



Money for nothing

What do banks do to justify all those fees? Who cares? Finance Editor Susanna Stuart says you can beat them at their own game

IF YOU SAW A DOLLAR on the footpath, would you pick it up or keep on walking? That's a question I ask clients in case they brush off the importance of those small fees that eat into our cost of living. They're everywhere – from booking fees on tickets to the surcharge that taxi drivers charge when you use a credit card. And then of course, there are bank fees.

Bank fees never seem that significant but you'd be surprised how they add up. Yet it is possible to save good money through savvy practice on your part and even a spot of negotiation.

Banks have to make a living, of course, and they do this by paying you less interest than they charge, by creaming off a margin in foreign exchange transactions and through direct fees

– often for over-the-counter transactions that could be done at an ATM. But here are six ways to avoid unnecessary costs.

1. Find lower-fee bank accounts

Your fees can be reduced by changing your banking habits, or by finding an account that offers a better fee structure. If you do a lot of banking, then a flat monthly fee may be the way to go. If you are a superannuitant, or a student, you can benefit from accounts that attract reduced fees.

2. Break those bad banking habits

Make a lot of over-the-counter transactions? Use the ATMs of other banks? Worst of all: Use your credit card to get cash? Smarten up your banking style – especially your cash withdrawals. Avoid “foreign” ATMs and get cash out during your Eftpos transactions.

3. Go online

Banks encourage us to make online or ATM transactions to save costs, so they deliberately set these fees lower. The National Bank charges me a monthly online fee – albeit only \$1 per month – and limits my online payments to \$1000. Westpac's online service is more flexible, allowing me to make payments to IRD and other regular payees easily. Westpac's electronic bank account doesn't attract fees for any of the usual transactions, although there is an account maintenance fee.

4. Eliminate overspending

If you have a tendency to overdraw your account then you are probably paying whopping dishonour fees. Budgeting will help, but to be completely safe, arranging an overdraft facility will save money and embarrassment.

5. Take care with foreign currency

Want to get cash for your trip to Sydney? Do you transfer money overseas? Fees in this department can be sizeable so it's worth making an effort to get the savings. The answer is to reduce the number of transactions and shop around for the best exchange rates. Making a telegraphic transfer costs \$25 each time, but by doing it online you can save \$5.

6. Check out the incentives

Most banks will reward you for putting all your business their way. For example, you might receive a reduced rate on your mortgage. BNZ's TotalMoney service goes a step further by grouping family members' accounts together, which means the same interest rate applies to everyone, even those with the smallest account in the group.

Going online appears to be the best way to reduce bank fees, with the bonus of also being faster and more convenient. Shop around to find what suits you best.

My partner sends regular money to a school in Cambodia and by shopping around we managed to get a cost-effective deal through ASB Bank, including cheaper telegraphic transfer fees. The savings we made meant we could buy more books for the school. Every dollar counts in this case! 