



Central Bank of Barbados

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**Remarks
by Dr. DeLisle Worrell
Governor, Central Bank of Barbados
Launch of Campaign to Promote Investment in Savings Bonds
Central Bank of Barbados
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The Barbados savings bond has long been one of the best kept secrets of our financial system. In my view, every Barbadian should have savings bonds, because everyone should have a little savings set aside to cover life's contingencies. There is no better vehicle for such rainy day savings than the saving bond. If nothing unexpected turns up and you hold your bonds for the full five years, you will earn \$100 for an investment of \$76.24. However, if you do need cash in the period before the bond matures, you can cash the whole bond or any portion thereof at any time. Naturally, early encashment comes with a lower return than if you held the bond until it matures, but you will always get more than you put in, so long as you hold the bond for more than a year.

The savings bond is also a nice way to save for a long term goal, such as a down payment for purchase of a house or car, or the tertiary education of your children. Savings bonds are a good way to get children started in cultivating habits of saving that will serve them well in later years.

The savings bond is every bit as convenient as a savings account at a commercial bank. You can buy savings bonds from commercial bank tellers, and the banks will encash them for you at

maturity or whenever you happen to need some cash for a special purpose. This makes bonds as liquid as a savings deposit or a chequing account.

I am pleased to announce a new \$10m issue of savings bonds on June 1. With this issue, Central Bank is introducing a number of improved arrangements. The most important is that individual holders may now buy up to \$100,000 of bonds of any one issue. This upper limit ensures that the bonds reach the main target for which they are intended, namely small and medium savers. It has also been agreed to issue new series of bonds as supplies of available bonds are depleted, so that there will be no shortage of bonds for purchase at any time.

I must tell you that I am myself a satisfied customer of long standing. My father instilled savings habits in his children's minds very early. His motto was: "Earn a dollar, save a shilling". Since savings bonds were introduced, they have been my preferred vehicle for savings. Whenever I did not need the funds after five years when the bonds came due, I simply bought more bonds. From time to time I was able to encash bonds to fund home maintenance and other needs.

The savings bond is for everyone, even if you don't have a lot to invest. You can buy as little as \$50, which will cost you \$38.12. A more practical approach is to invest your meeting turn, as some people have done, which gives you a nice increase on your investment after five years. As an alternative, you might accumulate savings with a bank or credit union, and buy bonds periodically. Savings bonds are also good for investing tax refunds, bonuses or any extra income that comes your way from time to time.

The financial system in Barbados offers a wide range of financial services and financial instruments for the varying needs of our society. Savings bonds complements the choices available to individuals from banks, insurance companies, mutual funds and credit unions, as well as longer term Government bonds, Treasury Notes and shares issued or traded on the Barbados Securities Exchange. Everyone may choose from this range of services depending on their need, their financial sophistication and the amount they have to invest. For most of us, savings bonds are a safe, simple and convenient place to start.