

Staying Connected

For the Alumni of the ECCB's Savings and Investments Course



FINANCIAL FITNESS

Succeeding in Your Personal Finances

- **Identify Your Personal Financial Goals** –*make sure they are specific, in writing and visible. This will help you to avoid temptations to sacrifice long term goals for short term gratification.*
- **Have a Plan to Attain Your Goals.** *and detailed information about your finances so that you can monitor, track, and budget to move you in the right direction.*
- **Manage Your Cash Flow.** *The key to making sound financial decisions is to have good information about how much cash is coming in, how much is going out, and how these compare to past results and your financial goals.*

Owning and Managing A Small Business by Ivor Hodge

What is a small business

A small business can have many definitions. By my interpretation as it relates to my situation, it is a one-man owned operation. However some other definitions might even label one of Anguilla’s biggest local private sector employers, Albert Lake Enterprises, as a small business. How can this be? Official definitions describe a small business as being privately owned with a small number of employees. Small may be under 100 persons – the number varies by country.



Mr Ivor Hodge, CEO, Images Photo Studio, guest speaker, ECCB Savings and Investments Course Graduation Ceremony, Anguilla

So can a one-man self-employed operation really be called a business? Once you provide a service that you charge for and/or receive a payment it is deemed a business by the laws of Anguilla. You are then expected to acquire the necessary annual licences by paying the requisite fees to Government.

twenty-two years ago to start a business of my own. That is when my girlfriend at that time gave me a gift that set the train in motion. She gave me a Canon instamatic camera that took lots of pictures ... girls :) animals, trees, landscapes, and anything else that attracted my attention.

Getting Started

Truthfully speaking it never crossed my mind

That camera allowed me to exercise what I then termed the urge to snap, snap, snap and then snap again.

Are Your Finances Underperforming? Editor's Note

Would your monthly income statement reveal a net loss? or your cash flow statement a cash haemorrhage?

Would our monthly profit and loss statements reveal net losses? or our cash flow statements, cash haemorrhages? without considering the financial impact.

First let’s assess our personal balance sheet. This list of our liabilities and assets provides a snapshot of our financial health (*our liquidity and solvency positions*) at any given time.

Imagine we are businesses... how would our financial statements look? Would our personal balance sheet reveal that we are unbalanced..... owing more than we own, with liabilities far outstripping the value of our assets?

Many businesses fail because owners fail to pay adequate attention to their financial statements The same is true in the business of personal finances. We spend, we credit, we borrow.. all started out in 2008.

Liquidity—our ability to meet our short-term liabilities with our short-term (current) assets.

Enjoy what you do for that is what will determine the quality of service that you provide and therefore the strength of your business

Five years later my girlfriend, *now my wife*, gave me another Canon camera, but this one was really important because for the first time it provided me with the opportunity to change lens, and add other bits of equipment such as flashes, filters, polarisers, and other experiment.

Photography for me was a hobby – a very expensive hobby that called for at least twenty-five US dollars for

developing a roll not to mention another ten US to purchase a roll and then the other costs like batteries, and boat fares to and from St Maarten.

And I forgot all those persons who wanted pictures taken and because they were FREE they called the next day to know when they could pick them up. When I did mention that taking pictures was expensive – well, needless to say, there are a couple of boxes at home loaded with “*come take mi picture nub*”.

I will not bore you with the many trial and errors I went through to reach where I am today, but I will share some of the things that I learned.

First of all **you will need a business plan, and it does not have to be drawn up by a professional.** The plan could be a three or four page document outlining what you want to do and how you intend to achieve it, how you will finance it and the resources needed.

Second **you need to get a professional second opinion on what you intend to do.** This will help to determine how viable your ideas are, and how you can source materials and customers. Alongside that it is important to discuss your ideas with family or important others as your plans will most likely impact them.

Are Your Finances Underperforming? *Cont'd*

Solvency—our ability to pay off all our debts if all our assets were to be sold tomorrow.

If we find ourselves in a liquidity crunch, we need to assess our short term debts—*vehicular, credit card, hire purchases etc* and see what measures can be put in place to restructure these debts. We would also need to change our consumption behaviour so as not to find ourselves in a vicious cycle of unmanageable debts.

If our examinations point to a solvency problem, it could be that we are channeling most of our funds into consumption and depreciating assets, rather than in appreciating assets and other sound investments.

The fancy SUV, BMW or sports car may look good to drive, but it can create both a

liquidity problem—*unmanageable monthly payments*; and a solvency problem—*the market value of the vehicle might not cover the balance on the loan if it were to be sold tomorrow.* The wise old saying “don’t stretch your hand further than it can reach” offers sound advice.

When we want to assess the profitability of a business, we look at the income statement also known as the profit and loss statement. This statement summarises a business’ income (revenues) and expenses over a period of time. If expenses exceed revenue then a net loss is realised. If expenses are less than revenue then a profit is realised.

So are we generating healthy profits each month? Are our cost-of-living expenses manageable? Are we keeping our discretionary expenses to a minimum? After paying

expenses do we have adequate funds to put aside as savings and to finance emergency funds, insurances and other investments so that we can create financial buffers against unforeseen adverse life circumstances?

A “no” answer to any of these questions indicates an area in need of attention. Living and discretionary expenses are not fixed. They are determined by our consumption choices. If we are to be profitable, we need to live within and I dare say below our means so that we have something left over for savings and wise investments.

Finally we get to our cash flow statement. This records how much income we receive (*cash inflows*), and how much of our income we spend (*cash outflows*) on living expenses,

discretionary expenses and savings and investments.

Without cash we can't function. We can't purchase food and other items. We can't pay our bills and loans. We can't accumulate savings and investments.

If we keep running out of cash before the next pay period, we have a cash flow problem. We need to determine the source of our cash haemorrhage and take steps to stop it.

Businesses exist to make money.....individuals cannot exist without it.....so let's treat our personal finances as a business. **The goal.... wealth creation.**



Third **location is important** even though in Anguilla persons will drive ten miles to source a service. A physical structure with adequate parking and appealing surroundings can lend to attracting and keeping clients.

Fourth, **make sure that your idea or product is a need and not a want** -*I'm not sure where photography falls even now-*. You are more likely to be financially successful if you provide commodities that persons have to acquire and therefore must pay for. A good thing is perhaps to utilise a natural skill or area of training or profession.

Fifth, **research and then research some more** - find out about your competitors if there are any, and the size of your market and where you will get your supplies from. Keep in mind that you want your service to be unique, dependable and sustainable to guarantee repeat customers.

Finally **sources of finance** – will you take a loan from the bank, Development Board, business place or person? use savings? borrow from the family? float a small company? play the lottery? or gamble in the casinos in St Maarten? reinvest profits? or use cash flow? Always be on the lookout for grants and other financial aid that are available to assist small businesses to develop.

Maintaining a Business

Cash Flow – wow! money for so! – new jeep, name brand clothes, fancy restaurants, weekends in Puerto Rico, more credit cards, new friends. What are you really doing? Get an accountant (expensive), or more sensibly take a basic book-keeping and/or accounting course.

- **DO NOT OFFER CREDIT.** Depending on what you are offering the public there is often little recourse to get creditors to pay up.
- You must **manage your cash flow** as it pays the bills, the mortgage, salary(ies), and also provides savings *-that's the money you put in the bank for the future.*
- **Pay yourself a salary** since you may be the principal and/or only worker. And please make it reasonable, if you want collect a dividend at the end of the year too.
- **Have a ready supply of stock available** and don't be afraid to hold sales if and when things are sluggish.
- **Keep friends and family from sampling** – *in other words not paying for a service or product in the business.-* At times it may be feasible to offer free or low cost samples or promotions, but don't go overboard and give away the business.
- **Keep away from freebies too** – it will hurt the business.
- **Pay annual fees and licences.**
- **Market yourself.** Your product is often tied to your name. Produce consistent, good work on a timely basis. And on that note don't get greedy and take on more than you can handle; and don't take on what you cannot do.
- **Be honest.** Do not promise what you cannot deliver, and don't price a commodity or service based on persons. Have established, standard fees that are available on request to the client or customer.
- **Don't price yourself out of the market.** Exorbitant fees or charges will only serve to drive away existing and potential customers. Don't expect to make a great profit initially. It takes time to build up a solid reputation and a strong clientele base.

Drawbacks

Anyone going into a business expects to make a profit. How can you make a profit? Answer – By investing time, resources and capital. By planning and making forecasts (where do you want to be in five years or ten years?).

But there are significant drawbacks to running a one-man operation.

Time – to keep records, provide a service, collect remuneration, and manage your other life (one that may involve the significant other or others, or a family). If you are working in another job how do you balance your spare time and the business and still remain a social person (church, travel, keeping fit, meals, hanging with the girls or guys). You will have to make choices and sacrifices.

Productivity – how much work can you complete in the time you have available? (a hairdresser might take 6 to 8 hours to fine braid someone's hair)

Low income – It is possible to be operating at a loss, depending on what areas you decide to invest in. Very often you have to undervalue your product to make a sale or get or keep a client.

Finance – Sometimes a small business requires an overdraft facility just to keep afloat. If you're not prudent in your spending, you can remain in debt for a very long time. This can even lead to closure of your business

Manpower – You may have to hire someone to work for you, but their upkeep is sometimes more than what revenue is coming in. Also their interest in the business might be minimal and they may show little or no initiative to boost sales since it isn't theirs.

Business Cont'd

Competition – This can drive down your profits, decrease your customer base, and force you to invest more than you can afford, to keep in the competitive zone.

Utilities/Overheads – These can be prohibitive especially if you are forced to rent a building to run your business. Also sometimes the inventory or equipment you use is expensive and/or requires regular replacement and/or maintenance. This can come at a significant cost.

Recommendations

- Buy into your business. You must have a personal interest in and desire to do well.
- Anticipate setbacks and plan for them.
- Do not imitate your competition, but be aware of what it is offering.
- Re-invest some of the profit into the business.
- Take an annual holiday. If you become burnt out your business suffers.

- Keep abreast of current trends and fashions. If applicable, attend at least one trade show or seminar every one or two years. Also use the internet.
- Upgrade your knowledge base by taking refresher courses on line or by correspondence mail, or even by physically signing up for local classes or attending overseas seminars.
- Don't expect to break even or experience a profit right away or even in the first two years. Why? – a lot of cash will be tied up in equipment, stock, utilities or payment of loans or mortgages (do not let cash flow fool you).

Summary

1. Have a workable plan
2. Seek input from persons you can trust
3. Research your market
4. Identify and attract customers
5. Make information readily available
6. Pay bills and expenses on time
7. DO NOT POCKET CASH FLOW
8. Re invest profit into the business
9. Take a holiday annually

unique, dependable and sustainable service guarantees repeat customers

10. Keep abreast of current trends
11. Remain knowledgeable about your business

Above all, enjoy what you do for that is what will determine the quality of service that you provide and therefore the strength of your business.

Remember your reputation is your trademark.



Group Photo, ECCB Savings and Investments Course, Graduation Ceremony, Anguilla



George L. Kentish receiving his certificate from Mrs. Dawn Reid, Project Manager, Community College Development Unit

Forty students graduated from the third ECCB Savings and Investments Course, held in Anguilla, from 22 February to 24 April, 2008.

I would like to congratulate all my fellow graduates who signed up for the ECCB Savings and Investments Course because we recognized that there was much more to know about savings than having a Christmas Club account, a certificate of deposit, a savings account or other savings schemes offered by the local financial institutions.

The modules highlighted the importance of planning to save effectively. This includes creating personal financial missions statements, smart goals and having the discipline to prepare and monitor our budgets on a regular basis.

The successful growth and development of companies are associated with these very processes which the course sought to instill in us.

I recall how enthusiastically and passionately solutions were presented for individuals in the various case studies, whose monthly loan commitments and living expenses when compared with their monthly income made it impossible to achieve their goals.

These exercises reinforced how important it is for us to continually plan to

A Student's Viewpoint *Cont'd*



*Mr. Carl Harrigan,
P.S. Finance and ECCB Board
Member, chairing the ceremony*



*Agency Rep. Ms Marilyn Bartlett -
Richardson and one of the course
facilitators, Mr Anthony Bronne*



All-ab-wee Dancers

Course exercises reinforced how important it is to continually plan to achieve financial success

achieve financial success and stability.

Sine we do not always have the capacity to save enough to accomplish our financial goals we would need to access credit. The course has provided us with a wealth of information to be able to approach our financial institutions with confidence and ask key questions pertaining to the terms and conditions of the loans which we are seeking.

The course seriously challenged us to distinguish our **wants** from our **needs** if we are to achieve financial success, in this era of consumerism.

The policies of the ECCB have played a pivotal role in the development and stability of the economies in the OECS region. The vision of the Governor of the ECCB is to have a cadre of financially literate grass-root people capable of

being meaningful participants in the economic development of the region.

Our region has the most technologically advanced stock exchange in the western hemisphere. Several regional public financial, utilities and other trading companies are listed on this exchange. Log on to ecseonline.com. There is a wealth of financial information, both historical and current, on the performance of these companies and much more. Remember to always seek the advice of someone knowledgeable on financial and securities matters.

The investment aspect of the course was geared toward sensitising us to the opportunities for further wealth creation. Investment involves risk and we must determine, based on information our individual risk tolerance.

.....during the exercises and case studies, individuals brought their creativity to the fore to demonstrate the real world in which we do business.

I am confident that if we implement the key aspects of the savings and investments course across the region, there will be tremendous benefits to be derived individually, nationally and regionally.

On behalf of the graduates I would like to express our sincere appreciation to the organizers, the staff of the UWI Centre and of course our facilitators who made the learning experience exciting.



Words To Live By

God is lavish, unending abundance. Remember the word: Beloved, I wish above all things that thou prosper

Fill your mind and heart with visions of success

Life is about more than financial success— it's also about giving back.

Open your heart to those in need

The brain enriches the pocket not the other way around



Insider Trading—Not Just About Martha Stewart

Trinidad Government Takes Steps to Punish Insider Traders

<http://www.caribbean360.com/News/Business/Stories>

PORT OF SPAIN, Trinidad, May 15, 2008 - The Trinidad and Tobago government is going after insider traders on the local stock market with legislation that could force them to pay as much as TT\$2 million (US\$321,151) for their crimes.

The Patrick Manning administration will take to Parliament an amended Securities Industry Act 2008 to impose the heavy penalties of those found guilty of breaching securities laws and engaging in insider trading - the buying, selling or participating in trading in securities with knowledge of price sensitive information before that information is released to the general public.

The legislation will target directors, associates, spouses, relatives and those who own more than ten per cent of company stock and who trade in shares with illegal inside knowledge of a firm's operations.

It is proposed that corporate traders who are found guilty of this offence on summary conviction be punished with "a minimum fine equal to the profit made or loss avoided by him" and a maximum fine equal to the greater of double the profit made or the loss avoided by him and TT\$1 million (US\$160,575) and a term of imprisonment up to six months.

For a person convicted on indictment, the maximum fine would be increased to equal the greater of triple the profit

made or loss avoided by him/her and TT\$2 million (US\$321,151), and the guilty person could spend as long as two years in prison.

Securities and Exchange Commission Chairman Osborne Nurse said the existing Securities Industry Act implies that certain kinds of insider trading are acceptable and the legislation therefore needed to be updated.

He said the amended law would ensure fairness and transparency in securities trading and improved surveillance and enforcement of the financial landscape.

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Changing your e-mail address. Keep us connected. E-mail us your new address.

Talk to us. We want to hear from you. Send us articles or propose topics to be featured in subsequent editions.

The West Indian University and The West Indian Federation

As part of UWI's 60th anniversary celebrations, the Governor of the ECCB, Sir K Dwight Venner, on May 21, 2008, gave an insightful lecture at UWI Open Campus, St. Kitts & Nevis on the topic:

"University of the West Indies (1948), West Indian Federation (1958): What Could Have Been 50 Years After".

He highlighted the extent to which the University of the West Indies had been instrumental in the socio-economic transformation of the Caribbean - *moving the region from one that was totally dependent on England for the education of the few Caribbean scholars*

who could afford to go abroad to study or the one student who was lucky to receive the state scholarship to a region that produced scholars en masse at the highest levels of education.

Governor Venner noted that the establishment of The University of the West Indies, "*one of the most powerful instruments of integration and development at our disposal*" could not have been possible without vision and strong leadership.

He lamented the unrealised promise of a strong, integrated, powerful Caribbean region stretching from Bahamas in the north to Suriname in the south when the

West Indies Federation collapsed in 1961. He cited a lack of vision of what could have been, and the absence of strong leadership focused on overcoming the challenge of insularity as the causes for the collapse.



L-R Justice Francis Belle, Resident High Court Judge; Governor Venner, Mrs Olivia Edgecombe-Howell, Resident Tutor