



Staying Connected

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



FINANCIAL FITNESS

Insurance Tips

Shop around — *Compare policies across various insurance companies in order to find the one that best suits your needs and budget.*

Seek out discounts — *By purchasing more than one insurance policy (life, property and vehicle insurance), with the same company you may receive a discount on the premium.*

Review your policy annually — *any changes in the physical structure of a property can improve its value. It is therefore recommended that additions and improvements be reported to the insurance company so that the property can be fully insured.*

Protecting Our Investments La Fleur Dublin



Having property insurance is a sensible risk management practice to insure our property against possible losses and provide us with compensation for the damages incurred in the event of adversity.

Before purchasing property insurance it is important that we become familiar with the factors that impact insurance premiums. The rule of thumb is that the greater the perceived risk associated with the property, the greater the premium. Here are some of the factors that insurance companies consider when calculating property insurance premiums:

- **Condition of the property** – A well-constructed and well maintained property would be considered to be less prone to

As investors, we are reminded that the term investment is not limited to stocks, treasury bills and bonds, it also includes real estate. For many of us, our most significant investment is our home, the place where we provide shelter for ourselves and loved ones. Protecting this investment therefore, should be foremost in our thoughts and plans.

The action of the 5:1 split can be likened to exchanging a five dollar note for five single dollars.

Shareholders of the St. Kitts Nevis Anguilla Trading and Development Company Limited (TDC), have approved a five for one split of the company's outstanding common stock

TDC Shareholders Approve Stock 5:1 Split

At TDC's 35th Annual General Meeting on June 24th, 2008, the shareholders agreed to a resolution that:

"...the stated value of the Company's shares be changed from \$5.00 to \$1.00 each and that each of the existing shares of a stated value of \$5.00 each in the capital of the Company be subdivided into 5 shares of a stated value of \$1.00"

Shareholders also approved a bonus issue of one fully paid share for every one ordinary share of \$1.00 held by the persons registered as holders of ordinary shares on 24th June 2008.

The distribution of the additional shares on August 1, 2008, the effective date, will increase the number of shares outstanding to

52 million from 5.2 million.

Keep in mind that though the book value of the TDC shares changed from \$5.00 to \$1.00 as a result of the split, the closing price of shares listed on the ECSE on 24 June was \$13.15.

Typically, on the effective date of a split, the price of

While property insurance cannot prevent perils from happening it can provide the income to repair or replace our investments

structural failures and less vulnerable to potential perils.

- **Location** – Properties in the coastal areas are at a higher risk to wind and sea damage than properties further away from the coast. A similar evaluation applies for properties near gut sides or river banks since they are more vulnerable to landslides.
- **Construction Material** – A house constructed of wood or a combination of wood and concrete would be considered

more vulnerable to fire than a house constructed of concrete. Take note that even if your house is constructed of concrete, being surrounded by homes constructed of wood, could increase the risk profile of your property and hence a higher insurance premium.

- **Type of roof** – According to the University of Florida, in relation to wind uplift “*hip roofs are believed to be less prone to damage than gable roofs for several reasons:*
 1. *They slope in four directions;*
 2. *The sloping faces enhances the performance of the roofing material;*
 3. *They generate less uplift and are structurally better braced;*
 4. *They laterally brace the primary roof trusses, or*

rafters, and support the top of the end walls of the home against lateral wind forces;

5. *They eliminate the hinge formed between a gable end and a gable-end wall”*

- **Property value**—The greater the value of the property to be insured the greater the risk being assumed by the insurance agency. The premium amount is therefore linked to the value of the property being insured.

Hurricane forecasters at the Colorado State University had predicted that this season (June – November) will be above average with fifteen (15) named hurricanes. We should therefore make sure that we have appropriate insurance coverage on our property (ties).

We all surely remember the

TDC Shareholders Approve Stock Split Cont'd

the listed shares would be reduced in direct proportion to the split. We can expect therefore, that the post split price of the TDC shares will be similarly determined.

By now, you’re probably wondering about the possible implications of the stock split on existing shareholders, prospective investors and the company itself. Well let’s examine the implications for each group.

For an existing stockholder, though the total number of shares owned increases, the stock split does not provide any additional equity as the total value of shares remains unchanged. The action of the 5:1 split can be likened to

exchanging a five dollar note for five single dollars. You end up with a larger number of dollar units but the total value remains unchanged at \$5.00.

In the TDC case, where shareholders will realise an immediate explicit benefit is through the bonus issue which will increase the value of their portfolio of TDC shares.

On 24 June 2008, the price of TDC shares ranked third highest on the Eastern Caribbean Securities Exchange, as seen in the following table taken from the ECSE Website.

Generally, a stock split reduces the price and makes the stock more tradable and,

Security	Closing Price
SLES	\$25.00
ECFH	\$15.00
TDC	\$13.15
CWKN	\$6.50
BON	\$6.00
GKC	\$4.00
TCL	\$3.55
DES	\$3.15
SKNB	\$2.90
SLH	\$1.85

therefore, more appealing to potential sellers and buyers.

And ultimately, if buyer demand outstrips supply, the share prices are likely to increase.

From the company perspective, the anticipated increase in trading activity will enhance its visibility.

This move appears to be a win-win situation for all stakeholders.

Typically, on the effective date of a split, the price of the listed shares would be reduced in direct proportion to the split.

devastation that was suffered by Grenada when the country was battered by hurricane Ivan on 7 September 2004. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA), 90% of the houses were destroyed and 50% of the population was homeless. The World Bank reported that only one-third of private homes were insured.

The question therefore is **“Do we have insurance coverage for our homes to mitigate the risks in the event of a hurricane or other perils?”** For those of us who have property insurance, **“Is the coverage sufficient to replace our homes if it is severely damaged or completely destroyed?”**

Remember we can only claim for

damages covered by the insurance policy. It is therefore important to know not only what our insurance will cover but also what it won't.

We are all advised to review thoroughly our policy document, making sure that we understand all the agreements and terms. If we are uncertain about the coverage provided by our insurance policy, it is not too late to seek clarification from our insurance agent.

Our discussion should focus on the specific protection provided by the policy. If we have made any additions or improvements to the property we should also ensure that these are communicated to our insurance agent so that the property can be fully insured. A key mistake made by many

homeowners is related to the underinsurance of the property. A clause like this one taken from an insurance policy is not uncommon:

“If at any time of loss or damage, the sum insured is less than the cost of rebuilding your home as new or replacing the contents as new, we only pay the following fraction of any claim we accept:

Sum Insured

Total Rebuilding or Replacement Cost

So, while property insurance cannot prevent perils from happening it can provide the income to repair or replace our investments. Therefore let's protect our investments by insuring them today.

An investment may take a lifetime to build but can be destroyed in the blink of an eye.

How Hot Are Your Finances?



All the tools you need to create wealth are within your grasp but you have to be disciplined, diligent and have your pulse on your monthly financial performance.

Each month, set a profitability target and then work towards achieving it. Review each month's performance to see whether you have surpassed or fallen short of the targets set. If you have surpassed one month's profitability target then set the target higher for the next month. If you failed to achieve the target don't beat yourself up, instead figure out what when wrong and take corrective action.

Traditionally when youngsters speak about an outfit or a song being hot, it means that the outfit or song is excellent. Can the same be said about your finances?

So the next time you say **“It's getting hot in here”** let it be a comment about your monthly profitability and not about the temperature in your house.



News BYTES

What's Happening on the Regional Government Securities Market in July

The Government of St Lucia is scheduled to issue a \$30M 5 year Treasury Note on Monday 7 July, 2008.

TDC Pays Dividend

TDC shareholders received a dividend of 5.50% (32.50 cent per share) in January 2008 followed by a 6.5% (27.50 cents per share) in June 2008 bringing the total dividend paid for the year to sixty cents (\$0.60) on each share. The dividend yield for each share can then be calculated by dividing the dividend by the price paid for the shares.

The following table provides a calculation of various dividend yields computed for historic trading prices for TDC shares.

TDC Common Shares			
Dividend Paid	\$ 0.60	\$ 0.60	\$ 0.60
Historic Prices	5.00	12.50	13.15
Dividend Yield	12.00%	4.80%	4.56%

Bank Mergers

Source: <http://www.rcgroup.su/en/news/58>

Royal Bank of Canada and the RBTT Financial Group jointly announced an agreement to combine RBC's Caribbean retail banking operations with RBTT's. RBC will acquire RBTT for a total purchase price of US\$2.2 billion.

The combined operations will operate in 18 countries and territories across the Caribbean and would service more than 1.6 million clients.

With more than US\$13.7 billion in assets, the operations will have 130 branches and staff in excess of 6,900. The retail banking operations will be headquartered in Trinidad and Tobago.

Money = Work * Knowledge

Knowledge X Work increases the money you make. If either of them approaches zero, so does your income.

YOU and YOUR WEALTH Matter

The best gift you can give you and your family is financial security.

Your personal power is directly linked to your personal care.

Trying to keep up with the Joneses is never a good idea. It often just leads to increased debt and extra stress.

Taking good care of yourself today may lower your medical bills in the future.

By tracking your daily expenses, you can build a solid financial future.