

# Perth Now

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## Worldwide web of savings

- **Anthony Keane**
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Investing online can save you big bucks. Picture: Tait Schmaal

Source: News Limited

### **STRATEGY is still key to success, writes Anthony Keane.**

Technology has transformed investors' lives over the past 15 years, but many of the old rules still apply.

The rise of the internet has given investors more options than ever, and the biggest research library anyone can imagine.

Online savings accounts hold billions of dollars of our cash, while the number of internet share traders has grown strongly.

We can buy and sell shares, managed funds, exotic instruments such as contracts for difference, even currencies and commodities, quickly and cheaply with a few clicks of our mouse or smartphone.

[perthnow.com.au/.../story-fn6cn2tr-12...](http://perthnow.com.au/.../story-fn6cn2tr-12...)

However, financial experts say investors still need to do their homework, diversify their investments, understand exactly where their money is going and seek professional advice where needed.

"The internet has been an amazing revolution in terms of spreading financial information," says Phillip Gray, the editorial and communications manager at research group Morningstar.

"Just because you can go online and trade something in seconds, it doesn't necessarily mean you should. Sometimes you have to take a step back and put a little more effort into thinking."

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## SAVINGS ACCOUNTS

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Online savings accounts have boomed in the past decade, offering savers at-call cash at interest rates way above everyday transaction accounts and often better than term deposits. But they can sting if you don't research them.

Comparison website RateCity .com.au monitors about 100 online savings accounts and warns almost one-third of them come with conditions for their high promotional interest rates.

"Savers should be aware that many online savings accounts have conditions or time periods attached to their bonus interest rates. They need to read over the terms and conditions very carefully," RateCity chief executive Damian Smith says.

Conditions can include honeymoon periods of several months, minimum deposits each month and no withdrawals in a month.

"Many Australians take advantage of online savings accounts and when they are fully understood and used correctly, they can be very valuable," Smith says.

"Products such as (NAB-owned) UBank's USaver account, or Virgin Money's Virgin Saver, have rates of up to 6.51 per cent, 1.76 per cent above the official cash rate." Some consumers have embraced mobile banking on their phones.

St George Bank head of echannels, Travis Tyler, says mobile banking applications can be used on most smartphones and can be downloaded for free.

He says it can be used to avoid late payment fees by setting up payment schedules, find your bank's closest branch or ATM, transfer funds on the go, check account balances, pay bills and manage money while on holidays.

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## SHARES

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The latest Investment Trends Online Broking Report says there were 650,000 Australians using online share trading last year, a rise of 50,000 from 2009.

Investment Trends senior analyst Pawel Rokicki says brokers benefited from a "tailwind coming out of the global financial crisis".

"Our other research has highlighted a lingering investor distrust of financial institutions that is making life challenging for fund managers at the moment, but which is clearly benefiting providers of online share trading," Rokicki says.

Macquarie Edge associate director Darren Moglia says in 2008 there were 510,000 online share traders, so the latest figures show an industry growing strongly.

"One of the trends we have seen is people trading shares are not just self-directed," he says.

Many investors have a professional adviser but use online trading to buy and sell their investments, he says. "The most important thing is to use quality tools to make decisions," he says.

Moglia says investors should keep an eye on economic updates and market research, plus seek ways to better educate themselves.

"Be wary of tips from unqualified sources. They may sound attractive but always support them with your own analysis," he says.

E\*Trade managing director Stuart Sayers says the key benefits of online share trading are cost, convenience and control.

"It's a lot cheaper doing it yourself than having someone trade for you. A full-service broker could be charging you 10 times as much or more," he says. Online stockbroking costs generally hover around the \$20-a-trade mark.

Sayers says people should always know their objectives.

"Write them down and refer back to them frequently. When I speak with clients, the most common story of why things have gone wrong is where they have deviated from their strategy.

"If you are not clear about your objectives it's probably best to get some advice first."

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## INVESTMENT FUNDS

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Some online brokers allow investors to buy and sell managed funds online.

Managed funds diversify your investments by holding many different stocks or assets, but often have ongoing management fees of 1-3 per cent.

"We offer a range of listed managed funds you can buy like a share, but what is increasingly popular is ETFs (exchange traded funds)," Sayers says.

"Most managed funds try and beat the market or index, but ETFs don't. They only try to match the market. You don't pay high-priced people loads of money to out-think the market, so they tend to be a lot cheaper to buy them and stay in them and you get exposure to a broad suite of assets."

However, Morningstar's Gray warns that the recent boom in ETFs that offer investments in exotic offshore countries does not mean they are for everyone.

"If you are a retiree in an ETF that invests in emerging markets, it is not going to be the best vehicle for achieving your goals, which are almost certainly about income maximisation and not long-term capital growth," he says.

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## BUT WAIT, THERE'S MORE

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Technology has opened up investments, but you still need to be careful and understand where your money is going.

Knowledge to Action marketing manager Scott Forrest says trading in foreign exchange and commodities is no longer reserved for the privileged few and large banks.

"All you need these days is a laptop and a broadband connection," he says.

Forrest says trading currencies, commodities or derivatives such as CFDs can deliver bigger returns than shares but warns "leveraged trading is extremely risky".

"You can lose more money than your initial investment, and the only way to ameliorate that risk is to get some very good professional education," he says.

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