

## Staying Connected

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



### FINANCIAL FITNESS

#### Watch out for cash leakage

If withdrawals from the ATM machine evaporate from your pocket without apparent explanation, it's time to keep better records. In general, if you find yourself returning to the ATM more than once a week or so, you need to examine where that cash is going.

#### Beware of spending creep

As your annual income climbs from raises, promotions, and smart investing, don't start spending for luxuries until you're sure that you're staying ahead of inflation. It's better to use those income increases as an excuse to save more.

#### Beware of luxuries dressed up as necessities

If your income doesn't cover your costs, then some of your spending is probably for luxuries -- even if you have been considering them to be filling a real need.

An investment in knowledge always pays the best interest.

Benjamin Franklin

Reprinted from *TheStreet.Com*

As explained in the book *The Millionaire Next Door* by Thomas J. Stanley and William D. Danko, personal finance has as much to do with people's traits as it does with money. Many millionaires, in fact, have frugal ways.

Understanding how personal traits can influence your finances is an essential ingredient for building wealth. Here are 10 key traits:

#### 1. Patience

Patience is one of the most important traits when it comes to saving money.

This means waiting until the first wave of product hype has passed, keeping a car for an extra few years before getting another one and waiting until something you want fits into your budget instead of putting it on credit.

Patience is often the difference between creating savings and

being in debt. Having the patience to wait until you find a good deal is a cornerstone of good finances.

#### 2. Satisfaction

When you're satisfied, there is no reason to spend money on nonessentials. The sole purpose of commercials is to make you believe that buying a product or service will make you happier, wealthier, better looking or improve whatever

isn't bringing you satisfaction.

People spend because they want to capture the excitement shown in advertisements. When you are satisfied with what you have and your life (not trying to live like those on TV), your finances will be in a lot better shape.

#### 3. Organization

Being organized can make you more productive and ensure



## Our Journey

### *The National Treasures Investment Club* by Donovan Dyan

After the investment seminar organised by the ECCB in May of 2007, I was approached by a fellow member of staff about possibly forming an investment club. We discussed it briefly, that's all we needed.

The influence of the BVI's success story truly hit home with us. What also struck a nerve with many of us who attended that seminar, was the fact that we all believed that "Black People" can achieve much, but unity and like-mindedness have to be the driving force.

There were around seven

fellow staff members present at that seminar, most of who had passed through the savings and investments course which many of you will find uplifting and informative.

Discussions amongst us were quite easy, filled with excitement and hope. We decided that we needed to invite others to get involved. So we went about our recruitment drive. It didn't take long before we began meeting weekly with about seven to ten persons, many of whom were fellow staffers. We also had persons from insurance, telecommunication and



Donovan Dyan  
Secretary

broadcasting firms.

The meetings were very informal (usually once per week), there was no set structure; however, they were often very productive. Healthy discussions on expectations, investment opportunities and a name for the club were always a welcome part of the exercise.

### *Ten Traits That Make You Filthy Rich* by Jeffrey Strain

## Our Journey *Cont'd*

### Building Wealth

Keep your eyes on this site for information on an investment club seminar that will soon be coming your way.

We needed to educate ourselves on some of the essential ingredients of investment clubs and the best ways to structure investments.....

A suggestion of Project Oasis was made for the Club's name and was upheld for several weeks until it was replaced by Progressive Nationals Investment Club. This name remained for several months, until around October, when a better suggestion of "National Treasures Investment Club" was made, complete with Motto and Logo. This is our Club's name.

A few weeks after we started, we decided that we needed a meeting place of our own.

Up to that time we were being accommodated by an establishment which could not continue to do so indefinitely.

Several proposals and ideas were presented, but we decided to use the Girl's Guides Headquarters. A fee was discussed and agreed to and meetings were held at that location from around September 2007. This initial expense led to serious discussions about subscriptions.

Through discussions on subscriptions and fees, members voiced concerns as to any legal ramifications, loopholes, liabilities or responsibilities attached to

the collection of such funds, especially without any set contract/agreement or By-Laws/Regulations. Hence, we set about formalising our By-Laws and Agreement.

We looked at the samples provided by the BVI Club and began discussing items at length. We found that the documents from the BVI were skeletal, so sections were added or removed as we shaped our own Regulations. This process is not yet complete, but we are very close.

Developing our By-Laws was quite time consuming, we began to lose steam. Several members disappeared.

## Ten Traits That Make You Filthy Rich *Cont'd*

that all the many issues are addressed. It means not paying late fees, not buying two of everything, knowing deadlines that can affect your finances and getting more done in less time. All these can greatly benefit your finances.

### 4. Discipline

You need the discipline to continue to save money for specific, long-term goals every month. Personal finance isn't a way to get rich quick, but is a disciplined execution of your lifetime plans.

### 5. Reflectiveness

It's important to be able to look at your financial decisions and reflect on their results. You're going to make financial mistakes. Everyone does. The key is to learn from those mistakes so you don't make them again, or recognize if you keep repeating them.

### 6. Creativity

The economy and our earnings

don't always match our expectations. Unexpected developments wreak havoc to elaborate financial plans. When this happens, changes are needed to deal with the new circumstances. Creativity is essential to accomplish this.

Creativity allows you to make something last longer rather than replacing it when you don't have the money. It means juggling money to stay out of debt rather than simply paying with a credit card. It means finding a cheaper alternative when money is tight. In these ways, creativity plays a large role in keeping finances in order.

### 7. Curiosity

Having curiosity helps you learn, study and improve yourself. The curiosity of wanting to know more, to take the time to study and then take what is learned and put into practice is an important process that is driven by curiosity.

### 8. Risk-Taking

To build wealth, one needs to be willing to take risks. This doesn't mean uncalculated risks. It means weighing all the options and taking calculated risks when appropriate.

The stock market has risks involved, but over the long term, history shows that it provides good returns on money that is invested wisely. Those who fear risk altogether end up saving money in accounts that likely lose money to inflation in the long run.

### 9. Goal-Oriented

The importance of setting and working toward goals is obvious. If you don't know where you are going, it's difficult to get there. It helps your personal finances immensely if you have money goals and are motivated to reach the goals that you have set for yourself. Those who lack goals don't have a road map to take them

to the financial destination they want.

### 10. Hard- and Smart-Working

Creating wealth and staying out of debt rarely come about without a lot of hard work.

Many people might hope that the lottery will solve all their financial problems. The true path to financial freedom, however, is to work hard to earn money while educating yourself to continue to have more value and increase your salary.

You may not possess all of the above traits. But knowing them can help you make changes so that you nourish the ones that you have and obtain the ones you're missing. Ultimately they will help you with your personal finances and create a plan to accumulate the wealth you desire.

*Our Journey Cont'd*

It was decided that we really needed to continue to educate ourselves on some of the essential ingredients of investment clubs and some of the best ways to structure investments, records of investments, returns and the distribution of such returns. As such, we invited Sybil Welsh from the ECCB to help to guide some of our discussions and thoughts in these areas.

One of the major points that stuck with us was to “Just start!!!!. The by-laws and many other areas will work themselves out as you move on.” She was right.

“Start collecting subscriptions”, she advised, and shortly after, we put measures in place to do so. This was probably in August or so. By that time we had already decided that our subscriptions would be \$125 per month plus an annual injection of \$1500 each year. We decided that each member must commit to five years in the club.

In order to collect the funds we decided to elect an interim committee and so we did in October 2007. This interim committee consists of a Chairman, Secretary and Treasurer. The committee is responsible for setting

up the necessary bank account and for monitoring, collecting and managing the funds.

The interim committee will dissolve when all agreements are signed and by-laws completed. This is the stage we are at. So far we’ve collected in excess of \$25,000 since October from approximately 10 members with 7 in arrears.

An interesting journey ...difficult to summarise but worth it.

When buying shares, ask yourself,  
would you buy the whole  
company?

Rene Rivkin

*A New Offering In The Market* by Lafleur Dublin

With the listing on 30<sup>th</sup> January 2008 of Cable and Wireless (St. Kitts and Nevis) Limited on the Eastern Caribbean Securities Exchange (ECSE) the idea of investing came to mind followed by a stream of questions;

- Was the company using its resources efficiently thereby enabling investors to earn good dividends?
- Does the company have adequate cash reserves that can be drawn upon to meet operational obligations in the event of a sales decline?
- Is the company in a position to access additional debt without adversely affecting shareholder value?

In an effort to provide answers to these questions, I analysed the company’s financials for the period 2005-2007 and began calculating pertinent financial ratios dealing with profitability, liquidity and debt. I also focused on the company’s dividend payment per share.

A company’s ability to generate profits is of vital importance to current and future investors. High profits allow companies to pay outstanding debts, pay dividends, reinvest in company infrastructure and save for rainy days. Like most companies Cable and Wireless is challenged to keep operational costs down while actively pushing for higher sales. Profitability is best assessed through the net profit margin which measures net profit against sales. Cable and Wireless’ net profit margin fluctuated over the past three years.

	2005	2006	2007
	000	000	000
<b>Net Income</b>	\$15,302	\$6,318	\$12,517
<b>Sales</b>	\$95,202	\$101,042	\$104,397
<b>Net Profit Margin</b>	16.07%	6.25%	11.99%

NB: Operating costs in 2006 was \$57,561,000 compared to \$51,464,000 in 2005. This cost increase impacted the 2006 profit margin.

Another crucial profitability ratio is the return on assets (ROA). This ratio examines how well resources are managed and utilised for the generation of profits. In simple terms it measures the net income generated from each dollar of assets held by the company. A high return on assets indicates efficient use of company resources. Over the three year period, Cable and Wireless’ return on assets ratio

	2005	2006	2007
	000	000	000
<b>Net Income</b>	\$15,302	\$6,318	\$12,517
<b>Total Assets</b>	\$135,063	\$127,548	\$119,593
<b>Return on Assets</b>	11.33%	4.95%	10.47%

fluctuated as is evidenced in the calculations above.

The issue of liquidity is also important since companies need to ensure that they have sufficient cash to meet their short term debts. The best way to assess the liquidity position of a company is by computing its quick ratio (*current assets*

## *A New Offering In The Market* *Cont'd*

excluding inventories divided by current liabilities). By excluding inventories, a company's ability to convert short term assets to ready cash is more clearly assessed. Over the three year period, Cable and Wireless' quick ratio ranged between 81% to 90%.

	2005	2006	2007
	000	000	000
<b>Liquid Assets</b>	\$35,282	\$35,171	\$28,655
<b>Current Liabilities</b>	\$43,603	\$40,753	\$31,869
<b>Quick Ratio</b>	80.92%	86.30%	89.91%

To the investor a company's level of debt is very important since it affects the level of dividends payable. Over the period 2005-2006 Cable and Wireless maintained a steady dividend payment of forty cents per share until 2007 when this was lowered to thirty five cents. However, research carried out by Bank of St. Lucia states that thirty five cents per share can be considered relatively attractive when compared with the dividend payment of other listed companies on the ECSE.

A high debt structure also means that opportunities to borrow additional funds would probably incur the penalty of a higher interest rate to compensate for the heightened risk of default, thereby increasing expenditure.

Over the three year period Cable and Wireless experienced a reduction in the percentage use of debt as exhibited by a declining debt ratio (**2005-** 42.55%; **2006-** 41.33%; **2007-** 36.2%) measured by total liabilities over total assets.

We are all eager to invest. But please remember that in determining whether "to invest or not to invest" we should always first consider these three factors: our financial goals, investment objectives and investment guidelines and then pick investments, after diligent research, that would meet these criteria.

The brief analysis put forward is based on historical data and hence is not an indication of the future. Beyond the earnings history of a potential investment, one must also consider the associated risk factors and the company's opportunities for growth and income.

The management of Cable and Wireless forecasts a positive outlook for the next three years with increased productivity, efficiency and profitability amidst the challenges of increased competition and technological developments.

For additional information you are encouraged to contact your local broker dealer.

## *Investment Clubs*

People are becoming more financially savvy and as money and capital markets develop in our region, they are keen to take advantage of investment opportunities to maximise their returns and create new wealth.

Joining or establishing an investment club is one potential avenue for wealth creation.

Generally, an investment club is a group of people who pool their resources to make investments. These clubs allow members to participate in investment arrangements that they may not be able to afford individually. In addition

to the possibility of wealth creation, investment clubs provide members with the opportunity to increase their knowledge of financial matters.

Any investment decision requires a balanced approach with an assessment of both the potential returns and associated risks.

The Eastern Caribbean Central Bank is in the process of conducting a series of investment club seminars across the Eastern Caribbean Currency Union. This initiative is being dovetailed with the successful savings and

investments courses being conducted in the respective member countries.

These seminars are aimed at sensitising persons on the concept of investment clubs and investing in general.

The first of these seminars took place in St Kitts on 30 May 2007. Similar seminars are being planned for the other ECCU countries. The BVI Investment Club will facilitate these sessions.



*Investment Club Seminar  
30 May 2007  
St. Kitts*

### **Investment Clubs Sites:**

1. <http://www.investmentclubhelp.com/>
2. <http://www.fool.com/InvestmentClub/InvestmentClub05.htm>
3. <http://www.moneyclubs.com/moneyclub-guide-faqs.htm>
4. [http://finance.yahoo.com/education/investment\\_clubs/article/101130/Adding\\_New\\_Members\\_to\\_Your\\_Investment\\_Club](http://finance.yahoo.com/education/investment_clubs/article/101130/Adding_New_Members_to_Your_Investment_Club)

**Starting an investment club....Have a blast. While you are learning about investments do not forget to have fun.**

*adapted from Moneyclubs.com*