

**REMARKS BY SANDRA J. KNOWLES
AT MID-SUMMER NIGHT SCHOOL
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Good evening class. Out topic tonight is savings and investing. How many of you are good savers? How do you save? The first thing is to prepare a financial plan. This is called a budget.

FIRST STEP

You have to evaluate where you are now. This process involves sitting down with paper, pen and sheer honesty. This involves stating what you own and what you owe. You will end with a net worth statement. On one sheet you have ASSETS and the other LIABILITIES.

What you own – assets

What you owe – liabilities

SECOND STEP

On a monthly basis you must budget. Included in this budget is a category called savings and investing. For some of us that might be called an ASUE.

For example:

Rent/Mortgage

Savings

Electricity

Water

Phone

Insurance

Health Care

Transportation (gas)

Recreation (monies/dinner)

***One Tip:* Let the bank remove the money and deposit it into a savings account with the same bank or another institution. This relieves you of the temptation to spend. If you are spending all the money you make you have to look for ways to reduce your expenses. For example, how much does a soda cost you? If you buy one for 50 cents every day that's \$182.50 for one year – put that into a savings account that earns 5% a year - it would grow to \$232.92 by the end of 5 years. Start small and watch your money grow. There is the 24 hours rule. If you see something you like, don't buy it right away - give yourself 24 hours to ask yourself do I really need it?**

THIRD STEP

Two ways to make money.

You work for money – Your money works for you.

You save it to invest it. Let your money earn an income – it's called “invest”. You invest in “things” assets that can give you a “return”.

Let's start with a piece of property in an area that has few people. In 5 – 10 years it becomes populated and now there is demand for property and you can sell it for 5 or 10 times what you paid. In this case your initial investment increased in value. However, there are investments where you can get an increase in value and an income.

When you become an investor let me tell you how the Securities Commission of The Bahamas will protect you. You see, our most important mandate is to protect and educate the investor. We are your neighbourhood/community policeman and national security guard.

In order to have a successful securities market, investor protection and confidence must be important components (parts) of it. Part of what makes a market successful and continue to grow and develop is the confidence the investing public has in its openness and honesty of operations. Our job as the regulator for the Securities Industry is to ensure that the market is honest, fair and efficient in its dealings.

We serve as a depository of information not money – but information. All public companies or persons engaged in providing investment advice, or those engaged in the administration and operation of mutual funds will be required to disclose their financial situations (positions) and operational capabilities.

We will endeavour to provide the public with the information to make informed investment decisions or tell people how and where to obtain it.

The functions of a securities market are four fold.

- (1) Transform savings into investments.**
- (2) Provide a controlled environment for buyers and sellers to trade.**
- (3) Provide liquidity (cash) to foster capital distribution and reduce the costs of capital formation.**
- (4) Provide price discovery to facilitate the monitoring of issuers and allow for independent valuation.**

Securities market can exist without regulation, but history shows they will not succeed without the four functions just mentioned, plus those markets that are not regulated are vulnerable to fraud and manipulation.

Securities legislation (laws and regulation) reduce risks and uncertainty and create an environment where transactions are transparent, efficient and fair.

There are protective measures in the Securities Industry Bill. I will tell you about some of them.

- (1) It vests regulatory powers of the securities market to the Securities Board. This is the most important protective measure.**

- (2) Requires the registration of Securities Exchanges.**

- (3) Requires the registration of clearing, settlement, depository and custody facilities.**

- (4) Requires the registration of broker dealers.**

- (5) Requires the registration of individuals and other associated persons who work for broker dealers.**

- (6) Regulates the Securities Investment Advisors.**

- (7) Requires minimum fit and proper standards and educational requirements to operate in the securities market.

Why do you think it is important to have such registration requirements?

Because you the investing public need to know who is allowed and is not allowed to operate in this market and what type of business they are allowed to conduct. This is an important part of transparency in the market place.

CONCLUSION

Finally, students remember to have a financial plan, seek advice from those who are involved in the securities market called investment advisors/portfolio managers/accountants/brokers and financial advisors and ask questions until you fully understand the investments being offered and only then will I advise you to go from being a saver to an investor.