September 2009

YOUR FINANCES ……YOUR FUTURE

Staying Connected

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

YOUR FINANCIAL NEWS

8 POINT

Stabilisation and Growth Programme

Stabilise, Stimulate and Strengthen Your Finances

In June the ECCU member governments formulated a comprehensive 8-point plan to address in a coordinated and strategic manner the economic challenges being faced by the member countries as a result of the global financial and economic crisis. The plan includes the following:

1. **Suitably Adapted Financial Programmes for each country**
2. **Fiscal Reform Programmes**
3. **Debt Management Programmes**
4. **Public Sector Investment Programmes**
5. **Social Safety Net Programmes**
6. **Financial Safety Net Programmes**
7. **Amalgamation of the Indigenous Commercial Banks**
8. **Rationalisation, Development and Regulation of the Insurance Sector**

This **ECCU 8 Point Stabilisation and Growth Plan** is designed to ensure continued stability and sustained economic growth and development for the member countries.

It is wise to take cue from this, if you haven't done so already, and craft your own financial stimulus programme to ensure your and your family's financial stability and prosperity now and in the future.

You can adapt the framework of the **ECCU 8 Point Stabilisation and Growth Programme** in crafting your own programme.

Think ahead about what issues can affect your financial stability and then put a plan in place to address any substantial budgetary pressures.

Cont'd on page 2

OCTOBER IS FINANCIAL INFORMATION MONTH

Stabilise, Stimulate and Strengthen Your Finances *Cont'd*

Point 1

Your Financial Programmes

Conduct a situational analysis of your current financial situation so you will be better able to address challenges, take control of your finances and identify opportunities even in times of economic downturns. You have to be honest in this exercise.

- What is the total value of your assets vis-a-vis your liabilities? *In simple terms, how much you own versus how much you owe.*

- What are your current income sources and how vulnerable are they to economic changes and market conditions?

- What are your available cash inflows to put towards i) your monthly day-to-day expenses as well as ii) mid to long term investments to provide for your financial well being and security?

Deduct your monthly expenses from your monthly income to get the amount of funds available. If your expenses exceed your income that means you are incurring a deficit each month that you have to finance using credit. You are therefore unable to amass funds to allocate towards medium to long term goals. Obviously, this situation is not sustainable and must be stopped.

- Which areas are consuming most of your monthly income? Is the bulk of your income going into essential or non-essential items? How much of your income is going into consumables and how much is being allocated to areas that enhance your financial stability and economic well-being?

This should not be guess work. The only way you can be sure is to keep a written record of your daily expenditure. If you don't have written records of how you are spending your money then now is the time to start? Keep receipts and bills and write down daily miscellaneous expenses. At the end of each month review your expenditure records and examine specifically where your money is going.

The answers to the aforementioned questions should convince you of the need to realign your financial resources to those areas that are essential while cutting out non-essential areas.

- Evaluate key financial demands vis-a-vis your financial resources and identify your financing gap *i.e. the difference between the funds required to meet critical demands and your available funds.* Then seek to find ways in which the gap can be addressed.

Addressing your financing gap may require:

- Reprioritising your financial demands to focus only on those demands that are essential and of top priority, also identifying which demands should get the largest financial resources, which should get the second largest and so on.

Cont'd on page 3

Stabilise, Stimulate and Strengthen Your Finances *Cont'd*

- Engaging your creditors on the way forward as you try to manoeuvre through this period of financial adjustment.

- Sourcing new ways to increase your income. This may entail taking on a part time job or transforming your hobbies or skills *(carpentry, baby sitting, cake-making, catering, tutoring, gardening, etc.)* into an income generating enterprise.

- Forging new alliances and establishing new networks with creditors and other strategic partners that can assist you to address your financial challenges.

Point 2 **Your Fiscal Reform Programme** Develop for yourself an efficient and effective revenue and expenditure plan *(budget),* that supports your economic well-being and growth and is sustainable over the medium term. Devising and sticking to this plan is paramount if you are to ensure that you are making focused spending decisions that concentrate your financial resources on your current and future needs, not your wants, and reducing your expenditure through a targeted strategy to eliminate unnecessary cash leakages and waste.

A reduction in your energy bill can be easily achieved by making simple adjustments such as ironing in bulk rather than each day, and unplugging all electrical appliances before leaving the home – *microwave, cable boxes, TV, fans etc.*

A life style change or adjustment would also reduce discretionary expenses incurred from eating out, outings at bars, concerts and movies. Identify what level of cost reduction is required and then seek to scale back or change to low-cost or no cost entertainment options.

Opting for public school instead of private schooling for your child or a smaller home can also reduce your monthly expenses.

Point 3 **Your Debt Management Programme** Establish a personal Debt Management Programme to bring your debts into a sustainable position. The target is to get your total debts within the recommended levels of no more than 35% of your net income.

The first step has to involve a change in your attitude towards money and debt. Until you have a change in attitude, bad financial habits of spending on impulse, running up credit card bills, taking several goods on hire purchase and just living beyond your means will not change and you will continue to sink deeper and deeper into debt. Seek the advice of your banker to assist you with the required attitude adjustment.

Next you need to asses your total debt situation. How much debt do you currently have? And how are your debts allocated across the various credit instruments - *hire purchase, credit card balances, bank loans and other loans*?

Cont'd on page 4

Stabilise, Stimulate and Strengthen Your Finances *Cont'd*

Finally, devise a plan to attack your debts. This should include:

- Refraining from adding to existing debts. You may also need to consolidate several high interest credit card debts into one lower interest loan.
- Living below your means. You will need to make certain sacrifices and reduce your living expenses so that you can accumulate savings. Use these savings to reduce your debts. If possible, pay more than the minimum payment required on your credit card and other loans to accelerate the reduction of your debts. Focus first on accelerating the payments on loans that incur the highest interest.
- Seeking counselling and training in debt management

Point 4

Your Personal Investment Programmes (PIP) Devise and implement an investment programme for yourself that will help you to attain your financial goals and secure your economic well being now and in the future.

There are a wide range of savings and investment products that you can use to reach key financial goals linked to savings, education, home ownership, entrepreneurship and retirement. *"Don't make the mistake of thinking that because goals like retirement and education funding are "long term," you can begin saving for them later. The reality is that these goals tend to require a lot of your financial resources to meet them, so begin saving for them now, if you haven't already."* The rule of thumb is that you should plan to replace 80% or more of your financial salary for retirement.

Begin by setting aside funds for savings and investments in appropriate instruments that will seek to increase your income and strengthen your financial infrastructure based on the level of risks you are willing to take on.

Point 5

Your Social Safety Net Programmes Identify the vulnerable areas in your life, family and wider community, and identify ways in which you can set aside funds to channel into these areas. Such areas like health, education, charity, are most likely to suffer when you are financially challenged. However, not making provisions for these areas now can be costly in the long run.

Point 6

Your Financial Safety Nets Programmes Think ahead about what issues can affect your financial stability and then put a plan in place to address any substantial budgetary pressures, foreseen or unpredictable that you may face in the future. Such a plan would:

1. Guide you as to how to deal with financial exigencies.
2. Support thoughtful decision making consistent with your well-being and financial goals.
3. Provide you with a blue print for action.

Stabilise, Stimulate and Strengthen Your Finances *Cont'd*

4. Serve as an educational tool for you on matters related to your finances and the factors affecting them.

Making consistent allocations to an emergency fund will also serve as a buffer during periods of financial hardships. It is recommended that you have an emergency fund of at least 3 times your monthly salary.

Enhancing your job skills or developing new areas of expertise can also ensure greater flexibility in the job market.

Point 7

Strengthening of Your Financial Resources Stabilise and strengthen your financial situation by identifying the types of financial resources needed to make you more resilient and effective. It is wise to invest in more than one type of asset. The gains in one investment can offset losses in others.

Seek the advice of financial experts to assist you with the answers to the following questions:

- How much savings do you require to ensure your financial security and what types of savings instruments should you select?
- What is the right mix of investments that you need to achieve your financial goals and how should you measure their performance over time and make adjustments along the way?
- What level of risk can you tolerate?
- What types of insurance are required to provide for your financial security and how much, for what periods and at what cost?

This type of objective rationalisation and introspection would ensure that you are growing and protecting your financial resources in a sustainable manner.

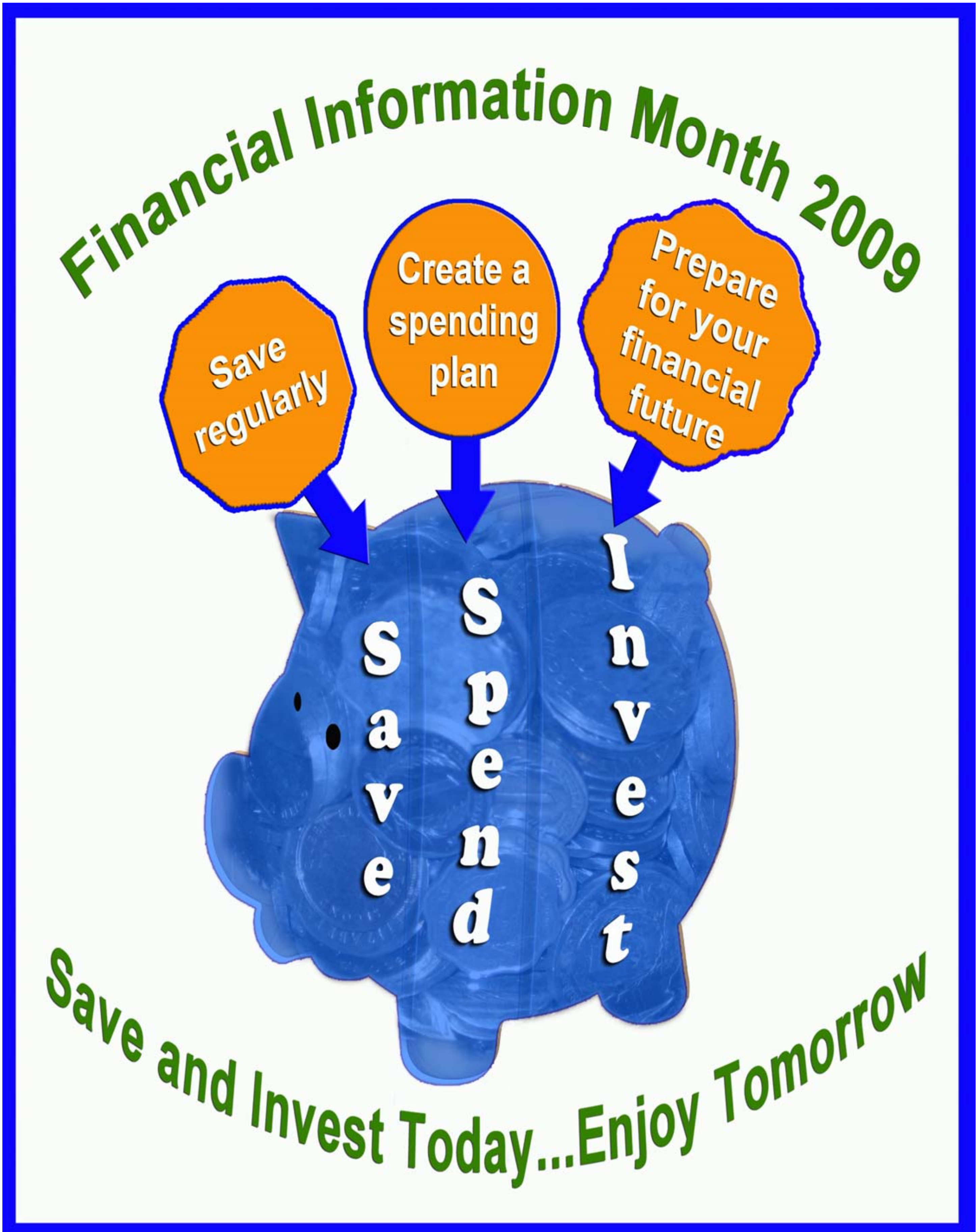
Point 8

Your Risk Management Programmes

This involves conducting a careful risk assessment of your financial situation and devising a risk mitigation strategy.

- What controls are in place to address risk in your personal finances?
- What triggers have you identified that would warn you that a potential risk may be threatening your financial stability, and what responses have you devised to confront these potential risks?

If you have followed this framework and crafted your personal eight point stabilisation and growth programme you are well on your way to fire proof your finances. Your eight point financial programme will enable you to secure your future and your family's future today and in the future. **SLW** ●


Financial Information Month 2009
Save regularly
Create a spending plan
Prepare for your financial future
Save
Spend
Invest
Save and Invest Today...Enjoy Tomorrow