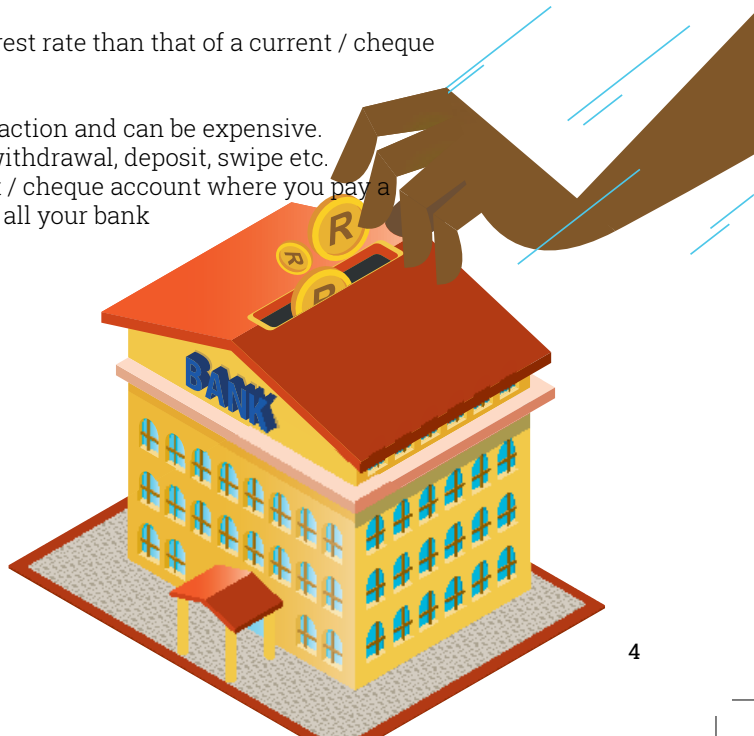


Current / Cheque account

- Designed for everyday transacting
- Low-interest rate
- Requires minimum balance
- There is a monthly management fee
- Other fees applicable
- Overdraft available

Savings account

- Designed for savings
- You have a higher interest rate than that of a current / cheque account
- No minimum balance
- Fees charged per transaction and can be expensive. E.g. a charge for each withdrawal, deposit, swipe etc. as opposed to a current / cheque account where you pay a monthly bundle fee for all your bank fees and charges



Banking services ●



Tax free savings account

- No tax is paid on your savings or investment up to R33,000 per tax year and R500,000 in a life time.
- If you exceed the investment amount above the limit, for example, if you saved R43,000, you will not be taxed on the first R33 000, but you will be taxed on the amount above R33,000. You will be taxed 40% by the South African Revenue Service (SARS) on the excess amount of R10,000.
- Long-term saving will get you the benefits of tax-free growth.
- You are able to withdraw your funds from your account but note that these funds cannot be replaced.
- You have immediate access to your capital as well as the interest earned on the amount saved.

NOTE: The basic amount changes each year.

Call account

- Immediate access to your savings.
- Unlimited withdrawals and deposits.
- The higher your balance, the higher your interest rate, the higher your interest rate the more your money will grow. Interest is calculated on your daily balance and re-invested monthly (you gain from compound interest).
- Most banks will only charge cash deposit fees on these accounts.
- Most call accounts have a minimum amount that you must deposit.



Fixed term deposit

- A specified investment timeframe of usually 3 months to 5 years stops you from withdrawing funds during the investment period; a forced savings account (the interest rate is fixed).
- The interest rate is higher than on a transactional account but lower than other investment options (e.g. property, shares, bonds etc.). You will earn more from it than a normal cheque account but less than you would for other investment options.
- You will know exactly what you will get back at the end of the term.
- You would have to deposit a minimum amount.
- You cannot add to the investment.
- Interest is usually paid out monthly, quarterly, annually or at the end of the investment period (on maturity).
- In an event the investor withdraws before end date, a penalty will be applied by the bank and you will be charged a fee.



Notice deposit

- Tiered interest rates which means that the higher your balance is, the higher the interest rate that you will earn.
- Interest is usually calculated daily and invested back into the same account (re-invested), so you benefit from compound interest.
- Your money is protected as you need to give the bank notice (usually 32 days) if you intend to withdraw part of or your full investment – thus forcing you to be a little more disciplined in your saving.

My banking products ●

Banking Products for me?

Think about your financial situation, what banking product do you think would best suit your needs.

A large rectangular area with horizontal dashed lines for writing, containing a thought bubble illustration.

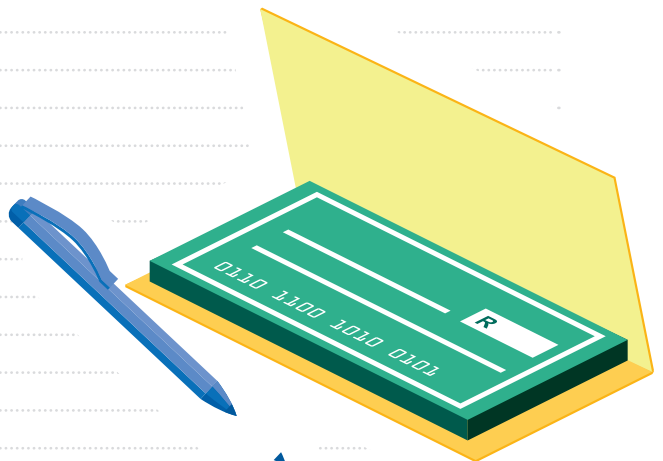
A thought bubble illustration with a blue, textured background. Inside the bubble, there is a yellow building with a red roof and the word "Bank" on its facade. To the left of the building is a white padlock icon inside a blue circle. To the right is a red flag with white stripes and the word "NOTICE" written on it.

Remember you might require more than one of the banking products, for example:

If you are saving for a car you might want to put your bonus into a fixed-term deposit and have a cheque account for your day to day transactions.

Notes •

other notes



Notes •





Questions



Answers

1. Do all banks offer the same products?

All banks have variations of similar products and generally refer to them by their own branded name. These accounts are referred to as transactional accounts.

2. What is a tax-free savings account?

Tax-free savings accounts were approved by the National Treasury on 1st March 2015 to encourage South Africans to save more. These accounts range from savings accounts and fixed deposits to unit trusts and endowment policies.

3. What is a call account?

A call account offers the advantages of a savings and a current account and is good for funds that you may need in the future. Individuals, as well as businesses, can open a call account.

4. What is fixed-term deposit?

A fixed-term deposit is an investment account which allows you to invest a lump sum of money within a predetermined timeframe. The investor cannot access the funds before the end date, in an event that the investor withdraws before the end date, a penalty will be applied by the bank and you will be charged a fee.

5. What is notice deposits?

A notice deposit is an investment account that allows you to deposit a single large sum of money or make smaller investments as you please during the month. In order to withdraw the money without paying a penalty you need to give notice to the financial institute a certain number of days before you do so. You can set the duration of that notice period; it's typically between 7 and 32 days.

Banking Products



The purpose of this booklet is to help you understand the different banking products that the banks offer. It will also help you decide which banking product will best suit your financial needs and goals.



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