February 2009

Staying Connected

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

YOUR FINANCES ......YOUR FUTURE

FINANCIAL FITNESS

An ounce of prevention is worth a pound of cure.

SAVE

Make savings a priority. The only practical way to get a hold of your spending and to make sure you are using your money wisely is to budget.

MANAGE YOUR DEBTS

Before purchasing an item using credit, first figure out how you are going to repay the loan. Reckless purchases always lead to crisis.

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.

Do not wait until you are close to retirement to begin saving for your retirement. You are the architect of your financial future, so just as you would save towards college or a house, start saving towards your retirement fund. The earlier you start the greater the possibility that you would be able to afford your retirement.

KNOW YOUR RISK TOLERANCE

If you cannot afford to lose a lot of money it is vital that you stick to conservative investments. You may not make a lot but you are not likely to face financial ruin from a risky investment that goes bad.

Choices...Consequences

Debt sucks your money away from you!

Miss Shafia London,
Acting Executive Director,
SVG Chamber of Industry & Commerce
addressing the graduates of the
ECCB Savings and Investments Course.

It is perhaps an understatement to say it's an honor to speak at this evening's graduation ceremony. As I look out on this audience, it is both humbling and inspiring.

In preparing for this speech, I asked myself, what would be more meaningful to say to you in this time of tremendous change, an era of a global financial crisis? In this turbulent economy, your training in savings and investments could not have been more timely and pertinent.

After this course, all of you would have accepted the fact that when you receive a paycheck you have two choices and trust me, they are really choices. **You can choose to either spend less than you make** or **you can choose to spend more than you make.** If you spend more than you make, you're spending money you don't have, you're borrowing it and debt sucks, as in debt sucks your money away from you**.** If you borrow money, you owe money to someone and since your creditors have to eat too, you don't only owe that money, you also owe interest. Every day you continue to owe that expensive debt, is another day's worth of interest you owe. All this while you try to keep your day-to-day spending in check. The less debt you have, the less it sucks.

Then you would have learnt that you can choose to receive interest instead. You go down that path by simply spending less than you make. When you put your savings into a savings account or investment plan, it earns interest. Interest is a wonderful thing when it's working for you- it's money you didn't have to work for. **Choose to have your money work for you.**

In fact, a good friend of mine recently told me, save until it hurts. This doesn't mean being cheap. That wouldn't be any fun. It also would not be sustainable. You've heard of all those folks on crash diets who have all their weight back on a few months later. Someone who tries the extreme, *i.e. a miserly life,* will be annoyed, discouraged, and, more than likely,

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Choices…Consequences Cont'd

buying crap they don't need before too long. So instead of that overly thrifty path, you would have been taught to spend wisely.

During the course, I am sure you have also been reminded of the importance of using protection. No, I am not here as part of the AIDS Awareness campaign. I am talking about insurance. Although insurance can be made to be very confusing, this course would have taught you that it boils down to one simple rule: never risk a lot for a little.

So basically over the past weeks the core lesson you should have learnt from everything is that the performance of your investments and how much you save are of critical importance when it comes to achieving your financial goals.

Manage your job with passion and innovation.

Ladies and gentlemen, whilst you will be applying the skills of budgeting etc in your personal life, companies all over the world including right here in St. Vincent and the Grenadines are doing the same thing. With staffing budgets increasingly under scrutiny these are uncertain times for the labor market.

It is imperative that whilst you plan for the worst, you remain proactive. Whilst planning what you will do with your money, you must also plan how you can ensure that you get that money i.e. your paycheck. Whilst I acknowledge that sometimes an employee has no control over whether or not he/she loses his/her job, there are simple strategies you can apply to mitigate the risk of being the first one to be released.

When you consider the possibility of job loss, you may be consumed by fear or anxiety but you and I both know that worrying has no worthwhile benefits. It saps valuable energy and focus. Instead of spending your time contemplating fears of losing your job or discussing who lost their job, now is the time to kick it into gear and create a plan to win at your job. Excellent employees who give their all when a company is on the ropes are usually the ones who stand out when the business enters calmer waters.

I urge you tonight to enhance your professional development. Learn new skills and challenge yourself to grow. Manage your job with passion and innovation. Remember how enthusiastic you were when you were interviewed about your job? Employers need to see it again. Nobody wants to work with somebody who's on a constant downer. Exhibit optimism and team spirit, a go-getter attitude. Most importantly, never, ever say negative things about your job profile, timings, workload, colleagues or any other aspect of your job to anyone.

Learn new skills and challenge yourself to grow.

According to Sandeep Kalamkar of Standard Chartered Bank, *"It is vital that you keep abreast of current events, among other things you need to know include changes in the economy that are going to affect the industry you work in."* Read! Read! Be aware of what's going on in the economic and industrial world today. Use this knowledge when you take part in office discussions, and keep your ears open to the opinions of those older and wiser colleagues that are more aware than you.

Do not let yourself become lazy. During slowdowns, it's all the more important that you stay on your toes. Remember the mantra, *work,*

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Share "Your Financial News" with your family members, friends, and colleagues. The newsletter is also available at http://www.eccb-centralbank.org/PublicAwareness/save2.asp

Choices…Consequences *Cont'd*

work, work. If you're seen as somebody who isn't a hundred percent devoted to the job, you'll stand out in a way you won't like.

Be supportive of changes at the workplace, such as cost-cutting measures. A turbulent financial milieu is not the place to ask for a raise or promotion. This is the time to forge ahead to foster better business results and to enhance your personal development.

You have all this new found knowledge, now is the time to apply it. If you can, help your boss to plan a strategy to control costs even further. This would not be a good time to put in a request for spending, say on training, or to ask for holiday leave. Return to conversations about raises and promotions when the economic tides have shifted positively. Take your planned vacation time but don't complain if you're asked to occasionally come in early or stay late and take on more responsibilities in a slimmed-down workplace.

And finally, while you may have no choice about how the economic conditions or even the stability of your company impact your job, you do have authority over how you react, and relate to, and behave through this. Secure your place as an essential employee by going above and beyond the call of duty. Importantly, make sure your boss knows the additional value you add to your workplace (without coming on too strong, of course). In tough times, it's important that your invaluable contribution is known.

I wish you all the best in your future endeavors. Thank you and goodnight.

Graduates, Coordinators and Guests
St. Vincent and the Grenadines

Mrs Elritha Dick
ECCB Resident Representative,
St. Vincent and the Grenadines

THE ECCB REASSURES THE PUBLIC

To protect the interests of depositors of the Bank of Antigua Ltd ('the Bank') and to preserve the stability of the financial system of Antigua and Barbuda, the Eastern Caribbean Central Bank ('the Central Bank'), in exercise of the emergency powers conferred on it by Part IIA, Article 5B of the Eastern Caribbean Central Bank Agreement 1983 (the Agreement), which has the force of law in all member states of the Eastern Caribbean Currency Union, assumed control of the bank on the 20th day of February 2009. In that regard, the Central Bank took exclusive custody control and possession of all the funds, assets and other property and undertaking of the Bank wherever situated including funds on deposit at the bank.

The Central Bank is therefore **by law** currently in control of the bank to the exclusion of the shareholder and any and all former directors of the Institution.

The Central Bank wishes to once again assure depositors of the bank that all measures are being taken to safeguard their interests and to maintain the stability of the financial system of Antigua and Barbuda.

When we forget .....

The simple wisdom of Great Grandpa and Grandma

What went Wrong ??

Foreclosures, bankruptcies, fraudulent investment schemes, market collapses……... With all of this going on globally, one may start to ask the question **"How could all of this have happened?"**

The answer may not be that complex. Could it be that market players strayed far away from the basic common sense principles embodied in the ancient sayings of our great grandparents, who without the benefit of an education knew exactly how to handle, manage and invest their hard-earned shillings and pence?

They knew very well that **if they looked after the pennies the pounds would look after themselves**, so **they saved** and even on a mediocre salary of **10 shillings** they were able to acquire land, home and businesses which they passed on to the next generation.

They also knew if they did not understand what they were getting into they were not willing to venture. So it was hard to fool them into parting with their money and investing into "fuzzy investment ventures" or what we call today "Ponzi Schemes". They adhered to the principles embodied in such sayings as **"don't buy a pig in a bag"** and **"look before you leap".**

What about investing? Can we learn from our forefathers in this area? Certainly! When it came to investing they understood the concept of **diversification,** nicely captured in their advice, **"don't put all your eggs in one basket".**

This was a principle which they followed in all aspects of their lives. It was extremely rare that they had a single offspring *(It was typical to have six or more children)* and they never planted one crop; *it was always two or three or four.* They knew that it would be unlikely that adverse weather conditions or diseases would affect all the crops in the same way…but just in case, they also had at least one or two sheep or goats or pigs or cows to hedge against any severe downturn. Their investments were never concentrated in just a savings account, or livestock or crops or children or land holdings. They had their assets nicely spread out across various investments.

Money is a good servant but a bad master.

Today in financial jargon we talk about the time value of money….*the idea that a dollar today is worth more than a dollar in the future…* How did our forefathers explain this concept? Simple - **"a bird in the hand is worth two in the bush".**

Our forefathers did not need any mathematical formula to tell them that items costing $20.00 would probably cost them $30.00 to buy that same set of items 4 years later. So whenever they could amass enough savings they bought investments small and big. They would tell you this piece of land is for my grand-child. Even though the child was not yet conceived. But they understood that it was

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When we forget *Cont'd*

important to look to the future and make provisions for future generations.

What were their views on debt management? Just consider the saying **"don't hang your hat where your hand cannot reach"** and you would get a graphical imagery of how simple, yet practical was their approach to borrowing.

Another saying that should be etched in our memories is that **"money is a good servant but a bad master".** The teachings: if we allow money to control us *i.e. let greed take over*, then we are doomed to fail.

There is so much wisdom embodied in the sayings of old, **"A fool and his money are soon parted."** Translation - foolish people don't know how to hold on to their money.

So how did markets and investors get to this point? Simple. Everyone stopped listening to ancient sayings. Those were the words of old people, and this was the new modern generation filled with financial experts who had the smarts to make lots of money.

What would great-grandma have to say? ….**"Too smart does end at one smart door".** *SLW*

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Outliving Our Retirement Incomes

Editor's Note

My friend is adamant that he does not want to live to be too old. Surprisingly it is not the fear of growing old that is the issue, rather it is the fear of not having sufficient retirement income to cover his retirement living expenses.

Just thinking about the future cost of food, health care and other services in an environment sure to be characterised by rising prices; not to mention the costs associated with house maintenance, insurance and property taxes, is making his head spin when he ponders those golden years only to realise that the "gold' soon may fade.

The truth is without a sound retirement plan many of us will find ourselves in a similar dilemma. Social Security can only serve to provide a minimum foundation of protection. It is for this reason that we need to focus, from an early age, on these four building blocks required to create a sound and stable retirement nest egg: **i. social security ii. private pensions iii. savings and iv. investments.**

When it comes to our retirement planning, the following quote is quite fitting:

"The best time to plant a tree is 20 years ago...the second best time is now.

A twig or sapling never looks very impressive in its first year or two and neither do most investments or savings accounts. However, look at a tree after 20 years and it's already impressive. If you don't plant your acorns now, you're never going to get that mighty oak."

Of course in devising a retirement plan it is important to consider how big our retirement nest egg needs to be and what is the minimum rate of return required on our investments. Our investments need to grow in a manner that will allow for the adequate financing of our retirement expenses. We must factor in all of the issues associated with providing for our income, well being and satisfactory life-style after we leave the work force. Many of us may well live 30 or even 40 years after we retire. Will we have adequate finances for those years?

Health care should also be a key consideration. Most, if not all health policies have an expiration date. *(Some policies expire after the holder passes age 69, others before this age and others expire after the holder attains age 74.)* Hence there is a need to make alternate provisions for our future health care costs, just in case long life is in our future.

However, while there is a need to make sure that investments in our retirement nest egg provide an adequate return to meet future expenses, **we must not** throw caution to the wind and invest wildly. Sound investing should take into consideration **our investment objectives, our risk tolerance and our time horizon.** Depending on how close we are to retirement age will determine if our retirement nest egg should consist of investments for income, growth *(increase in the value of the asset)* or a combination of both.

If you haven't already started planning for your retirement ..START NOW. Here a few simple steps to get you going:

1) Develop a written set of retirement goals – these should include the age at which you want to retire and the lifestyle you want to have.

2) Get a statement from your Social Security telling you what you can expect to receive as a pension when you retire.

3) Work out how much you will need to finance your retirement lifestyle and the level of investments required from the four building blocks to build your retirement nest egg.

4) Review your budget and find ways to cut back on current expenses to free up money to put towards building and strengthening the building blocks of your retirement nest egg.

SLW