

2015

AWARD
REPORT



Youth Banking and
Education Award



Youth Banking & Education Award

May 2015

Foreword

Sharing your life with children adds overwhelming joy and purpose to your existence. At least that's what I'm told. I am as yet to experience it but I'm happy to enjoy the company of my very small niece and nephew who think their uncle is the greatest because he gives them cool things like a bashful bunny and Lego.

As all parents will know spending on kids is a given, but thinking further down the track, we don't want them to fall into any financial holes during their lifetimes. We've all seen the results of people making poor financial choices and we don't want our loved ones derailed in a similar manner. That's why it's vital that education on all things money-related starts young. My sister incentivises saving through money bonuses when goals are achieved but she also teaches money discipline by not giving in to the various requests if they don't have enough money for that new toy or football jersey.

Parental guidance and teaching is essential but financial institutions, too, have a responsibility in this area. After all, these are customers of the future. Three banks in New Zealand offer school banking programs which can be a great way to teach kids the basics of money and banking. For the Youth Banking Award we have assessed 6 banks in terms of what each offers in the way of savings accounts to both younger savers (under age 12) and older savers (those aged between 12 – 17) to award our annual Youth Banking and Education Award.

We hope you enjoy reading this report.



Mitchell Watson
Research Manager

CELEBRATING THE NEXT GENERATION



It's Youth Week in New Zealand (May 23-31) and with 734,000 primary and secondary school students coming through the ranks, there's never been a better time to focus on the leaders of tomorrow. Vibrant, optimistic, creative: the depth of talent is remarkable.

From CANSTAR's point of view basic financial literacy is a necessity in order to progress through the maze of life. Teaching kids about the everyday value of money is one of the most important things a parent, school and financial institution can do as a lack of knowledge in this area can lead to poor financial decisions later on. These can hamper progress or halt it completely. That's why starting early with children and teaching them about money in a simple and fun way really is an essential life skill. You'll soon discover financial literacy is a journey that is constantly evolving, according to the kids' ages and understanding.



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“Ara Taiohi Youth Week is about recognising the amazing contributions and achievements of young people in New Zealand. The week inspires us to value, support and affirm the diversity of young people in our society.”

so they start to see the bigger picture. Realising that whatever you buy costs money is a valuable lesson that is reinforced if you use cash as much as possible when shopping with your kids. Using EFTPOS, online shopping and contactless payments tends to mask the value of money to the kids.

The first year or two of starting school is an ideal time to start the routine of doing chores for pocket money. This rolls into encouraging your child to save regularly – either through a school banking program or the piggy bank.

Encouraging regular savings is rewarded when you allow the child to choose how to spend their pocket money. This also leads to conversations about what a certain item costs and how long it will take to save up the money for that item.

Be mindful that your own attitude to money will rub off on your children – after all, kids learn a great deal by observing their parents! Suffice to say that as a parent the best thing you can do is to get your own house in order before dictating financial terms to kids.



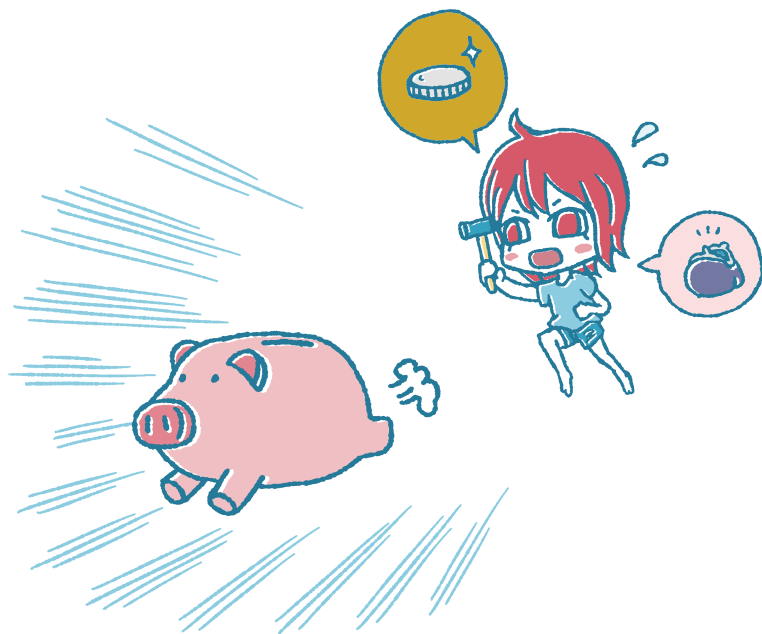
If only the piggy bank could talk it most certainly would say that it is not the only educational tool you should use

with your kids. Yes, the piggy bank provides an introduction to money and finance and it does instil the principle of saving, but it falls short by not giving kids the chance to get a taste of the real world of money. This requires more than simply putting some money away in a box or even a bank.

Educating kids about money starts as soon as you feel the child is ready to learn by increment.

Making money visible is essential for the under-12 age group

As the kids get older and have a better grasp of financial skills, so the lessons ramp up a notch. Helping them set savings goals - short or long - promotes a good sense of budgeting. By this time they can also be introduced to the word of card transactions, as well as automatic debit and credit.



Involving older children in “selected” family budgeting decisions is a great way to get the message through about the cost of things such as extra-curricular activities or family holidays. Living within your means is a huge lesson, particularly when the temptations of smartphones and tablets kick in. Don’t be tempted to give in to pester power, let alone pick up the shortfall for technology-related overspending! This is part of their learning, too.

Here come the tweens and teens who may think they know everything. You can still guide them, though, towards making sensible money decisions that will benefit them now and into the future.

The idea of autonomy will come into their psyche and that includes spending freedom. With a good grounding in their earlier years, they’ll be ready for their own EFTPOS card and some spending responsibility in terms of budgeting for clothes and gadgets. Compiling a joint budget and transferring that regular amount to an EFTPOS-linked account will further reinforce their money management skills.

Make sure they understand the cost of credit and that it’s not just “free money”. Credit cards are not an option for your children at this age but teaching them in advance about the potentially high cost of using credit may help them stay out of financial trouble further down the track.

Getting a part-time job is a great confidence builder and also cements the concept of earning their own income. It will teach

children another valuable lesson - that they are not always the center of the universe. Working within a team of others under instruction, as well as navigating workplace dynamics, sets them up for future success.

Lastly, the dreaded subject of online security should be thoroughly explored. Now, more than ever, kids need to learn how to stay financially safe online. Netsafe has fantastic information and advice on keeping secure and avoiding scams. Many Kiwis - both adult and teens - use their smartphones for their banking needs. In NetSafe’s recent Smartphone Security Report, though, more than 1 in 4 Kiwis admitted to losing a mobile phone. Here are netsafe’s tips for protecting your digital device:

1. Lock your smartphone via a pin, password or complex swipe.
2. Investigate security software that lets you find, lock, wipe or disable your phone
3. Consider installing anti-virus software
4. Keep your operating system up to date
5. Be cautious about what apps you install
6. Jailbreak at your own risk
7. Backup your device and the data stored on it
8. Consider the risks of using free Wi-Fi
9. Don’t click on links or open attachments you weren’t expecting
10. Be wary of sharing your smartphone with others
11. Be alert to your smartphone behaving oddly
12. Securely erase personal information before reselling or recycling

BANK ACCOUNTS: WHAT YOU SHOULD LOOK FOR

The banking needs of Juniors under 12 years of age are, naturally, quite different to those of siblings in their early teens. There are nevertheless some common indicators of outstanding value, including:

2 Distribution

Easy access to branches and ATMs are also important to encourage children to make banking a regular part of their routine. For the older age group (over 12) CANSTAR also take online banking scores into account.

3 Account design options

Can kids personalise their accounts, set up sub-accounts and set up regular savings plans? Kids are digital natives; they want personalised design options.

4 Provision of education materials

A key feature of providing a junior/youth banking program is the provision of interactive games, information and support for parents, supporting tools and material. As such, CANSTAR assess the educative website resources that are available as well as other resources for use by parents and teachers.



1 The interest rate on offer

An important factor in teaching our youth to save is to reward them for doing so – by way of a competitive interest rate. In addition to the interest rate, we take into account any fees that do (or hopefully do not) apply to the youth account.

In addition to the pricing, CANSTAR takes into account over 100 product features, including the following...

6 Online/mobile banking and security

Being a digital native means being online and our kids need security. We assess the online security protocols of the financial institutions as part of our research.



5 School banking

For the younger age group (under 12s) CANSTAR also look for the availability of and services provided by a school banking program. School banking is an excellent tool to help children learn to save.



Overall, CANSTAR has researched all main products, tools, website education, information and programs offered by 6 of New Zealand's leading financial institutions to pinpoint the most useful and comprehensive for parents and children. A copy of our methodology is attached to this report.

NOT ALL INTEREST RATES HAVE GONE UP

The NZ official cash rate has increased four times since the start of 2014, but not all kids' accounts have followed that rate movement upwards. In the rate stakes, it seems juniors are doing better than their older siblings. There are a few Junior Savings accounts have been paying a full percent higher than the official cash rate of 3.50% - although in the last couple of months we've noticed a slight dip in rates paid on these accounts. An added sweeter with Junior accounts is that they are fee-free for branch deposits and withdrawals!

Currently the average Junior Savings account is paying a total rate of 2.40%, which includes an average base rate of 1.45% and an average bonus rate of 0.95%. Maximum and average rates of interest on junior accounts at time of writing are as follows:

Type of account	Average base rate	Maximum base rate	Maximum inc. bonus rate
Junior Saver	1.45%	2.50%	4.30%

Teenagers, on the other hand, are not immune to low interest rates – welcome to the real world! This is mostly due to their accounts being fully transactional rather than purely savings-oriented. Even when the official cash rate increased to 3.50% in July last year, Youth accounts did not reflect that change and remain flatlined at an average rate of 0.78%. Currently the average Youth Savings account is paying an average base rate of 1.24%, however there are some good bonuses on offer.

All the accounts considered within the Youth Transactor and Youth Saver profile place a fee exemption for children 18 years or younger. Four out of nine accounts offer an interest rate, 2.25% being the highest rate and 0.50% is the lowest rate of those who offer interest. It is important to note that before committing to opening an account, youths should shop around for the best deal. An attractive account would offer a relatively high interest rate and charges no fees.



School banking programs are a fun, interactive and engaging way for young Kiwis to learn about money and develop good savings habits in primary and sometimes secondary school. The idea of kids banking their savings in a comfortable learning environment surrounded by their friends sets them up in a regular savings regime that will form the basis of their financial literacy. Banking at school also means busy Mums and Dads don't have to schedule a regular trip to a branch on behalf of their children.

School banking involves setting up a savings account with passbook through the provider of the service at the particular school. On school banking day every week, the kids simply

deposit money through a simple system of deposit envelopes and a dropbox or intranet service provided at the school. The kids are taught the fundamentals of money through easy, fun exercises that often involve specially created characters and costumes, naturally with rewards a big part of the educational program as the kids "save up" for whatever it is that they want to buy.

From a school's perspective, a school banking program also offers the chance to raise funds, typically by the school bank providing a school grant, or paying a commission based on the number of savings accounts opened, as well as a percentage of overall deposits. While the bank involved does provide some staff, teachers and parents also act as school banking co-ordinators.

Currently school banking in New Zealand is offered by:

- **ANZ**
- **ASB Bank**
- **Westpac**



Youth Banking and Education New Zealand



DUX OF THE SCHOOL

It's obvious that ANZ has been swotting up because this year they have overtaken everyone and gone to the top of the class with their suite of products and services for the junior and youth markets. We were impressed with the range of educational material offered by ANZ to teach the kids all about money, saving, spending and banking, in general. Savings and budget calculators are available and, of course, as the kids get older and have a better grasp of personal finances, they are taught about Kiwisaver, plus loans and credit. Newly-minted teenagers (14 years and over) are introduced to online banking and the more "sophisticated" products like ATM cards which they need for transactions.

ANZ's school banking program is currently operating in approximately 150 schools. It's not the biggest coverage but added to educational material provided to schools, as well as banking products designed for kids and teenagers, ANZ has the overall edge.

ANZ's school banking services have great offerings to engage children. This includes allowing children to deposit and withdraw at school, make account enquiries, rewards programs and goal rewards. Their rewards are customized for each school. Incentives include money boxes, vouchers and certificates.

The stand out savings and transaction account for children under 18 is the ANZ School Plus Account. The account offers an interest rate of 2% with no monthly account keeping fees or transaction fees. It is ideal for juniors who want to earn interest and to learn about banking and how to look after their money.

The Serious Saver Account is a great transitional account from juniors to youth. The account offers a standard rate of .10% and total rate of 4.10% earned when \$20 is deposited and no withdrawals are made during the month. Fee exemption is applied to those who are under 18 years old, otherwise a \$5 fee is incurred on automated and manual transactions.

CANSTAR congratulates ANZ Bank for winning CANSTAR's Best Value Youth Banking and Education Award in New Zealand.



CANSTAR Q & A

IN LIGHT OF THE WIN CANSTAR CAUGHT UP WITH ANA-MARIE LOCKYER, GENERAL MANAGER WEALTH PRODUCTS AND MARKETING, ANZ FOR SOME INSIGHTS INTO FINANCIAL LITERACY AND OUR YOUTH.

A: Knowing how to manage your money and save for the future is a key life skill. The earlier kids become familiar with financial concepts, the more likely they are to have a positive relationship with money in later life. It is also important given that more than 365,000 children are in KiwiSaver and improved financial literacy at a young age will help them start saving earlier, hopefully leading to a healthy first home deposit and a more comfortable retirement a very long time into the future.

Q: What are the benefits for kids in becoming financially literate at a young age?

Q: What opportunities does new technology have for enhancing kids' understanding of money issues?

A: Kids are using ipads and computers from a very young age. They are used for interacting with information rather than just reading words. Our websites, apps and social media communications channels all provide a more dynamic way for kids to learn more about saving and investing. Digital tools like our KiwiSaver calculator or ANZ goMoney app all provide opportunities for kids to learn about money in an interactive way.

A: The value of money is the first lesson – things cost money, they don't just come from Mum and Dad. This then leads naturally to the importance of saving to buy the things you really want – it is often more satisfying to buy something you have saved for and dreamed about for a while. This in turn leads to the basics of budgeting – learning that you can use some of your pocket money for sweets, but you can also save some for bigger purchases or treats in the future. More and more parents are now opening KiwiSaver accounts for their kids. Children also need to learn that there is money behind every purchase whether they can see it or not in our “cashless society”. It is important that when kids are allowed to press the green “ok” button at the supermarket to pay for this week's groceries that they know you still need money in your account to pay for this.

Q: What are some of the most important money lessons for children to learn?

Q: Is there one financial lesson that your parents taught you that stands out in your mind?

A: “Start putting away money early through school banking and part time work – that way you will have some when you need it”. This lesson led me to work hard and develop good savings habits so I had some funds for the wants in life, of which there are many.



METHODOLOGY

YOUTH BANKING AND EDUCATION NEW ZEALAND

What is the CANSTAR Youth Banking and Education – New Zealand Award?

The methodology for the CANSTAR *Youth Banking and Education – New Zealand Award* is a sophisticated and unique one designed to highlight financial institutions that provide the best combination of products and services across the youth banking sector in New Zealand. The award aims to give recognition to the institutions that offer quality deposit products as well as services to schools, parents and children alike for the purpose of promoting financial literacy.

The CANSTAR award represents a shortlist of financial products, enabling consumers to narrow their search to products that have been independently assessed and ranked.

How is the CANSTAR Youth Banking and Education – New Zealand Award Calculated?

To arrive at the total score, CANSTAR looks at two age brackets: the junior profile for children aged 12 and under, and the youth profile for teenagers aged between 12 and 17.



Junior
Under 12s

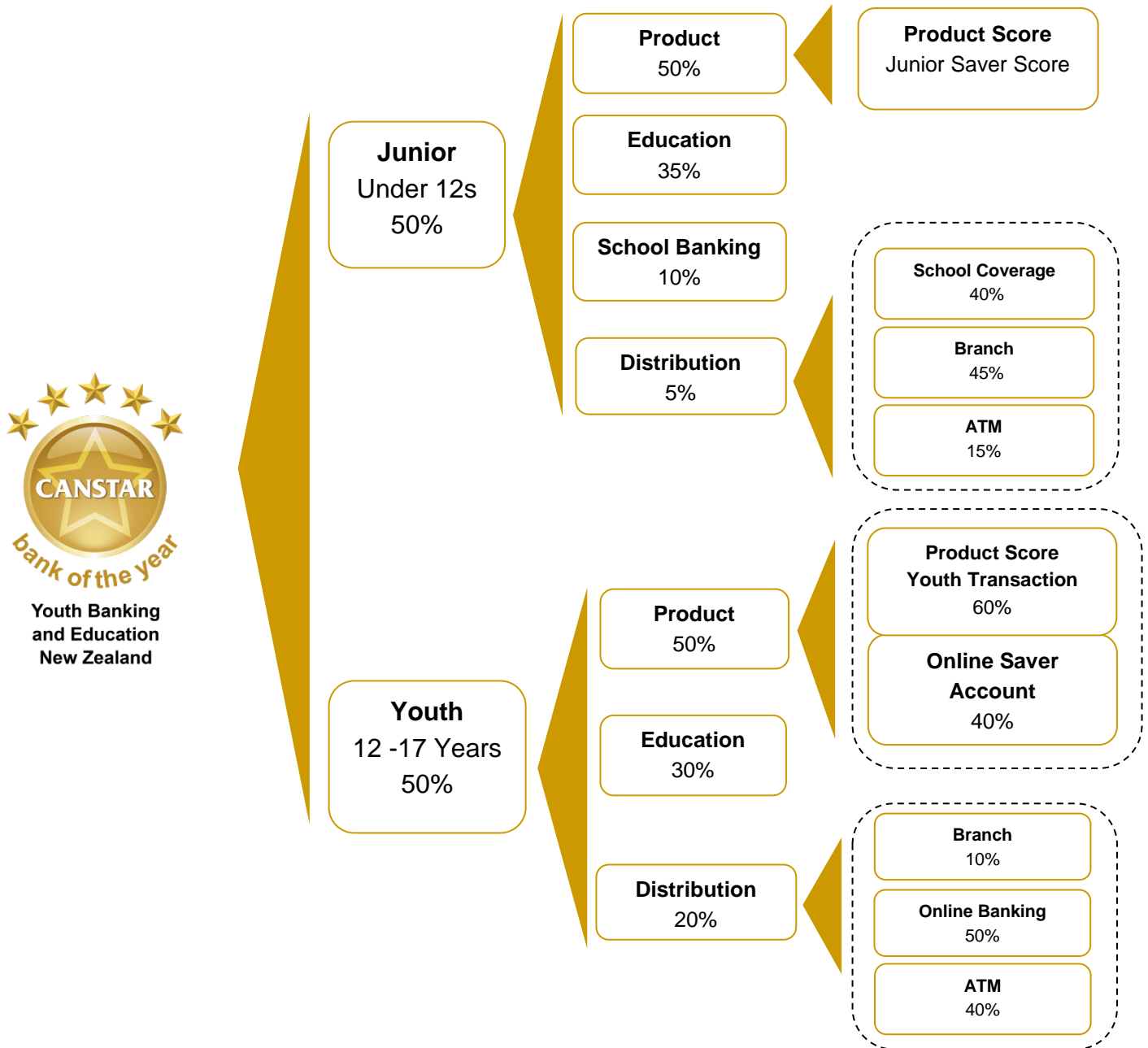
50%

Youth
12 – 17 years

50%

CANSTAR Youth Banking and Education – New Zealand methodology tree

While products make up half the overall score, the other half focuses on institutional investment in education, parental material, workshops and school banking. We feel that institutions spending time and energy on these aspects of Junior and Youth banking and education should be recognised.



Product Profiles Scoring

To compare the products on offer in the market we use two profiles that allow for the change in the child's needs as he or she matures and starts working. Table 1 below shows how the product scoring is calculated. As with all CANSTAR star ratings, the value of the product is determined by using a combination of price and feature scoring. The pricing and feature weightings are outlined in Table 1. Pricing is further broken down into rates and scenarios, while Features include both product features and branch accessibility (coverage). These weightings are also outlined below.

Product Pricing

Product price/Feature weightings

Profile	Pricing		Features	
Junior Saver	80%		20%	
Youth Transactor	65%		35%	
Online Saver	85%		15%	
Profile	Rates	Scenario	Product Features	Coverage
Junior Saver	80%	20%	70%	30%
Youth Transactor	30%	70%	70%	30%
Online Saver	90%	10%	100%	-

Table 2 shows the transaction behaviour used in scenario scoring, for the two profiles, and the percentage of transactions allocated to each transaction type.

Transaction scenarios for pricing calculation

	Junior Saver	Youth Transactor	Online Saver
Average no. of transactions	2	15	2
ATM withdrawal own network	20%	20%	-
Branch cash withdrawal	80%	5%	-
EFTPOS transaction	-	55%	-
Internet transaction	-	20%	100%

CANSTAR's methodology accounts for the tiered interest rate structure of deposit accounts. The table below outlines how the tiers for historical rate calculations are applied:

Balance tiers for Junior Saver and Youth Transactor

	Tier 1	Tier 2	Tier 3
	50%	35%	15%
Junior Saver	\$250	\$500	\$1,000
Youth Transactor	\$50	\$125	\$250
Online Saver	\$1,000	\$2,000	\$5,000

Product Features

FEATURES consist of the following sections:

- 1) **Access** – takes into account the proportion of the population with access to a branch and/or ATM
- 2) **Product features** – takes into account over 100 product features with weights given to each relevant area. Examples include minimum opening deposit, minimum withdrawal and ATM facilities.

Category Description	Junior Saver	Transactor	Online Saver
Account facilities	50%	50%	30%
Specific conditions	30%	20%	50%
Exception fees	-	10%	-
Exemptions from fees & charges	5%	5%	5%
Account design options	10%	10%	10%
Online/mobile banking and security	5%	5%	5%
Total	100%	100%	100%

Education and School Banking

Junior Saver

Education

A key feature of providing a junior/youth banking program is the supporting tools and material. For the award we looked at website resources as well as parent and curriculum resources for use by parents and teachers.

Category	Category Description	Weight
Tools	Junior Website, Youth Website, Savings Calculators, Budget Calculators, Games, Updated Games	35%
Workshops	Community and School Workshops, Facilitators	35%
Curriculum	Resources and Facilitators	30%

School Banking

Branch access and school banking are excellent tools to help children learn to save. In school banking we look at the quality of the banking program being offered to schools.

Category	Category Description	Weight
Distribution	Operate Program, Frequency of Collection	20%
Services	Open Account, Deposits, Rewards	60%
Benefits	Commissions and Grants	20%

Distribution

Branch access and school banking are excellent tools to help children learn to save. Easy access to branches and ATMs are rewarded based on the CANSTAR distribution analysis, while for school banking we look at the quality of the banking program being offered to schools.

Category	Category Description	Junior
Branch	Ratio of branches to population	45%
ATM	Ratio of ATMs to Population	15%
School Coverage	Availability of online banking	40%

Youth Transactor

In the Youth Transactor profile, emphasis is given only to education. The reasoning is that the children of this age group will have the skill to go into a branch to make transactions and not have to rely on a school banking program

Education

Category	Category Description	Weight
Tools	Junior Website, Youth Website, Savings Calculators, Budget Calculators, Games, Updated Games	50%
Workshops	Community and School Workshops, Facilitators	35%
Curriculum	Resources and Facilitators	15%

Distribution

Branch access and school banking are excellent tools to help children learn to save. Easy access to branches and ATMs are rewarded based on the CANSTAR distribution analysis, while for school banking we look at the quality of the banking program being offered to schools.

Category Weights

Category	Category Description	Youth
Branch	Ratio of branches to population	10%
ATM	Ratio of ATMs to Population	40%
Online Banking	Availability of online banking	50%

How many products and financial institutions are analysed?

In order to calculate the award, CANSTAR analysed six institutions in New Zealand.

How often are all the products reviewed for rating purposes?

The Youth Banking and Education – New Zealand Award is recalculated every 12 months based on the latest rates and features offered by each institution. CANSTAR also monitors rate changes on an ongoing basis.

Does CANSTAR rate all products available 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.

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



- Business deposits
- Term Deposit
- Credit cards
- Credit card rewards
- Home loans
- KiwiSaver
- Online banking
- Personal loans
- Savings accounts
- Transaction accounts

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Youth Banking and Education

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Youth Banking & Education									
Company	Junior Accounts	Youth Accounts		School-based Programs		Online Educational Games and Tools for Youths			
		Transaction Accounts	Saver Accounts	School Banking Program	Workshops and Resources	Specific Youth Website	Savings Calculator	Games	Financial Literacy Content for Kids
ANZ Bank	✓	✓	✓	✓	✓	✗	✓	✗	✓
ASB Bank	✓	✓	✓	✓	✓	✓	✗	✗	✓
BNZ	✓	✓	✓	✗	✓	✗	✗	✗	✗
Kiwibank	✓	✓	✓	✗	✗	✓	✗	✗	✗
SBS Bank	✓	✓	✓	✗	✗	✗	✗	✗	✗
Westpac	✓	✓	✓	✓	✓	✗	✗	✓	✓