



Savings Bonds

A Safe Way to Save More

Savings Bonds helped Jennifer to buy a House

Jennifer, a 61-year old retiree, has been investing in savings bonds since the late 1990s. For more than 15 years, she has been a staunch advocate for them, encouraging her friends and family to buy them as well. As a result of her influence, her son is now a bondholder, too.

Jennifer is very clear about why she is so willing to recommend these particular securities: she has found that the returns she gets from them are superior to those she has received from her other investments.

But it is not only the attractive interest rates they offer that appeal to her. She likes the security they offer as well: "To me, they are the safest way of investing, especially in these difficult economic times."

Senior Operations Officer at the Central Bank of Barbados, Linel Franklin, confirms that by their nature, savings bonds are low risk investments. "Savings bonds are sold to investors at a discount: for example, if you pay

\$76.24 per \$100 nominal value, you'll get the full amount after the savings bonds mature. This means you as an investor can be confident that your \$762.40 will become \$1,000 at the end of five years. You know what your return will be from the time of purchase."

Franklin reveals, however, that although savings bonds are five year securities, bondholders are not required to hold them for the full five years. "Savings bonds are near cash instruments. That means that if at any point you need money, you can cash them in." She elaborates, "It's a simple process. You take the certificate along with photo ID to a commercial bank, tell them you want to surrender some or all of your savings bonds, and you get the money. You get back your initial investment as well as the interest the savings bonds earned during the period you held them."

Jennifer can attest to this. A few years ago, when she decided to buy a house, she cashed in some of her bonds to help pay for it. The flexibility they allow is yet another reason she is so willing to endorse them.

Visit www.centralbank.org.bb, email savingsbonds@centralbank.org.bb or call 436-6870 to find out why savings bonds are right for you.