Time value of money

It is important to remember that the earlier you start saving and investing, the better you will be able to meet your financial goals. When you put money into an investment vehicle, your money has the potential of compounding.

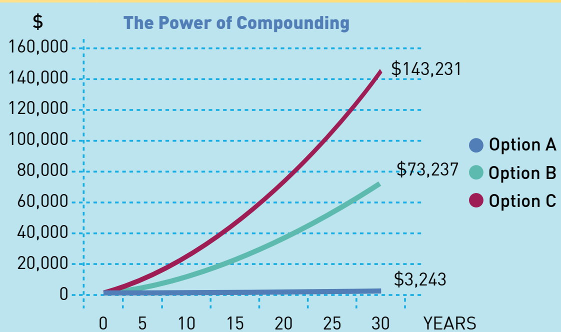
Below are examples of how compounding will work for you in 3 different situations and how your investment will grow over 30 years, assuming you do not withdraw your money and reinvest any interest you earn;

Example: You invest a principal of $1,000 at an annual return of 4 percent, then you either:

Option A: Leave your principal to grow;

Option B: Add $100 each month to your original principal; or

Option C: Add $200 each month to your original principal.



From the graph below, you can see that your money will grow the fastest with Option C, followed by Option B, then Option A. Therefore, the more you put into your investment at regular intervals and reinvest the interest earned, the faster your money will grow.

If you require information on investment products available in the Capital Markets you can contact:

- The South Pacific Stock Exchange or a licensed Broker/Dealer for purchasing shares or bonds;
- Unit Trust of Fiji and Fijian Holdings Unit Trust, for purchasing units; or
- A licensed Investment Advisor to help you with your investment plans.

For more information, contact the
Financial System Development Group at:
Reserve Bank of Fiji, Private Mail Bag, Suva, Fiji
Telephone: (679) 331 3611 Facsimile: (679) 330 2094
Email: info@rbf.gov.fj Website: www.rbf.gov.fj

RESERVE BANK OF FIJI

Starting Your First Job

Saving and investing are tools to help you reach your financial goals

Why save?

Recognise the benefits of saving.

How to save?

Build your savings account.

How to make your savings grow?

Where did all my money go?

Have you just started your first job or have been working for a few years and frequently wonder where you spend all your money? If you have answered 'yes', then today is the best time to start thinking and saving for a financially secure future.

Saving is a choice - One of the most important one you will ever make to secure your future.

Why save?

- Saving helps you prioritise your needs and wants so that you live within your means;
- Saving helps you achieve your short-term and long-term financial goals;
- Saving helps you spend your money wisely and gives you a greater sense of independence;
- Saving provides a financial cushion for emergencies;
- Saving paves the way for financial security; and
- Saving prepares you for a comfortable retirement.

How to Save?

Step 1

Calculate your income & expenses

You must first recognise where your money goes before you start saving. Plan a monthly budget to assess how much you earn against how much you spend. Write down everything you think you spend money on during a one-month period. Then, make a list of what you actually spend during that month. Include rent, car insurance, groceries, and even small purchases such as coffee or snacks.

Step 2

Reduce your expenses

Now that you know exactly how you spend your money each month, you can identify areas where you can save money. For example:

- Make your own lunch for work, cut down on taxi usage etc;
- Compare prices for items you wish to purchase. Shop around for the best deals;
- Avoid credit or loans. Buy only what you need, not what you want;
- Go out to dinner once instead of twice a month; and
- Control habits like smoking, drinking alcohol and kava and going out to the night clubs.

Pay yourself first: Before you spend, commit to putting aside a portion of your income as savings.

STARTING YOUR FIRST JOB

Step 3

Identify your goals

Saving is easier if you know what you are saving for. List down your goals and how much money you will need to save for them. Divide your goals into three categories: short-term, medium-term, and long-term.

- **Short-term goals** might include buying a new computer, or paying off credit card debt.
- **Medium-term goals** could be purchasing a car or going back to completing tertiary education.
- **Long-term goals** might be to buy a home or retire with enough money to live comfortably.

Now that you have identified your goals you can put aside a portion of your savings towards each goal. Make sure you prioritise your goals by working towards achieving the ones that are most important to you first.

Step 4

Track your progress

Track the progress of your savings plan and your goals every 6 months to ensure that you are on the right track.

In the event you make a major life change, such as switching careers, getting married, having a child or going back to school, you may want to reassess your goals as your goals and priorities may change.

How to make your savings grow?

Once you have saved some money, you can make your savings work for you by, 'INVESTING'.

Invest in financial instruments such as bonds, unit trusts or company shares.

- Investments generate income for you. You may receive dividends on your shares and units or interest income from bonds.
- Investments may increase in value over time, allowing you to resell it at a profit. This is often referred to as a "capital gain".

Invest at a good interest rate.

- The higher the interest rate, the more income you make. However, as a general rule, investments with high returns tend to be more risky. Therefore, the appropriate return for you will also depend on how much risk you are prepared to take. Make sure you invest in regulated and licensed institutions.

Reinvest income generated from your initial investment.

- Each time you reinvest income earned from your investments, you increase your total investment which, at a given interest rate, earns more income the next time around. This is referred to as 'compounding'.

Diversify your investments.

- Don't put all your eggs in one basket.
- Spreading your money into a variety of investments will minimise the risk of investing.