

Breaking a term deposit

Term deposits are a common form of investment where you deposit your funds with a bank or other banking service provider for a fixed period of time and receive a fixed rate of interest. The interest rate is often higher than offered on online, call, and savings accounts, depending on the term chosen.

Can I break my term deposit?

One of the key features of a term deposit is that the funds are locked in for a fixed period of time.

Financial service providers are not legally required to allow customers to break term deposits (in other words, pay out the funds early). Whether or not you are able to break your deposit will depend on the contract you have with your provider. In most cases, you can only break your deposit if your provider agrees.

Some providers offer a 'cooling off period' when you first take out the term deposit. During this period, you generally have the right to cancel your term deposit and have your principal repaid to you without interest.

What will happen if I break my term deposit?

If your provider agrees to break your term deposit, it will most likely reduce the interest rate on the funds you're withdrawing. It may also seek to recover interest that was paid at the higher rate during the term of the deposit. The reduction in interest may depend on the amount you deposited, current interest rates, and the length of the investment term.

What should I do before I invest my money in a term deposit?

It is important that you read the investment statement and any relevant terms and conditions before you agree to invest your money in a term deposit. If you are not clear on whether there is a cooling off period or what happens if you break your deposit early, check with your provider before depositing your funds. Similarly, if you think there is a chance you may need to break the term deposit early, you may want to choose a shorter term or explore other options: some savings accounts may actually pay a higher amount, especially if the term is short.

How to contact us