

This might be the most useful savings account in Canada

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A 131-year-old insurance company has out-innovated everyone in making savings accounts more useful for everyday banking.

New and nimble financial technology companies – fintech – have brought some cool products to personal finance. But the Manulife Advantage Account, offered through the banking division of insurer Manulife Financial Corp., shows there are still some flickers of creativity in the old guard of financial services.

The Advantage account fills a gap for people who bank online and want to park their savings in an account that provides both a decent rate of interest and some utility for paying bills and accessing cash. The interest rate on the account is 1.25 per cent, but one of those tiresome temporary promotion deals will pay you 2.4 per cent until Aug. 31.

Keep a minimum of \$1,000 in the Advantage account and you can do unlimited banking for free. Among the included transactions are debits, Interac e-transfers and withdrawals through 3,700 ATMs in the Manulife and Exchange networks.

The Advantage account is technically savvy, too. With paperless account opening, you can get an account up and running on your mobile phone or tablet without mailing anything. There's also a mobile app that allows you to log in using your phone's fingerprint reader as a password replacement, and to deposit cheques by photographing them.

The Advantage account was relaunched in February as part of Manulife Bank's push to raise its rather modest profile. "Manulife Bank is banking's best-kept secret in Canada," CEO Rick Lunny said in an interview. "Frankly, I don't think too many Canadians have even heard of us."

Manulife Bank started out 25 years ago as something that Manulife Financial's adviser network could offer to clients. Until now, the bank's singular contribution to personal finance has been Manulife One, a combined mortgage and chequing account. The benefit here is that cash in your account -- say, your paycheque -- counts against your mortgage debt and thereby helps cut your interest costs. The Manulife One account also functions as a line of credit that lets you re-borrow what you paid down on your mortgage.

If maximizing the interest you get on savings is a priority, then look past Manulife Advantage to EQ Bank, paying 2.3 per cent as of mid-week, Alterna Bank, offering 2.05 per cent, or a bunch

of Manitoba credit unions with online banking divisions that pay something in the area of 2 per cent.

What you give up with these accounts is the convenience of having the same full access to your money that you'd get from a chequing account, with no fees if you maintain the \$1,000 minimum. EQ lets you pay bills and send five free Interac e-transfers per month, but there's no client card for ATM withdrawals or debit purchases.

Alterna's eSavings Account offers free bill payments and two free e-transfers per month, but no debit card payments or cheques. You could open a no-fee eChequing Account at Alterna, but the interest rate is 0.05 per cent and you'll need to shuttle money between your savings and chequing accounts.

Manulife Advantage looks especially sharp in comparison to what the online banks Tangerine (owned by Bank of Nova Scotia) and Simplii Financial (owned by Canadian Imperial Bank of Commerce) have to offer. Both paid 1.1 per cent on savings at mid-week – a lukewarm rate at best. And both offer separate no-fee chequing accounts, which means there's an intermediate step before paying bills or making purchases.

Upstart fintech competitors to Manulife and the banks are doing some interesting things these days. For example, robo-advisers are slowly carving out a niche for people who want a helping hand to manage a low-cost portfolio of exchange-traded funds. An app that recently caught my eye is Mylo, which rounds up purchases made through your bank account and invests this virtual spare change for you in low-cost ETFs.

Manulife Advantage lacks the fintech halo of uniqueness, but it has something that is arguably better in the form of brand recognition for the Manulife name. Mr. Lunny said one in three Canadians already has a relationship with Manulife Financial through its insurance products or its group benefits and retirement plans in the workplace. "When you're a startup, you don't have that sort of trust and loyalty," he said.

Whether or not you've tried a fintech app, you owe these scrappy upstarts some thanks. The threat they pose is motivating the old guard of personal finance to up their game and offer useful innovations like Manulife Advantage.

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