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TERM DEPOSITS — EARLY WITHDRAWAL

Term deposits have been popular with people who wish to keep their money somewhere relatively safe while earning higher interest rates than applicable to standard savings accounts.

Until recently you could access the funds in your term deposit early by merely popping into your local branch and requesting either a full or partial withdrawal of funds. The withdrawal of funds could take place on the spot. So term deposits gave people higher interest rates while still being easily accessible like normal savings accounts.

However, following changes in Australia, New Zealand banks have started to change their policies around early withdrawal from term deposits. Most New Zealand banks, including BNZ, Westpac and ANZ, are now requiring that their customers give them a months notice. Accordingly customers will now have to wait 31 days before they can access the funds in their term deposit.

The delay in being able to obtain funds from a term deposit could have consequences if you are planning using the funds in your term deposit for a property purchase.

For example Mark and Sally are looking at purchasing a house. They enter into a Sale and Purchase Agreement which provides that the deposit is payable upon the Agreement becoming unconditional.

The agreement is conditional upon builder's report and finance with ten

workings day. Mark and Sally decide to confirm the conditions on the tenth working. So the deposit is payable on that day.

However Mark and Sally have not yet notified their bank that they require an early withdrawal from their term deposit. They only do so once they have confirmed the Agreement as unconditional.

Their bank advises them that they cannot release the funds until the 31 day waiting period is up. Accordingly Mark and Sally cannot pay the deposit on the due date.

What Mark and Sally do not know is that there is another offer on the table which is higher than theirs and the Vendors now want to proceed with the higher offer. So in accordance with the Sale and Purchase Agreement the Vendors give notice that Mark and Sally have to pay the deposit within three working days or the Agreement will be cancelled. Mark and Sally are unable to do so and as such the Vendors cancel the Agreement.

Accordingly once you decide to start looking for a property it is a good idea to check out your banks requirements for withdrawing funds to ensure that the funds will be available to you when you need them and to avoid missing out on a property etc.

20 MINUTE FREE

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