

Savings

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In general, savings are time deposits in a credit institution that are agreed for a specific period of time and carry interest that is usually paid out after the termination of the agreed period of time. In the Republic of Croatia, it is possible to negotiate all types of savings in kuna and in foreign currency.

Credit institutions offer different forms and models of savings, so in addition to standard deposits with a pre-determined amount deposited there are models that enable additional payments throughout the life of the agreement. It is also possible to negotiate annuity savings plans and earmarked savings (housing savings). In the same way as with loans, both fixed and variable interest rates may be negotiated and the interest rate generally depends on the duration of the agreement and the currency of the funds being deposited. Regardless of the reasons why you decide to hold savings, by doing so you learn, among other things, how to manage your money and plan for your future. The more money you save, the easier will it be for you to afford yourself the things you want and to cover inevitable contingencies without borrowing. Since savings also generate additional income in the form of interest, to generate maximum interest, it is necessary to determine the amount that you are able to set aside over a specific period of time, choose the savings model, the currency of the time deposit and the credit institution you will entrust your savings with.

Types of savings

There are several standard types of savings in the Republic of Croatia:

Sight deposits are the simplest form of savings intended for those wishing to save money in such a way that the funds in the account are available to them at any given moment. The implication of this type of savings is easy access to funds but often no interest or the lowest interest compared to other forms of savings. Once standard savings sight deposit accounts have been replaced by current accounts.

Time deposits are the most common type of savings. You make a deposit in a credit institution for a fixed period of time and this deposit pays a certain interest (either fixed or variable) and undertake not to use the deposit until expiry of the term of the time deposit agreement. In most cases, it is possible to terminate the agreement before its expiry, but in such cases lower interest is paid.

Multiple payments time deposited savings is found to be a highly desirable form of savings for consumers who are just starting to save money and who are in position to deposit only a small amount of money at the moment of negotiating a time deposit agreement. After such a model of savings is agreed upon, the consumer has the possibility to make subsequent payments into this account in line with his/her wishes or possibilities. The agreed interest rate is payable also on the amounts subsequently paid into the deposit.

Premium savings is a form of time deposits where, after expiry of the time deposit term, the principal is increased by the amount of interest and premium, the amount of which generally depending on the agreed deposit time.

Annuity savings is a form of savings most commonly used when one wishes to save over a longer period of time and use interest over the time of the contractual relationship (annuity). This form of savings typically involves larger deposits which pay substantial interest on an annual level. Credit institutions usually set the minimum amount of funds eligible for annuity savings and the use of interest (annuity) may be agreed to be paid monthly, quarterly, semi-annually or annually.

Children's savings is a form of time deposit account opened on behalf of a minor, with one parent as a legal representative or a legal guardian without the presence of a minor. Payments and cashless transfers of funds to an account of a minor, in addition to the parents, may be made by other persons too, but there are restrictions as to the use of such funds. The minimum monetary amounts that parents may use monthly were determined by the former Ministry of Social Policy and Youth in the total amount of HRK 10,000.00 per month, while the use of amounts exceeding the set minimum is subject to authorisation

from the competent social welfare centre. Once a minor becomes of age, he/she may use the funds in his/her account independently.

Housing savings is a special form of earmarked savings which are paid state incentives and involve the possibility of getting a long-term housing loan after expiry of the agreement but also before expiry of the agreement by means of an interim financing loan or which may be used for any non-earmarked purpose after expiry of a five-year period. Consumers are also offered the possibility of a family savings account where each member of the family, regardless of age, may have an own savings account which pays interest and state incentives. When concluding such agreements, parents should take account of the fact that there are certain restrictions to the use of funds in the accounts of minors and that they should inform themselves in advance of any such restrictions.

Attention should be paid to the following:

Before deciding on making a time deposit in a credit institution, the consumer is advised to collect detailed information about the types of time deposits offered on the market, the interest rate paid on each particular type of savings, possible time deposit maturities and if and under what conditions the consumer can terminate the agreement before expiry of the maturity date of a time deposit. In addition to the level of interest rate paid, one should take into account whether the interest paid is fixed or variable, and if variable, what does its variability depend on and what is the method of interest calculation used. Based on such information, one can calculate the amount of interest that one would earn until the intended maturity date of the time deposit, taking care that income from savings is subject to taxation. It is also important to be aware that a variable interest rate exposes you to interest rate risk or the possibility of an increase or a decrease in the interest rate that will be applied to your time deposit, while a fixed interest rate enables you to avoid interest rate risk.

Termination of a deposit agreement – In case of most deposit agreements, it is possible to terminate a deposit agreement under certain conditions. The specific conditions that apply in the case of agreement termination are defined in the deposit agreement. In the case of agreement termination, the interest rate that will apply may be the one paid on sight deposits or the one applicable to the first subsequent time-deposit period.

Renewal of deposit agreements – Credit institutions may offer different options for deposit agreement renewals after the agreed maturity date has expired. In some agreements which do not provide for such options, the funds are transferred to the consumer's current account while some agreements are automatically renewed and carry the same maturity under the same or amended conditions. The details and conditions that apply in such situations typically constitute an integral part of a deposit agreement.

[Deposit/savings insurance scheme](#) – The funds in the accounts (current accounts, giro accounts and savings accounts) in credit institutions in the Republic of Croatia are insured with the Croatian Agency for Deposit Insurance up to the amount of EUR 100,000.00 in kuna equivalent, using the middle rate of the Croatian National Bank applicable on the date when the insured event takes place, irrespective of the number of bank accounts, the amount of funds in such accounts, the currency and the place where such payment accounts are kept. In exceptional circumstances, additional insurance in the amount of EUR 30,000.00 applies to the funds relating to the sale of real estate, marriage, divorce, retirement, dismissal, invalidity, illness, death or that are paid out as compensation if deposited within three months following the moment when the insured event takes place in that credit institution. Time deposits in credit unions are not insured in the above manner.

Before concluding an agreement, a credit institution is obligated to present to you, free of charge, all other important contractual terms and, should it agree to enter into a contractual agreement with you, upon your request, a draft agreement. Also, before concluding an agreement, a credit institution should make available to you the general operating conditions regulating deposit operations and/or ordinances regulating interest calculation, calculation methodology and changes in fees and/or a copy of a tariff of service fees and charges, explaining in detail:

- the applicable annual nominal interest rates;
- the method of interest calculation;
- the currencies in which a deposit may be denominated or to which it may be linked and the risk of change in the exchange rate of these currencies;
- the terms and conditions under which interest rates may be changed;
- the lowest amount eligible for deposit;
- the fees for maintaining the accounts and other similar fees and commissions if charged by the credit institution to depositors and changes to these fees during the life of a deposit agreement;
- the effective interest rates reflecting total yield on a deposit;
- basic information on deposit insurance;
- the possibilities as regards the repayment of a time deposit before its maturity date and all the consequences thereof;
- the treatment of deposits after the maturity date of a time deposit; and
- the conditions for the management of the funds of minors.

BE INFORMED: Credit institutions have a legal obligation to provide you with a [form containing information provided prior to contracting a deposit](#). The Croatian National Bank has prescribed the obligation to issue this form to all credit institutions, so that you can also use it to compare the same type of savings with different credit institutions.



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