# Call money accounts becoming increasingly popular

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GfK Financial Market Panel â€“ short-term and secure financial investments continue to boom

Turbulent financial markets and soaring interest rates are causing German private investors to look for secure, profitable and less-binding investment options. As a result, over the last year, call money accounts have rapidly become a lot more favorable for investors. In addition, savings passbooks, savings bonds and investment funds continue to remain favored banking products. These are the recent findings from the GfK Marktforschung Financial Market Panel.

The survey identifies both the investment strategies and the actual savings behavior of around 20,000 private households in Germany. It shows that almost 10% of the households surveyed are currently planning on opening a call money account in the course of 2008. This equals an increase of 50% compared with the study carried out in the same period in the prior year. The attractive interest rate offered by this form of investment is a particular reason for many savers to consider call money accounts as an alternative to the well-established savings passbook. The immediate availability of funds and the low risk associated with these accounts are further advantages of call money; a market with which only very few people were familiar as recently as 10 years ago.

Due to its increased demand, call money is closing the gap on traditional savings products, such as savings passbooks and savings bonds, in which similarly around 10% of private households are also considering investing during 2008. Some way down the popularity scale, the third most popular banking products are investment funds, with 6% of households planning to invest in them.

But what does the actual investment behavior of German private savers look like? An analysis by the GfK Financial Market Panel shows that the intention to open call money accounts is also being put into practice. Compared to Q1 2007, there was a 4% increase in the number of call money accounts being opened in the financial sector in Q1 2008. The number of households which had a call money account increased from 32.5% in 2006 to 35.8% in 2007.

Direct banks record high increase in clients
High-flyers in the call money market include direct banks, which, due to their attractive online offers, generally find themselves better positioned than the conventional bricks-and-mortar banks. In this respect, the direct banks comdirect (subsidiary of Commerzbank) and Norisbank (subsidiary of the Deutsche Bank Group) gained numerous new clients. Postbank was also able to expand its household reach and gain more clients.

In the growing call money market, the cooperative banking institutions Volksbank, Raiffeisenbank and Sparda-Bank (commercial and agricultural credit cooperatives and credit unions) have maintained their market share. Savings banks, on the other hand, again suffered slight losses. As far as the major banks are concerned, Deutsche Bank, Commerzbank and HypoVereinsbank have all maintained their call money market positions, as have Citibank and ING-DiBa.

Well-informed target groups prefer call money
New call money account holders include those falling into the middle and upper income brackets in particular, with disproportionately high numbers of young and older families without children. Yet, the single over-60s also show a strong interest in short-term financial investments.

Clients increasingly opting to make short-term investments do not only have a higher disposable income; they are also familiar with the world of financial and money investment. They generally assign themselves to a market segment well versed in private pension schemes and retirement provisions. They are becoming increasingly interested in financial matters and manage them to their own advantage. As a result, these "high-involvement clientsâ€• are familiar with both higher risk and low risk financial investment products. Many of the households, which obtain their information from the internet or those who conclude contracts and agreements online, are also now opening call money accounts. For this reason, this target group is also of future interest to numerous banks as far as further investment product launches are concerned. At the same time, these high-involvement clients are discriminating and always on the hunt for new, more attractive financial investment products offered by many banks.