

ARE TREASURY BILLS THE RIGHT INVESTMENT FOR ME?

Issue 1

Treasury Bills are issued by almost every Government locally, regionally and internationally as a means of raising funds in their respective markets. Regardless of the currency they are issued in, **Treasury Bills** are just as popular as bank deposits, savings accounts and other types of banking products, and are generally considered to be one of the safer investments in the financial market.

Treasury Bills or **T-bills** as they are most popularly known are short-term debt obligations backed by a Government. They are short form of Government borrowing and are sold in many denominations depending on the country in which they are issued. Within the Eastern Caribbean Currency Union (ECCU), T-bills are sold in denominations of **EC\$100**.

T-bills are considered to be short-term securities as they mature in one (1) year or less from the date on which they were issued (or first sold to the public). Issued usually with three (3)-month, six (6)-month and one (1)-year maturities, T-bills are purchased by both individual and institutional investors seeking safer investment options with attractive returns.

HOW DO TREASURY BILLS WORK?

When you decide to invest in a T-Bill, you purchase it at a discount, meaning you **pay less to get more**. Let's say you wish to invest EC\$50,000 and you decide to purchase a Government of Saint Lucia 91-day T-Bill, which carries at maximum discount rate of 6.00%. The price you will pay is EC\$49,252.05, and the Government agrees to repay you EC\$50,000 in three months (91 days).

You will not receive regular payments during this 3-month period. Instead, the appreciation (or the interest earned) - comes from the difference between the discounted value you originally paid and the amount you receive, which is EC\$747.95.

WHAT IS IN IT FOR ME?

T-Bills are considered to be the most marketable type of money-market securities available. Their popularity is mainly due to their simplicity, and also to the fact that they are:

- **Safe... ensure the safety of your investment while earning attractive returns.** Safety is one of the main concerns facing investors now, and T-bills are generally known to be the safest investments in local, regional and international financial markets because they are backed by Governments, and are generally considered "risk-free".

RISK LEVEL



LOW

HIGH

BASIC TERMS

Financial Market

A Financial Market is a mechanism that allows investors to easily buy and sell (trade) financial securities.

Maturity

Is the date that a debt (Bond, Treasury Bill etc.) ceases to exist, and at which time the Issuer of will redeem the debt by paying the amount borrowed plus the interest promised.

Securities

Is a general term that includes all instruments representing evidence of ownership of debt issued by a Corporation, Government or Governmental agency.

EXAMPLE:

Government of Saint Lucia T-Bill

You have to Invest: EC\$50,000

Maximum Discount Rate: 6.00%

Tenor: 91 days

You Pay: $1 - [(6\% * 91 \text{ dy}) / 365 \text{ dy}]$

i.e. EC\$0.98504 for every EC\$1.00 that you invest. So, if you want to invest EC\$50,000 you will pay **EC\$49,252.05** for the T-Bill.

So, after 91 days (3 months), the Government pays you EC\$50,000, and your interest earned is:

Repayment: EC\$50,000.00

Purchase Price: EC\$49,252.05

Interest Earned: EC\$747.95

- **Affordable... also to individual investors.** You can purchase a T-Bill within ECCU at a minimum of **EC\$5,000**, which is affordable to both individual and institutional investors.
- **Liquid... you can trade at anytime.** In the ECCU, the T-Bills are traded on the Eastern Caribbean Stock Exchange (ECSE) and this means that T-Bills can be easily be bought and sold (traded) at anytime, and therefore provide investors with the comfort of liquidating their investment when they need to.
- **Eligible to be used as collateral security...** T-Bills can be pledged and used as a collateral security for both individual and corporate loans. They are generally accepted by financial institutions as another form of collateral security, and enable investor to earn an attractive return on their security while it is being held by the financial institution.
- **Attractive... earn higher tax-free returns on your investment.** The returns on T-Bills are more attractive than the traditional bank accounts and fixed deposits and are generally tax-free.

BENEFITS TO INVESTORS:

✓	SAFETY
✓	AFFORDABILITY
✓	LIQUIDITY
✓	USED AS COLLATERAL
✓	ATTRACTIVE RATES

LIFE CYCLE INVESTING PHASES

AGE GROUP	NEEDS
18 – 35 years (Accumulation)	<ul style="list-style-type: none"> • Emergency Fund • Education • Home / Vehicle
35-45 years (Consolidation)	<ul style="list-style-type: none"> • Children’s college • Vacation • Retirement
45-60 years (Retirement)	<ul style="list-style-type: none"> • Retirement • Lifestyle
> 60 years (Gifting/ Retirement)	<ul style="list-style-type: none"> • Estate Planning • Gifts

ARE T-BILLS RIGHT FOR ME AT THIS STAGE OF MY LIFE?

T-Bills are available to all investors in the life cycle stage who:

- Are looking for **higher returns** than savings accounts and fixed deposits.
- Have excess cash and seek a **safe, convenient, short term investment**.
- Are approaching retirement or are retired, and want to **build or preserve** their nest egg.
- Want to **save while awaiting other investment opportunities**.
- Have a low tolerance for risk.

PURCHASING A T-BILL?

Investors can purchase T-Bills by following these **three (3) easy steps**:

- 1) **Contact** our Registered Representative or Principal at **1 (758) 457-7233** or **1 (758) 457-7256**, or email capitalmarkets@ecfhglobalinvestments.com to make an appointment.
- 2) **Open a Brokerage Account.** The relevant forms to open this account are obtainable from our offices and can also be downloaded under the “Forms” section at www.ecfhglobalinvestments.com.
- 3) Finally, after deciding on the T-Bill you wish to buy, make your payment to the Broker-Dealer

T-Bill auctions are held every month on the ECSE.

To view the list of upcoming T-Bills and other available investment, log-on to www.ecfhglobalinvestments.com and visit the section “**Capital Market Services**”.

CONTACT DETAILS

Registered Representative:

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