

How TotalMoney will work for real New Zealanders

TotalMoney will help everyday New Zealanders see real results from their money. The scenarios that follow demonstrate how Phil and Michelle used their savings to pay off their home loan faster; how Kim and Pete knocked years off their home loan by getting together with his parents; why Greg's mum's savings helped him save for a house deposit; and how Nina got her money – and her bank fees – under total control.

Scenario 1: Phil and Michelle

*Phil and Michelle have a \$200,000 home loan and \$21,500 in their cheque and savings accounts. See how **TotalMoney Offsetting** could help them pay off their loan more than 8 years faster and they could save \$52,989.*

Phil and Michelle like to keep a close eye on their money. So having separate accounts is a good way to get the financial control they both want.

As well as making their home loan payments, Phil and Michelle are putting \$200 a week into their savings account towards a long-planned world trip. They know that having money in the bank and a home loan at the same time doesn't really make sense – they'd be better off putting all their money on the home loan. But that would mean losing control and ready access to their money.

TotalMoney offsetting gives them the best of both worlds. Just \$10 a month gives them unlimited everyday transactions on up to 10 cheque and savings accounts.

They split their home loan in two; a fixed loan of \$160,000 and a TotalMoney variable home loan of \$40,000 which they can offset against their savings of \$21,500 against. So now they only pay interest on the remaining \$18,500 of the TotalMoney variable home loan.

The result for Phil and Michelle is that they keep complete control of their money, while paying off their home loan 8 years faster!

Total time that could be saved: **8 years, 3 months.**

Total money that could be saved: **\$52,989**

Savings assumptions for Phil & Michelle

The customers currently have a cheque account with an average balance of \$1500 and a savings account of \$20,000. They are saving an additional \$200 per week. These balances will be used to offset the TotalMoney variable home loan for the term of the loan. No reduction is made to these balances.

Their \$200,000 home loan is currently on a 25 year term. This is fixed at 8.2% p.a. and for the purposes of this calculation we refix this rate every 2 years for the term of the loan. Because of TotalMoney they now split their loan with 80% (\$160,000) on a fixed term at a rate of 8.2% p.a. (which we again fix at same rate every 2 years for the term of the loan). The remaining \$40,000 is placed on a TotalMoney variable home loan with an interest rate of 9.55% p.a. We treat this rate as constant for the term of the loan and every 2 years the variable portion of the loan is reset to \$40,000 (with the fixed portion reducing accordingly). No changes are made to the borrowing amount. No additional lump sum repayments are made. All repayments are in full and on time. Debit interest is calculated daily and charged monthly.

Interest that could be saved after 16 years and 9 months **\$52,989.58.**

Scenario 2: Kim and Pete

*Pete and Kim have formed a TotalMoney group with Pete's mum and dad. See how **offsetting** Pete's parents' savings against Pete and Kim's home loan could knock ten years off their loan and could save them \$104,350.*

Pete and Kim have a \$300,000 home loan, a cheque account with \$1,500 in it and savings of \$12,000 (which they're adding to by \$150 a week). Pete's parents have \$50,000 put away for their retirement.

Pete's parents decided they'd like to help Pete and Kim be better off by forming a TotalMoney group with them. This means they all keep complete control of their own accounts, but Pete's parents' savings can help pay off the home loan faster.

Here's how it worked. Step one was to split their home loan in two: a fixed rate loan of \$200,000 and a TotalMoney variable home loan of \$100,000 of which they could offset their group savings. Their total group balance of \$63,500 was offset against their \$100,000 TotalMoney variable home loan so they only pay interest of \$36,500.

Without increasing their repayments at all, they'll pay their home loan off over 10 years faster, and Pete's parents' money will still be there when they need it.

Total time that could be saved: **10 years, 9 months**

Total money that could be saved: **\$104,350**

Savings assumptions for Kim, Pete and his parents

The customers currently have a cheque account with an average balance of \$1500 and a savings account of \$12,000. They are saving an additional \$150 per week. These balances will be used to offset the TotalMoney variable home loan for the term of the loan. No reduction is made to these balances. The parents are contributing \$50,000 towards offsetting the home loan.

Their \$300,000 home loan is currently on a 25 year term. This is fixed at 8.2% p.a. and for the purposes of this calculation we refix this rate every 2 years for the term of the loan. Because of TotalMoney they now split their loan with \$200,000 on a fixed term at a rate of 8.2% p.a.(which we again fix at same rate every 2 years for the term of the loan). The remaining \$100,000 is placed on a TotalMoney variable home loan with an interest rate of 9.55% p.a. We treat this rate as constant for the term of the loan and every 2 years the variable portion of the loan is reset to \$100,000 (with the fixed portion reducing accordingly). No changes are made to the borrowing amount. No additional lump sum repayments are made. All repayments are in full and on time. Debit interest is calculated daily and charged monthly.

Interest that could be saved after 14 years and 3 months **\$104,350.26**.

Scenario 3: Greg and his mum

*Greg is saving for his first home. Find out how **pooling** with his mum's savings could earn them an extra \$1,368 a year in interest.*

Greg is in his early 20's and is determined to buy a home of his own as soon as possible. By saving \$100 a week he's put away \$15,000 so far (plus \$800 in a cheque account for everyday expenses) but he's not really earning the interest rate he'd like to.

Luckily, Greg's mum has \$90,000 in a Bank of New Zealand savings account from the sale of a rental property. She won't need it for a few years, so agrees to help Greg out by forming a TotalMoney group with him.

Once they form a TotalMoney group, Greg's \$15,800 is pooled with his mum's \$90,000 for a total balance of \$105,800. This means every account in the group gets the same high interest rate as if they were all one big account (even Greg's everyday cheque account).

While Greg and his mum will be able to see all their group TotalMoney account balances online, their transaction details will remain private.

The result of Greg and his mum pooling their accounts in a group is that they get a much higher interest rate than they would have individually – meaning that after just one year Greg and his mum are **\$1,368** better off.

Savings assumptions for Greg and his mum

Greg currently has an average of \$800 in his cheque account and \$15,000 in his savings account. He is saving an additional \$100 per week. His mum has savings of \$90,000.

This cheque account is a BNZ Smart Money account currently earning 0.0% p.a. The savings is in a BNZ Rapid Save account currently earning a best rate of 5.75% p.a.

The calculation is based on the difference between what they were earning and what they will be earning on TotalMoney. On TotalMoney they will be earning 7.00% p.a. on all the balances. Interest rate tiers subject to change at any time.

The new savings on this is **\$1,368.50**.

Scenario 4: Nina

*Nina likes having separate cheque and savings accounts for different things, but hates seeing her money eaten up by fees. See how **TotalMoney pooling** helps her take control of her account and transaction fees, while giving all her accounts the same high interest rate.*

Nina is in her early 30's and has a fairly well paying job. As well as saving for a house deposit in her Bank of New Zealand savings account, she's got a BNZ cheque account for everyday expenses and a savings account with another bank for her annual overseas holiday. She's also got some money in a term deposit account at another bank.

Nina is a firm believer in the cashless society – she uses her ATM card for almost everything, and pays all her bills online. The downside is that Nina is paying more in bank fees than she would like.

By moving all her accounts to Bank of New Zealand TotalMoney, Nina gets all the control she wants. She gets up to 10 cheque or savings accounts, and can even give them nicknames to make it easy to remember what they're for.

With TotalMoney she can have up to 10 accounts, and she can open new ones online at any time. And unlimited free text and email alerts mean she always knows what her money's up to.

Best of all, no matter how many transactions she makes, she pays a flat \$10 a month for all 10 accounts.

And because TotalMoney pooling looks at all Nina's accounts together, every single dollar earns the same high interest it would if it were in one big account – even the money in her everyday cheque account.