

SEPTEMBER 2011

Staying Connected

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

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NEWS



Financial Information Month
October 2011

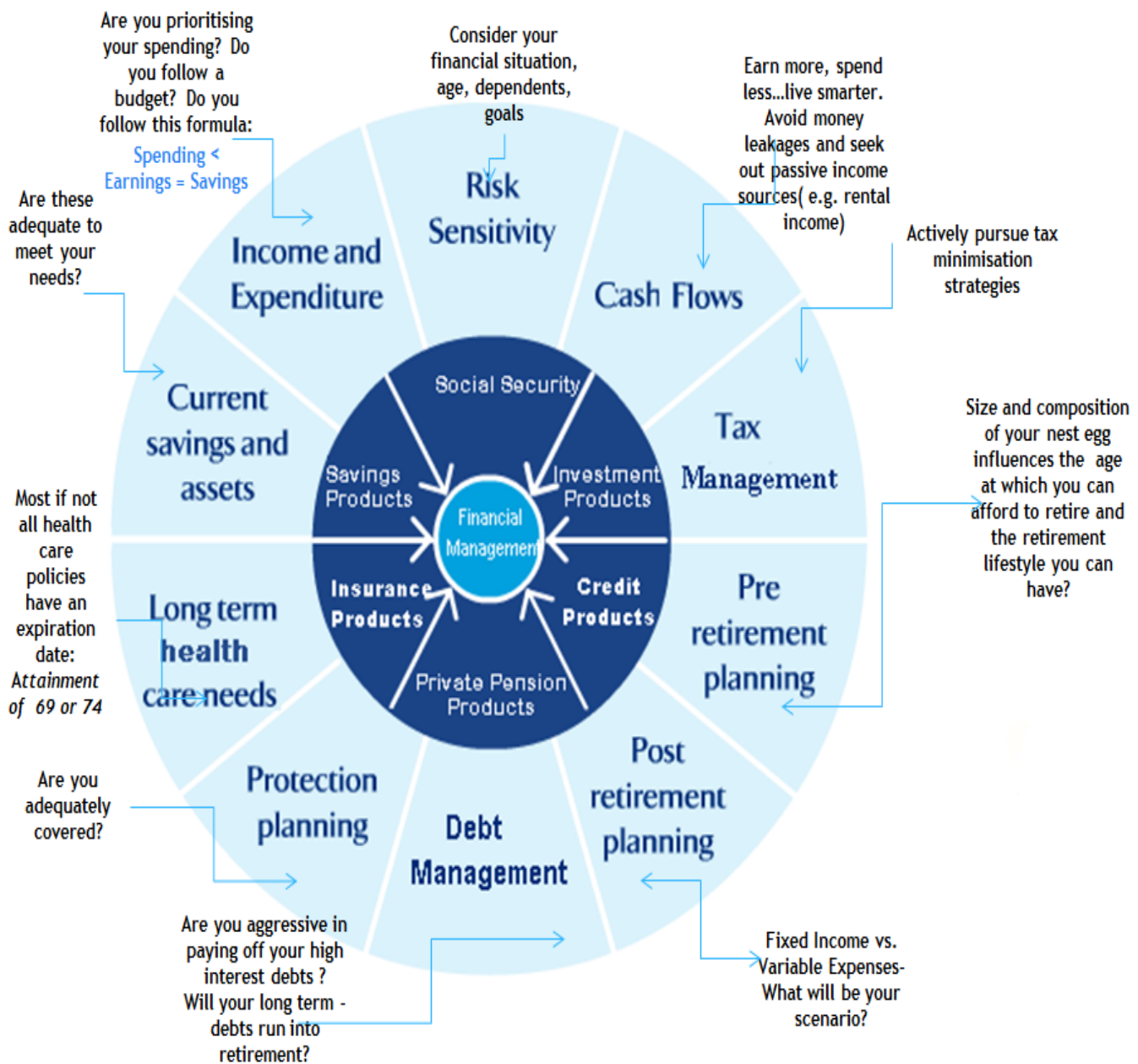
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Plan Your Financial Success

Focus on the key issues highlighted in the diagram and discover **The Wheel of Your Fortune** .

Ignore these and end up with **The Wheel of Your Misfortune!**

The Wheel of Your Fortune



Speech to Graduands of the ECCB Savings and Investment Course Cohort 7- St. Vincent and the Grenadines

By Rudy Mathias July 30 2011

Chairman/CEO

International Airport Development Company Ltd

What is money, or how do we define or identify money?

Money can be defined by the 4 basic functions it performs:

1. A medium of exchange and final payment;

This is the most important function of money. In this role, money facilitates the exchange of goods and services. As a medium of exchange, money helps avoid the kind of frictions that would arise in an economy that trades through barter. The double coincidence of wants, which is an essential feature of a barter economy, severely restricts trade.

2. A standard of deferred payment (debt function)

Money plays the role as a standard for deferred payment by facilitating the provision of services in one period while payment is made in a later period.

3. A unit of account

In its role as a medium of exchange, money can be used as a unit of account, that is, a standard by which all other commodities are priced.

4. A store of value (asset function)

As a store of value, money provides a means of holding and accumulating wealth in a form that can be readily converted into goods and services.

A wise investor can benefit far more than a wise saver!

convenience in buying goods and services. One also has the assurance that the **asset will at least retain its nominal value.**

If money is held, in place of another financial asset, the holder foregoes the interest that could have been earned on another financial asset, such as a share in a mutual fund or in a company. What we are talking about now is, of course, the concept of saving and investing. For **money to function as a store of value, its real value must remain reasonably stable over time. It is important, therefore, to consider the real value of money in any discussion about money!** But, why save?

Holding money, as a store of value, provides some

The saving and investment functions:

Broadly speaking without savings, there can be no investment!

Robinson Crusoe Island: Imagine a small island on which there is one household. If Mr Crusoe works and consumes all that he produces, then

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clearly he has nothing in reserve for tomorrow.

Using other people's money: Similarly, if a household consumes all its income, and saves nothing, in order for that household to make any investment, it must use other people's savings.

A wise investor can benefit far more than a wise saver! **Remember too, that when you have a loan that has a fixed rate of interest, inflation transfers to the borrower real income and penalises the lender who made his/her money available for lending.** And there are many sources of lending, some mandatory while others are discretionary: national insurance schemes, unit trusts, credit unions, mutual funds, pension funds, bank savings etc.

Governments, firms and individuals need to have

access to a ready supply of savings to invest.

Perhaps the trick in becoming wealthy is to understand how to maximise one's return from using other people's money! And it is not that difficult. What one has to do, of course, is to find a **project whose risk adjusted rate of return is higher than the cost of capital.** And work hard to achieve a good outcome.

There are broadly two kinds of savings available to firms and individuals in a country:

1. Domestic savings – savings by individuals, firms and the government
2. Foreign savings – funds borrowed/invested from abroad.

If we have a low rate of saving, then to the extent we rely on domestic savings, our ability to invest could be significantly curtailed.

When there are good prospects for investment, as a country, we may need to rely on or attract

foreign savings or foreign investors.

This is what we call foreign investment, and it can come in several forms: investment in shares, or investment in capital stock - foreign direct investment.

Now, why would anyone invest in our country, if they can't get in, can't get their goods out, or get people in to use their services here? This is where the Argyle International Airport comes in!

We are talking about investment, so we must speak about the largest investment project that this country has undertaken.

Some people say that the Argyle Airport is not a good investment. They say it is not financially viable. I agree with them fully. It was never conceived as a financially viable project. It was always conceived as an economically viable project. And it will be. There are two main reasons:

1. Government as the investor, compared with a private man as an investor.

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2. The benefit of having the lands at Arnos Vale available for sale.

Now there are New Opportunities for Investment for ordinary people in St. Vincent and the Grenadines.

Investment in the new city at Arnos Vale – hotels, residential villas, condominiums, restaurants, shopping and business centres, entertainment and recreational complexes etc.

I expect the 62 acres at Arnos Vale to become a far more attractive city, for businesses of all sorts, than Kingstown is.

Considering the price range of lands in Kingstown, let us assume that the land price in Arnos Vale rises to \$500 per square foot.

At a sale price of \$500 per square foot, the saleable land would have a value of about \$1.15 billion and \$1 billion after development cost :

- a. Investment in the hospitality sector – enhanced air access/cheaper tickets and more visitor arrivals
- b. Investment in agri-business – cheaper freight to larger markets
- c. Investment in professional services – banking

Now that we have had this discussion, and you have been trained in money management, I expect to see far more business people and more investment taking place in our country. **You have to begin to see yourself as an investor too.**

I wish you all the best as you put your knowledge to use for yourself and our blessed country.

Business Symposium

“Revitalising and Rejuvenating Business Enterprises - Strategic Responses to Current Economic and Business Challenges”.



Presenters

Edwin Zephirin

Managing Director

Edwin Zephirin & Associates, USA

Clare Doyle

Marketing Director,

Elementis Specialties, USA

Rawlinson Isaac

Financial Consultant

St Kitts & Nevis

ECCB Headquarters, St Kitts and Nevis

18 October 2011

Participants from the other ECCU member countries will join via videoconference.



Riddles to Make You Smile

R is for Riddle, R is for Rhyme. Pretty please, do you have some time? Solve my riddles and you will be sure to smile...

**1. If you fail to include me in your plan
for your future
You may not be able to afford to retire.**

What am I?

**2. I go Up and I go Down
I have many analysts on a merry go round.**

What am I?

**3. Woe is you
When you encounter unmanageable me.
You bemoan how I keep getting bigger and
bigger
and still you won't stop increasing my
figure.**

What am I?

**4. Hello. Why are you ignoring me?
Don't you know we should be meeting
monthly
and having serious discussions about how to
spend your money wisely?**

What am I?

A _____

**5. Its pretty basic
Nothing complicated nor psychedelic.
I cannot stretch. Each one of me only has
one hundred cents.
So check yourself and your expense.**

What am I?

A _____

**6. Don't be silly
You know you don't need and can't afford
me.**

What am I?

Your _____

**Rule No.1: Never lose money.
Rule No.2: Never forget rule No.1.**

Warren Buffet

1 retirement planning 2. stock prices 3. debt 4. budget 5. dollar
6. wants

