

# Questions about Saving



# What is Saving

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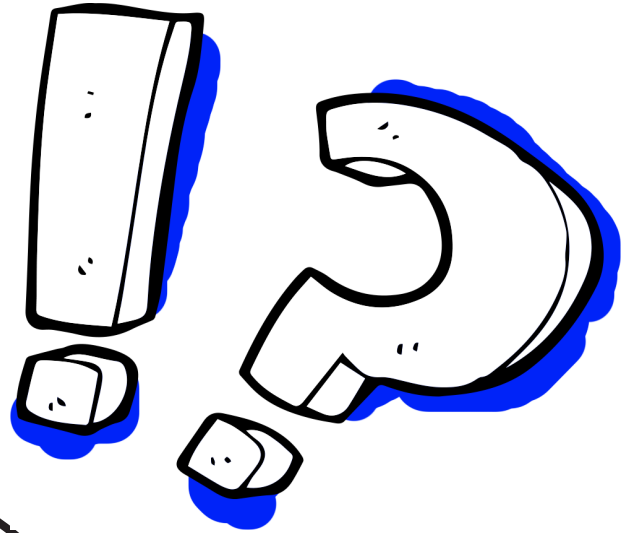
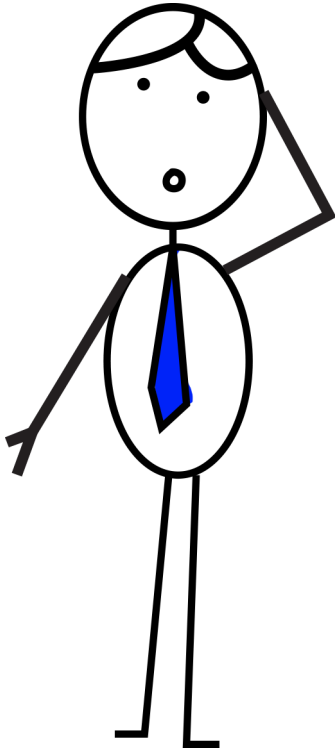
Saving has many forms; depositing money in a bank, post offices, contributing to a pension or insurance plan, or it may take the form of an informal kind of saving. All in all, saving means taking the action of consuming less or deferring consumption in the present in order to consume more in the future.

So “Saving” is the portion of disposable income not spent on consumption and takes one of the mentioned channels of saving.

# Why People Save?

- Saving increases people's ability to face economic shocks such as income loss
- It also enables better planning, asset building, better education opportunities and it secures retirement plans.





To take the decision of saving at a bank  
you should know the answers of at least  
4 questions



# 1- What are the different types of Bank Accounts and Products?

## Current Account

A deposit account that do not allow interest for the credit balance in addition to offering various flexible payment methods such as cheque books, ATM and Debit cards.





## Time Deposit

An agreement between the bank and the customer to fix a deposit (in local or foreign currency) for a certain period of time against a specified interest rate.

## Certificate of Deposits (CDs)

Certificate issued by a bank for depositing a specified sum of money with interest rate for a maturity date, that may last to ten years. The certificate has restrictions on funds withdrawal, as withdrawal can't take place before 6 months at most of the banks.



# Joint Account

An account that could be held under more than one name (wife and husband, brothers, partners....etc)

# Dormant Account

An account that happened to be non-active for more than one year.

# Conditional Bequest

An account owned by a donor until death and then owned by donee.



## Safe Deposit Boxes

A facility offered by the bank where customers may put their precious jewelry and documents in rented safe boxes against an annual fee.

## Frozen Account

An account that doesn't allow withdrawals or charging purchases as a result of previous failure of the customer to pay the purchases charged on his account.

## Saving Plans

Banks usually offer other special types of saving plans such as: education , marriage and retirement plans.

**Note that: Out of all the bank accounts, Saving accounts are the only accounts that provide depositors with interest that they may be used as extra earnings or income.**





## 2- What are the required documents for opening an account?

- Copy of National ID for Egyptians **OR** Copy of passport for foreigners
- Opening account application form
- Know Your Client (KYC) form



### 3-Which bank to choose ?



Questions about Saving

- **An accessible bank;** in terms of number of branches and information availability
- **A speedy bank;** saves customer's time
- **A reasonable pricing bank;** prices depend on the risk and quality of each service provided

- **A transparent bank;** explains its services clearly
- **A bank of high service quality employees;** in order to answer all the customer's questions in a professional manner
- **A bank with automated banking services**

## 4- What to consider while saving?

- Differentiating between the various types of available saving channels
- Choosing the right type of savings channel that matches the individual's purpose of saving.
- Paying attention to the contractual obligations and any special terms and conditions related to the selected saving channel.
- Choosing the bank which stands for the customer's values and criteria.
- Being capable of evaluating the interest of the saving account in terms of the inflation rate prevailing. For example if the interest rate on a saving certificate is 12% per year, and the inflation rate is 9%, then the real interest rate that the saver is gaining on his saving certificate is 3%.



# what are the other saving channels?

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## Pension Plans

A pension plan is a long-term saving plan where you can save on regular basis an affordable premium in accordance to your financial situation, aiming to assist in meeting the financial goals for retirement.

In Egypt, **public pensions** are provided through three mandatory social insurance schemes: Government Employees Pension Fund, Pension Fund for Military Personnel, Public and Private Enterprises Employees' Pension Fund (PPEEPF).

- The public pension system provides coverage to more than **80 percent of the employed population**, one of the highest levels among developing countries.

- Egyptian banks in cooperation with international financial groups, provide alternative pension plans.

### **Insurance Plan**

- Insurance companies offer long-term saving and investment programs providing financial protection for individuals and projects.

### **Post office**

- Besides its delivery services the Post Office provides a number of financial services such as:

current accounts and issuance and delivery of money orders. In addition to agency services as performing some activities on behalf of the government like selling duty stamps, disbursing pension payments, and issuing vehicle licenses.

- It mobilizes small deposits with low minimum deposit requirements and has more than 22 million savers It has a huge infrastructure network.



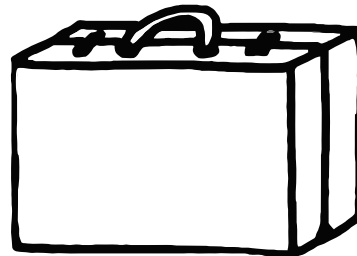
One of the most effective saving instruments in Egypt is the “Postal Saving Passbook”, which is a financial un-transferable instrument owned by the account holder, recording all deposits and withdrawals, along with the due annual interest according to the fixed rates declared and established by the organization.

The Saving Passbook offers many advantages for its holder such as: governmental guarantee for deposits and interests, withdrawals from any post office, issuing an account statement and receiving pensions every month.



# Informal Kinds of Savings and its disadvantages

- Savings groups... Its safety depends on the group.
- At home (in cash) ... no interest, not safe.
- In kind (gold, jewelry, livestock, land) ...difficult to liquidate in case of emergencies.



# Saving vs. Investing

## Saving

- People save by reducing current consumption
- Saving takes the form of storing money safely
- When saving, people earn a fixed rate of return and sustain a low risk level

## Investing

- People invest to increase future consumption
- Investing is taking the risk with a portion of the savings
- When investing, people earn higher rate of return than that when saving but they sustain a higher risk level



**So,** for those who do not want to take any risk the conservative saving account is a better option than investing which can secure bigger profits but the individual has to bare bigger risk levels.





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