

GET INFORMED!

SAVINGS

The part of income left after expenditures is called savings. Income means salary, pension, stipend, emolument, annuity and expenditures means all that we spend the available monetary funds on. The balance remaining over a period represents savings. The opposite situation is where the level of income available is not sufficient for cost settlement and leads to borrowing or some form of payment deferral. Many believe that savings are just a deferred purchase. This belief rests on the assumption that we will ultimately spend that money once anyway. However, we should take into account all the benefits that funds "put aside" can bring to us. First, it gives us a sense of security, knowing that there is an additional source of funds that will be available to us in case of material changes in our current financial circumstances.

Income – expenditures (income greater than expenditures) = savings

Income – expenditures (income smaller than expenditures) = borrowing

There is a misconception that only rich people can save money and that to save, one has to put aside large amounts of money. Clearly, the amount of money saved will primarily depend on the amount we put aside and on the length of time we save money. Therefore, over a long term, even if we put aside small amounts every month,

Household savings deposits towards the end of 2017 HRK 120,068.4m

we can save the amounts earlier thought impossible. The types of savings available include different types of savings in credit institutions as well money stocked away under a mattress.

INTEREST – ONE OF THE KEY MOTIVES FOR SAVINGS

The biggest advantage of saving money in credit institutions is the possibility of earnings in the form of interest. The interest on savings may be fixed and variable. As in the case of credit operations, a variable interest rate exposes us to interest rate risk or the possibility of an increase or a decrease in the interest rate that will be applied to our deposit over a certain period. A fixed interest rate enables us to avoid interest rate risk.

Interest rates are shown on an annual level.

As regards interest rates, it should be noted that interest rates on savings are expressed on an annual level, the fact to be taken into account in our calculation of the expected earnings for savings maturities other than those of one year.

TYPES OF SAVINGS

PERIODIC PAYMENTS SAVINGS ACCOUNTS

A periodic payments savings account means a form of savings involving a time savings account where we define the dynamics and the amount of payments that we will make into that account. Most commonly, the interest rate offered will depend on the amount and frequency of payments.

STANDARD TIME DEPOSITS

A time deposit means a form of savings suitable for consumers holding an amount of cash that they consider they will not need for a while. By negotiating a time deposit we undertake to deposit a certain amount of money to a savings account for a defined period of time (deposit threshold is usually defined in advance) at a certain interest rate. After maturing, the time deposit is paid out, increased by interest. Before negotiating this form of savings, make sure to obtain information on any fees and costs and on the procedure and use of interest rate in case of early termination of the time deposit (withdrawal of funds before maturity).

ANNUITY SAVINGS

In the case of annuity savings, unlike standard time savings, the interest earned is generally paid periodically, throughout the duration of the time deposit (monthly, quarterly, semi-annually, etc.).

CHILDREN'S SAVINGS

Children's savings are intended for children and minors. These types of savings are negotiated on behalf of beneficiaries by their legal representatives (parents or guardians). As in the case of all other forms of savings, make sure to obtain timely information on the manner of negotiating such savings, agreed maturity, withdrawals before maturity and associated fees and costs. It is also worth noting that there are limitations imposed by law in respect of withdrawal of funds from an account before beneficiary's coming of age, the element that should be borne in mind when negotiating such a savings agreement.

HOUSING SAVINGS

Housing savings means a special-purpose form of savings granting beneficiaries, most commonly after expiry of the agreed maturity, special benefits when taking out housing loans. Housing savings are typically agreed for a period of five years (although shorter periods are also possible, the conditions of which should be taken into account prior to negotiating this type of savings). The beneficiary negotiates the amount and the dynamics of deposits to a savings account. The beneficiary's account is increased by the agreed amount of interest and by the amount of government incentives if the account user qualifies for such incentives. Upon expiry of the savings agreement, the beneficiary can decide if he/she wants to use the funds at his/her discretion or make use of the benefits accruing from the amount saved and take out a housing loan.

WHAT TO WATCH FOR AT ALL TIMES.....

Before negotiating any form of savings plans, define in as much detail as possible the amount, term, dynamics and your goals. Obtain in-depth information on the terms of the type of savings you have chosen. Such information is available in the general operating conditions of credit institutions and general operating conditions associated with a particular product/service and may also be obtained in person from bank or credit institution employees. Make sure you are familiar with all the aspects of negotiating, maintaining and regular and early withdrawing of your savings. Also factor in any costs and fees that might arise such as entry/exit fee, maintenance fees, charges for withdrawal prior to maturity, etc. Such information is publicly available in Tariff of service fees. Sometimes, prior to negotiating a savings plan, put down on a piece of paper several scenarios and compare interest earnings and the

accompanying costs for each of the scenarios and make a decision based on such a comparison.



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