

## **So what's so cool about saving?**

As global financial markets 'crumble' the banking industry in most parts of the world has not been spared. This is as a result of the intertwined nature and inter-dependence across the continents. However amidst the turmoil, Africa and other developing worlds' markets are benefiting from legging behind and 'isolation'.

Growing trade and foreign investment among poorer countries has increased. According to a study by Neeltje van Horen, of the World Bank, 27% of foreign banks in developing countries are owned by banks from other developing countries. Most banking links of this type happen within regions, with South Africa, Malaysia and Hungary leading the way among their neighbours.

This current reality has propelled banking giants such as Standard Bank Group to increase their presence and launch more product offerings into these markets. In Botswana the group trades as Stanbic Bank last year launched a promotion for their Pure Save Account. This is a savings account which is targeted at anyone and everyone, from children, their parents, employed or not to the senior citizens. I must say they did a good job in educating people about the importance of saving.

Saving is by the day becoming even more important given life's challenges that people have to overcome on a daily basis. You should think of saving as an investment - sort of like insurance. You pay a monthly premium and you might not claim from them in a long while, but in the event that you need to claim you will come to appreciate the need to be insured.

Recently a friend of mine wanted to purchase a vehicle but eventually could not because he did not have the required deposit for it. He could not even afford to take out a personal loan to raise the deposit and also get a car loan. There is a lesson to be learnt here, I bet he was beating himself up thinking if only he had spent that much less on alcohol, maybe packed lunch from home and invested that money he would be driving to work now. That is one of the conveniences of saving. But saving is not only for the short term but also for the long term. In other countries around the world people are a bit weary of borrowing, so when parents have kids they open up funds for their education or to give them a launch pad for when they leave home so that they are not quick to get into debt.

One then ponders if savings accounts are the best bet for the highest benefits. The stock market is another option that one can look into. According to Leutlwetse, a market analyst with Capital Securities, he believes that the buying of shares is still quite a viable option. He said looking at the history of the Botswana Stock Exchange over the past 5 years it has realised better returns than any savings account.

Too good to be true? Well maybe, there is of course always the risk factor involved as stocks do not perform the same all the time. Share prices can change daily, either going up or down. As a result returns are not always guaranteed. For example, one of my investments I'm not so proud of was the Dimonex stock I bought at about P2.00 a piece and now stock is worth 30 thebe. But my other investments such as the Barclays and Sechaba stock are not doing too badly.

So I do not know if I should say I have learnt the hard way with Diamonex, but what I do know is this; if you are into more low risk investment, a savings account is just what you need. Unlike the stock market you are at least guaranteed that come what may, you will at least get back your initial investment. Now if I sell my shares today – I will not get back the money I put in, so for the time being I will hang onto them and hope like madness that they recover.

But what I like most about the two modes of investment discussed here is that you do not have to have a lot of money to invest in the beginning. From as little as P100 you can get the ball rolling. And as with all investments, patience is a virtue.

By Oteng Majuta