

October 2010

Staying Connected

For the Alumni of the ECCB
Savings and Investments Course

YOUR FINANCESYOUR FUTURE

YOUR FINANCIAL NEWS

A Bag of *Tips* To Steer You On the Right Financial Path

- Savings should not be ad hoc or something you do when you have money left over. Rather, savings should be the first expense deducted from your paycheck. You should be diligent about setting aside money from each paycheck towards your future. Practise depositing in a separate account at least 10% of your gross income and make sure you leave it alone.

Saving Tip

- **Save For Your Future** - A person without money is a person without choices. To ensure that you have choices and money now and in the future it is important that you start building a nest egg for yourself.

Saving Tip

- **Budget.** The only practical way to get a hold of your spending and to make sure you are using your money wisely is to budget.

Saving Tip



Are you putting your money to work as hard as you can?

**Save More...
Spend Less.**

Make sure that as your income increases, so do your savings and investments and not just your spending.

- **Invest in your retirement.** Determination, hard work, a sound savings habit, the right knowledge and a comprehensive financial plan are the tools required to build your retirement nest egg. By watching your expenses and changing a few spending habits you can add to your nest egg every day.

Investment Tip

- **You must never make financial decisions on emotions or whims of fancy.** Ask yourself, "What events can bring about a loss in these investments?" and "How high is the probability that these adverse events can or will occur?"

Investment Tip

- **Never invest in businesses you cannot understand.** It is not necessary to do extraordinary things to get extraordinary results.

Investment Tip

October is Financial Information Month

The 411 on ***FINANCIAL INFORMATION MONTH***

Money Maxims ***How Much Do You Know About MONEY?***



During the month of October, the Eastern Caribbean Central Bank in collaboration with ECCU Member Governments and their line ministries, in particular the ministries of finance and education, financial institutions, the media and community groups will implement various educational initiatives aimed at preparing citizens to make the type of financial decisions that can result in an improvement in their quality of life.

The theme adopted for Financial Information Month, October 2010 **“Make Your Dreams a Reality - Save and Invest Wisely”** seeks to underscore the importance of goal setting and financial planning to realise one’s dreams by challenging individuals to save and invest wisely. It is a call to action for individuals to put a financial plan in place to turn their dreams into their destiny.

During October 2010, the month’s activities will focus on “Financial Planning and Goal Setting” and “Personal Financial and Business Success”. These activities are expected to serve as catalysts for the delivery of financial education programmes in ECCU schools and wider communities, as institutions and groups rise to the challenge to bring financial information effectively to their constituencies.

Maximise Your Money IQ
Finish the Phrase

1. **Never Spend Your Money,**

2. **Don’t borrow what** _____

3. **Save Something** __ _____

_____.

4. **The fast buck** __ _____

5. **Money is neither good nor bad it is what you** __

_____ that makes the difference

6. **For age and want, save while you may; no morning sun lasts** __ _____

Check your answers by going to page 8

Question - Why Save?

Londie Esdaille, Manager, Nevis Credit Union

October is also Credit Union Month

A savings account should never be considered as old fashioned, un-necessary or un-important. The first thing anyone should do after starting to earn money is to seek to build a savings account. Every dollar received as a child should not be spent on candy and toys, a portion of it should always be saved. Parents who instill this principle in their children at an early age are giving them an invaluable gift for life. Getting that child into this habit early on in life will ensure that as he or she grows, planning will become an ordinary everyday activity and the setting of their goals and dreams and setting priorities will never be a chore to put off for another day, but one to be completed today.

There are so many things happening in our lives that at times we find it hard to decide which one takes precedence over the other and what is the best way to achieve these desires.

The simplest way is to prioritize these desires and then save towards the attainment of them all. It means that one dream will get a larger portion of the

saving pie than the other, but it also means that we will have disciplined ourselves to ensure that our dreams become a reality. Sometimes it is easy to say that we will just increase our debt to achieve these dreams as we go along in life.

Do you realize that the more debt that you incur, the less likely you will be able to achieve all of your dreams? Savings on the other hand will always work in your favor to either make your dreams a reality without incurring any debt at all, or at significantly lower debt.

Let us look at the list of items below and determine how savings will help us to achieve these at the lowest possible cost to ourselves.

Education:

The cost of advanced education continues to rise as more and more people recognize the importance of ,and benefits to be gained from obtaining a degree. The financial burden that this can place on families sometimes becomes crippling at a time when it can least be borne.

The reality is that one income less will be available to meet expenses while one additional expense will be placed on the list. Most financial institutions require that arrangements be put in place to at least meet the interest payments during the period of study.

Therefore, do not say “It will be impossible to save what is needed for an education loan” but confidently say “I have saved enough to meet the monthly obligation.” This erases some of the stress on you in getting this loan and it also eases the burden on your family and co-signers of having an extra monthly commitment to meet.

Land:

Everybody wants a piece of the rock, but unless your family has lots of land to subdivide among its members, you will have to work and save to make that initial payment. The earlier you start saving and the more consistent that you are with your savings, then the sooner you will have the funds available to make that initial payment.

Why Save? Cont'd

It is also possible that with time and while searching for that preferred piece of the rock, that you will save enough to make a full and complete payment all on your own. The value of land is always expected to increase. This generally means that the earlier in life that you can purchase it then the less it will cost you. This reduced price is then an additional savings towards another goal.

House:

But what about that dream house? If you have already spent your money on education and land, when will you be able to afford that house? Don't worry about it. If you have already successfully done the others, then you are well disciplined to make this step. Again, the more responsible you have been in your past saving habit and payment of your debts, then the easier it will be for you to obtain credit for this important investment.

This will be the single largest investment that you will ever make in your lifetime from which you will never cease to reap dividends. The larger your initial deposit is towards realizing this goal, the more

manageable your monthly payments will be. The more manageable your monthly payments are, the easier it will be for you to rebuild your savings and keep that nest egg for the rainy day.

Investments:

You will also want to know that you have made additional investments that will also be bringing you dividends in the future. Therefore, in addition to your investment in real estate, that is your land and house, you will also want to have some investments that will bring you periodic cash returns and that you can easily turn into cash in the event of an emergency.

Supplemental income to the monthly salary or pension is always welcome. It serves to give you that added peace of mind in the days when chaos seems to reign supreme and the cost of living just seems to be constantly on the rise. You have some breathing room to try and realign your spending habits to meet these changes in the circumstances.

These investments also come in handy to use as collateral in obtaining credit for the other major expenses in life. You

may find that it is more beneficial to you to get these other investments early on in life and leave the others such as land and house until a little bit later. If this is what you prefer, it is okay, but please ensure that you have a plan and stick to it as much as possible.

Your investment is supposed to grow and mature with you and be there for a long time to come. Your investments can also be used as a starter for your other life goals.

Retirement:

There are many people in our society that do not have a pension plan in place for when they reach retirement age. The question is now raised, "How will I be able to maintain a suitable standard of living when I have no income or a very small income from my previous contributions to social security?"

Suppose you have worked for the required period of time to qualify for this pension from social security, and your pension is calculated on a salary of around \$3,000, you might find yourself with an average pension of \$1,000 per month to take care of all of the bills and other commitments that

Why Save? Cont'd

you face. This is already \$2,000 less than what you would have been budgeting to spend on a regular basis. You will realize that this is far from adequate. How then can you maintain your quality of living?

This then forces you to continue working well past retirement age. But what can be done about it? One option is to purchase an insurance policy with an endowment plan that will serve to boost your income in your golden years.

Another option is to save and invest wisely so that you will be able to live off of the interest that your savings and investments would be yielding. You will want to have a sufficiently large saving and investment pool, that you will not be drawing from the principal too heavily, which will in turn reduce your returns and eventually dwindle into nothingness. If this happens, then you are right back where you started, with an insufficient income to meet your daily needs.

It pays therefore to plan ahead. Ensure as far as possible that you do not need

to engage in any credit when you are approaching your retirement age. The payments will be manageable while you are still working, but impossible to maintain when you are no longer working.

If this is done, you will then have the option of relaxing when you retire, or to enter into a small enterprise from your hobby just to keep yourself busy and your mind sharp. You will also be able to decide what hours you will work and what days you will not.

It is therefore of paramount importance that you plan and budget now for the future. You will not want to be a financial burden on your loved ones. You will also not want to feel obligated to them for a hand out to meet your daily needs. Now is the time to plan your savings and also to save towards your plans.

Emergencies:

These are the pesky little things that always seem to crop up when you are least able to deal with them, but they demand your full and complete attention. How are you set to deal with them? You will need to have an adequate savings account to take you through these

situations. They are unplanned and often expensive.

Some examples of these are a fall that leaves you with a broken limb, a car accident that leaves you hospitalized for a while and unable to work even after discharge from the hospital, a stroke that leaves you partially mobile.

Even in situations where you have an insurance plan in place to deal with these emergencies, you are often required to either pay up front and then claim from the insurance company or you would only be able to claim up to a pre-determined amount, and the rest you have to deal with on your own.

You may also be involved in an accident with a third party that has no insurance coverage, you will now be left with high medical bills that you have to cover while the case goes through court and even then, speedy compensation is not guaranteed. You need to have a savings plan in place for these situations.

As a hard worker, you should not be put in the position of having to ask for a hand-out from family members, friends or even the government. It is

Why Save? Cont'd

always good to have a level of financial independence. It is also possible that your house and contents are well insured, but a flood or fire will mean that you need to have an emergency fund to live on and start picking up the pieces until you are able to file the claim and receive payment.

While all of this is happening, your monthly commitments have not gone on vacation. Your mortgage, electricity, water, food and other bills are still expecting to be paid. How can you possibly keep up with them all? From that trusty savings account!

**October is also
Credit Union Month**

What's Happening for Financial Information Month 2010

⇒ **Radio and Television
Discussion Programmes
on Financial Issues**

- **Practical Money Skills for Life**
- **Financing Your Future**
- **Succeeding in Your Finances**
- **How to be Successful in Business**
- **How to Select Investments that are Right for You**
- **Retirement Planning**
- **How to Manage Your Money Successfully**
- **Intergenerational wealth**
- **Building and Keeping A Good Credit History**

⇒ **Street Banners
promoting the theme
and logo**

⇒ **Dreams to Reality
Contest**

⇒ *Visits to Primary/High Schools to engage students in discussions on savings, wise use of money and credit, budgeting and financial planning.*

⇒ **Discussions with
Churches and
Community Groups**

⇒ *Youth Financial
Symposium*



Money Maxims

1. Never Spend Your Money, _____

Answer: Never spend your money before you have it.

Thomas Jefferson

3rd president of US (1743 - 1826)

If you spend money before you earn it means that you are not living within your means. "Living Within Your Means", refers to spending less than you earn, setting aside money for savings and having no debt or good debt i.e. debt that allows you to build your net worth, such as buying a home, paying for education or making home improvements that build equity.

2. Don't borrow what _____

Answer: Don't borrow what you can't pay back.

The price to pay for the "have now, pay later" philosophy is that you certainly will pay later. Unmanageable debt imprisons you in a job you don't like, creates stress and anxiety in your life, and erodes your wealth creation potential.

3. Save Something _____
_____.

Answer:

Save Something of What You Earn.

Making regular savings a habit is one of the smartest things you can ever do. Imagine how much you would have in the bank in ten years if you were to save 10% of your weekly or monthly income.

4. The fast buck _____

Answer:

The fast buck is the last buck.

Don't fall for too-good-to-be-true scams. Wealth creation is a simple and timeless process based on common sense.

5. Money is neither good nor bad it is what you _____ that makes the difference

Answer:

Money is neither good nor bad it is what you do with it that makes the difference.

Ignore the notion that money is the root of all evil. Actually the correct phrase is "the love of money, is the root of all evil". Money is not evil. Money actually brings enormous good into the world.

- *Creating wealth helps create jobs for others*
- *Investing in business helps to bring solutions into people's lives by way of innovative products and services*
- *Acquiring a great fortune allows you to donate more money to charity - or even start your own trust fund*

6. For age and want, save while you may; no morning sun lasts _____
_____.

Benjamin Franklin

Answer:

For age and want, save while you may; no morning sun lasts a whole day.

Have a retirement fund and a emergency fund to provide for the time when you are not working or need money for an unexpected crisis in your life.