



The Consumer Voice

A PUBLICATION OF THE CONSUMER WELFARE UNIT OF THE MINISTRY OF LABOUR & NATIONAL INSURANCE

VOL. I ISSUE 2

JUNE/JULY/AUGUST 2014



WEATHERING YOUR FINANCIAL STORM

ARE YOU PREPARING FOR RETIREMENT?

HOW TO PREPARE A FAMILY BUDGET

CONSUMER TIPS IN A RECESSION

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Personal fiscal reform measures

EDITORIAL

The escalating cost of living, inflation, low wages and salaries leading to social and economic depression, government spending and tax reforms are concerns with which the global economies struggle on a daily basis.

In The Bahamas, consumers are also feeling the effects of the economic realities of globalization and are also challenged to make their way through this maze to attain some measure of personal savings for their future years and retirement.

The Government of The Bahamas has indicated its commitment to implementing much needed fiscal reforms. It is an accepted fact that when spending levels continue to exceed earnings, fiscal prudence has not been exercised. This is true for both corporate entities and individual consumers.

We submit though, that in order to effect the much touted and desired improvements in the economy, there must be accompanying and corresponding fiscal reforms at the microeconomic level.

How are you as an individual weathering the lingering financial storm? What

changes must you make to improve your personal finances? These are the questions that we asked contributors of articles for this edition of The Consumer Voice to consider on behalf of our readers, and we are extremely grateful to all of them for taking the time to respond to, and assist us in this regard.

In The Bahamas, recent studies conducted, concluded that many persons do not have a pension plan or other financial means to sustain themselves after they have reached retirement age and are no longer actively engaged in the work force. It is reported that some 77% of Bahamians do not have a pension plan and less than one third have deposits in their bank accounts in excess of \$1,000.00. Consum-

er debt is in the billions of dollars and this has adverse effects on consumers as they are virtually sacrificing their future financial security for short-term or immediate gratification without any thought, seemingly, being given to retirement or the vagaries and uncertainties of life.

In the public and private sector, it is advisable to have a clear and unambiguous policy that curtails the limits to borrowing by workers. Such a policy will serve to protect consumers from over-extending themselves and incurring extreme financial hardships. For the private sector employee a Credit Bureau might be of immeasurable assistance, while the public sector employee can best be protected by placing limits on the percentage of borrowing against one's salary.

Many individuals have the use of a credit card with which they make transactions on a daily basis. Credit card consumers should take all precautionary measures to ensure that they do not exceed their credit limits- and so avoid pecuniary embarrassment.

In this edition of The Consumer Voice readers will find a sample budget that has been provided by the Clearing Banks Association. It is our suggestion that the

consumer review this document closely and personalize it to his or her individual circumstances.

If your credit cards are all maxed out, you have no savings, the majority of your salary is earmarked for salary deductions, and you have no idea how you are going to retire comfortably, the sheer gravity of the situation may prove overwhelming. We suggest taking an audit of your weekly or monthly pay cycle, with a view to making the changes and adjustments that are now required.

In conclusion every working individual should have a retirement plan, which essentially is a savings plan. However one needs to determine what would be the best way to go about achieving a saving plan that is best suited to one's needs. With the interest on today's savings accounts less than 1%, should we consider the investments approach? What are our investment options? How does our local stock market BLSX work? What is the difference between a stock and a bond? What is a mutual fund? This conversation on these and other relevant issues will be continued in the September edition of The Consumer Voice, as we bring you timely advice from our local experts.

10 BASIC STEPS FOR CONSUMERS TO NAVIGATE THROUGH THE CHALLENGING TIMES AND START SAVING FOR THE FUTURE

DO NOT allow your mortgage, personal loan and credit card to go into default. Talk with your Bank now. Protect your credit record.

Minimize the use of loans and credit cards. Examples: A new car loses value over time, while the size of the debt increases. Remember: Sooner than later, the debt will have to be repaid but with a premium.

Consolidate your debts. Talk to your Bank to see where any potential may exist to consolidate all your debts into one payment which could save you money and reduce fees.

Cut down expenses where you can. Examples: Minimize the use of utilities, consider using gas stoves vs. electric stoves, use lower voltage light (florescent bulbs) since they use less electricity, reduce consumption of cell phone, cable, entertainment, Internet, limit your trips overseas. Ask yourself: Do I really need it?

Sell assets that you do not need. Example: Instead of 2 cars per house hold, keep one. Consider downsizing to a smaller vehicle that only uses a fraction of the gasoline used by SUVs.

Car pooling. Commute with a colleague, friend or family member. Make greater use of public transportation. It will save you cash in terms of fuel. Example: 1 gallon of gas costs an average of \$4. That same gallon, based on the gas consumption of your car, may provide you with about 15 miles of distance. If you drive an average of 30 miles per day that represents 2 gallons (\$8/day); 7 days per week x \$8 = \$56 x 4 weeks per month = \$224 savings per month x 12 months = \$2,688 in savings per year.

“Cook more”, carry lunch and limit “eating out”. Example: Eating out daily (per person), may cost around \$12.0 x 5 days a week = \$60.0 x 4 weeks = \$240.00 per month. Beans, rice and pasta for the

full month will cost less than \$100. This can be multiplied by the number of family members and so the savings could be much higher. Cooking takes time but saves money while keeping your family healthier.

“Do not keep up with the Joneses”. Spend less on lavish unnecessary items and invest more in your family’s future!

SAVE. Put aside a small amount each pay period as a matter of habit. This will quickly grow to a substantial savings. Example: if your monthly salary is \$1,000, by putting aside 5% each month (\$50), at the end of the year you will save \$600 (more than half a month). This can be considered your personal bonus or “emergency fund” at year’s end.

Be wise when it comes to investments and payments, be conservative and exercise prudent spending. If possible, pay bills on time and in full, rather than attracting late fees and / or penalty interest (if applicable).

Set a family budget and live beneath your means. List all of your income, and all of your expenses. Ensure that your expenses are less than your income. This is how you live beneath your means and this helps you to work towards a savings plan.

Review the family budget monthly or regularly to ensure that you are living up to the budget. Amend as necessary. The budget is a “living document”.

Saving for the holidays and special occasions to avoid having to borrow – Christmas, vacations and back to school expenses.

“Pay down your loans, make the most of what you have and save for the future.”

• A message from the Clearing Banks Association
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IN AN effort to raise awareness about the brokers and insurance industry, team Bahamas Insurance Brokerage Association, BIBA announces a new initiative to involve the new generation of upcoming professionals in the insurance industry.

In hopes of gaining collective support from parents assisting students, the format of an essay competition was selected. Knowles said: "Our goal is to build succession planning and more or less put light in young, aspiring professional's eyes that there is value in being an Insurance Broker or Agent. Essays require research and it enlightens readers. We chose an essay because kids speak to parents, and that is sometimes the best way for parents to gain access to information."

The essay competition is designed to encourage young people to understand and embrace the importance of Brokers in the Bahamian market when purchasing insurance, according to Felicia Knowles, President, BIBA. The essay competition is designed to sensitize the Bahamian public at large regarding the complexities of the profession and its task of protecting and providing appropriate coverage for their clients.

The question was: "How do Insurance Brokers and Agents add value?"

Furthermore, Knowles indicated that the equitable learning curve during the research for the essay competition is that all participants will learn the salient role of a Broker. Insurance Brokers have the role and responsibility for acting on behalf of their clients by providing them with sound advice in deciding what risks to insure, selecting what types of coverage would be best for their needs, ensur-

ing that the price is a fair and equitable one, and to assist in all aspects of the insurance placement.

Also a Broker considers if there are other ways that the risk can be transferred such as self-insuring and other non-traditional insurance products. In many cases the Broker is most valuable in the event of a claim and negotiating renewals. An Insurance Agent also does the above, but his ultimate responsibility is to act on behalf of the Insurance Company represented. A Broker works with a number of insurance companies. By law, an Agent is limited to the number of Insurers he may represent.

Knowles said: "We have about seven leading brokerage firms that we have earmarked to the winning essay." The winner and runner up of the essay competition will be afforded the opportunity to intern with major insurance broker companies gaining exposure and experience to propel them into success.

Speaking to the core purpose of the initiative, Michael Cooper, Treasurer of BIBA noted that this essay competition will encourage students to generate new thoughts on how they perceive the industry while helping them answer some questions that they may have concerning the insurance industry. "The essay's core purpose is to creatively inform our nation and potential new Brokers on the history of Insurance Brokerage while learning how to go about purchasing insurance

Insurance & You

This executive board presented to its membership its tasks and initiatives for year

2014. Its tasks and status to date include:

Task	Lead executive	Status	Board and member review
Website	President	Active	Excellent
Carrier Market Introduction			
2 Day Event	Vice President	February 2014	Excellent
Essay Competition	Secretary	Active	Excellent
October Insurance Month	All Executives	Active	Pending
Debate Competition	Treasurer	Planning	Pending
Community Service	Sally Carey - Member	Active	Pending
Cocktail	Vice President	Planning	Pending
Guest Speaker Schedule	All Executives	March-Completed	Excellent
Market Trending		April-Completed	
Pensions & Investments		May- Completed	
Value Added Tax		June- Confirmed	
National Health Insurance			
Christmas Lunch	All Executives	Planning slated for September	Pending

from a new perspective.

Shanria Cooper, Vice-President of BIBA, added that they are enthused about this endeavour which seeks to highlight the benefits of employing an Insurance Broker. Simultaneously, it seeks to attract and encourage the brightest minds to join the insurance industry in order to strategically and innovatively help take it to the next level in its development.

This contest targets students in public, private schools, and registered home-study programs. Students in grades ten through twelve are encouraged to participate.

Once submitted, the essays will be reviewed and graded. The essays will be

judged based on industry historical accuracy, adherence to the topic, organization of materials, interest, originality, spelling, grammar, punctuation, and neatness.

Knowles further added: "Our goal is also to generate interest in the insurance industry among aspiring business people. The best way to start is in the high schools. If we can generate interest from that level, kids can start developing their skills from a very early age. By the time they are ready to enter the workforce they will have a substantial amount of knowledge about the industry and it will also help them decide course of studies they want to pursue."

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WHEN IT COMES TO
INSURANCE,
we know our business.
"Brokers Add Value"



The Bahamas Insurance Brokers Association (BIBA)

was established in September 2001 and is a non-profit professional organization consisting of member companies that are licensed "intermediaries" and registered with the Insurance Commission of The Bahamas.

Our Value

- Provide independent and objective advice in the best interest of our clients;
- Negotiate with insurers for better coverage and cost savings;
- Educate our clients on current market trends;
- Deliver quality service and more...

Our Products

- Life, Health & Employee Benefits
 - Personal Accident & Travel
 - Pensions
 - Homeowners & Automobile
 - Property & Casualty
 - Marine & Aviation
 - Professional Indemnity
 - Public, Products & Employer's Liability
-just to name a few.....

Our Members

- A. Scott Fitzgerald Insurance Brokers & Agents
- Advantage Insurance Brokers & Agents
- AFS Insurance Agents & Brokers
- Bahamas Co-Operative League Insurance Brokerage
- Bramer General Insurance Agency
- CGIA Caribbean Insurance
- Charles B. Morris Agency
- CMA Insurance Brokers & Agents
- Cole's Insurance Agents & Brokers
- Colina General Insurance Agency
- Confidence Insurance Bahamas Agency
- Consolidated Health Services Insurance Brokers
- Derek Bowleg Insurance Brokers & Agents
- Fred S. Ramsey General Insurance Agency
- Herbert Newbold Agency
- Insurance Management Brokers & Agents
- JSJohnson Brokers & Agents
- Lampkin & Company Insurance Brokers
- Liv Insurance Brokers & Agents
- NUA Insurance Brokers & Agents
- Professional Insurance Consultants
- Star General Insurance Agents & Brokers
- Sunshine Insurance Agents & Brokers
- Tavares & Higgs Insurance Agents & Brokers
- Vaughn L. Culmer & Associates Agents & Brokers
- Woodside Insurance Brokerage

President

Felicia-Antoinette Knowles, MBA
info@biba.com or 242-427-1529

CONSUMER PROTECTION - WEATHERING YOUR FINANCIAL STORMS

The Consumer Protection Commission, which is governed by the Consumer Protection Act 2006, plays a role in providing a forum to consumers who are subjected to unscrupulous and unethical practices by merchants and service providers. We are also instrumental in the fight in banning products harmful to consumers and collaborating with other agencies to improve effectiveness. As a consumer, you have certain rights that are with you through good and bad times. These are:-

- The right to receive correct and sufficient information and description as to the quality of goods or services;
- The right to enjoy freedom in the choice of goods and services;
- The right to expect safety in use of goods or services;
- The right to receive a fair contract;
- The right to have the injury considered and compensated in accordance with the laws on such matters or with the provision of the Consumer Protection Act.

In The Bahamas, the rights of consumers of goods and services are protected by a number of legislation including the Consumer Protection Act, the Sale of Goods Act and the Unfair Terms in Consumer Contracts Act. These laws aim to ensure that consumers have enough information about prices and quality of products and services, to make suitable choices on what to buy. Consumer law also aims to ensure that goods are safe and are manufactured to an acceptable standard.

As a consumer, you have the right to choose, to be heard, to be informed, to be safe and to have redress. The Commission has the power, at the request of the consumer, to carry out investigations in relation to the sale of goods or the provisions of services in order to determine whether the goods or services provided were in contravention of the Act. We recognise that the complaints you bring to us are of great concern to you and are often the cause of stress. It is our intention therefore, to provide an informed and accurate response that will explain your rights. We ask that when you refer a complaint to our offices that you are completely detailed in the facts that are relevant to your case, to ensure that an adequate inquiry can be made to bring the best outcome in the circumstances.

YOUR RIGHTS UNDER THE SALE OF GOODS ACT

When you buy goods from a trader the law says they must:

- Match their description. This means that they must be as described by the seller. This includes any description on the packaging. In most circumstances, it also means that they must conform to any ad-

vertising claims made about them.

- Be of satisfactory quality. This means that the goods must be fit for the purpose they are intended for and meet the standards that any reasonable person would expect. This includes the appearance and finish of the goods, their safety and durability and whether they are free from defects, including minor faults.

- An advertised delivery date for new, used and repaired items shall form part of the contractual agreement between the provider and the customer. If the provider fails to meet the advertised delivery date, he shall refund to the customer all moneys paid plus an amount equal to ten percent of the amount deposited for each week the goods were not delivered starting 14 days after the advertised delivery date.

You will not be able to take action against the seller if:

- You examined the goods before you bought them and the fault was obvious; Or
- The seller pointed out the fault before you bought them (unless there are other faults and the goods are not as described); Or
- You have damaged or altered the goods or failed to care for them in line with any instructions; Or
- You have used them for some time and the problem has been caused by normal wear and tear.

Some Advice

Scrutinize products before purchase.

Always collect your bill/receipt at the time of purchase. Under Section 23 of the Act, the receipt must include the amount paid, the date on which the purchase was made or the service rendered, the description of the goods sold or services rendered and if applicable, the professional fees charged.

Check the expiry date on items and in particular food items and medicine.

Check on weighing and measuring instruments. It is an offence if someone selling or purporting to sell a good by weight or other measurement, knowingly deceives and delivers to you, the consumer, a lesser quantity than that purported and which does not correspond with the price charged.

As you shop by internet, ensure you are dealing with a secure source before giving credit card details. Trade with well-known companies or those you have done business with before, especially if you are purchasing very expensive items. If things go wrong, you limit the risk. A quick internet check for reviews on a company may be helpful and may uncover those who may have provided unsatisfactory service in the past.

SCAMS

Most of you have received unsolicited emails in your inbox that promises overnight wealth. All types of scams are targeting people everywhere, from fake lotteries to pyramid schemes, fake business directories, fake warnings from financial institutions, false advertisements and false websites. The list is endless!

Are you asked to send money or call a number before you receive the gift or prize?

Does the email request your bank details, credit card number and other personal details?

Do they give you a P.O. box number as their only address?

HOW TO PROTECT YOURSELF

When on fire, you are advised to stop, drop and roll. When bombarded by these tempting offers, our advice is to stop think and reason. Why were you chosen to be the donor of something for nothing? How is it possible to win a prize if you haven't entered a draw? Remember, if it is a scam, more likely than not, you

may never get your money back.

Remember, if it's too good to be true, it probably is.

It has been said that empowered consumers who know their rights and enforce them, are subject to fewer abuses and it contributes to creating a level playing field for businesses, which have to apply a common set of standards which supports competition.

The Consumer Protection Commission is here to assist with ensuring that you have a level playing field and that you weather these challenging economic times by being informed and assisted.

SENATOR CHERYL BAZARD
Chairman of Consumer Protection Commission

EDITOR'S NOTE

• If you have a matter that you would like to bring to the Commission's attention, put the particulars in writing and address it to the Secretariat, Consumer Protection Commission, Ministry of Labour & National Insurance, Fort Nassau Centre, Suite 300 the Hilton Hotel.

Budget Worksheet

Provided by DollarTimes.com

Monthly Expense	Budget	Actual	Monthly Expense	Budget	Actual
Deductions			Personal & Health		
Savings (to set aside)	\$	\$	Clothing	\$	\$
Child Support, Alimony etc.	\$	\$	Toiletries & Care Products	\$	\$
Other:	\$	\$	Haircuts	\$	\$
Housing			Gym & Sport Club Dues	\$	\$
Rent or Mortgage payment	\$	\$	Health, Life, etc. Insurance	\$	\$
Utilities	\$	\$	Doctor & Dentist Visits	\$	\$
Home Insurance & Taxes	\$	\$	Prescription & OTC Drugs	\$	\$
Other:	\$	\$	Other:	\$	\$
Debt Payment			Education		
Credit Card Payments (min)	\$	\$	Tuition	\$	\$
Other Loans:	\$	\$	Books & Fees	\$	\$
Food			Supplies	\$	\$
Groceries	\$	\$	Other:	\$	\$
Eating Out	\$	\$	Entertainment		
Coffee & Bar	\$	\$	Tickets for Shows & Games	\$	\$
Other:	\$	\$	Books & Magazine subscri.	\$	\$
Transportation			DVDs, CDs, Video Games	\$	\$
Car Payment	\$	\$	Other:	\$	\$
Car Insurance + Taxes	\$	\$	Miscellaneous		
Car Maintenance	\$	\$	Charity, Gifts & Offerings	\$	\$
Gas	\$	\$	Pet Supplies & Vet	\$	\$
Public Transit, Parking, Tolls	\$	\$	Entertaining Guests	\$	\$
Other:	\$	\$	Cash not Accounted for	\$	\$
Family			Other:	\$	\$
Day Care & Babysitting	\$	\$			
Activities & Lessons	\$	\$			
Allowances & Child Support	\$	\$			
Other:	\$	\$			

Summary Calculation

Monthly Net Income	\$	\$
- Expenses Total	\$	\$
= Monthly Spendable Income	\$	\$



Consumer tips in a recession

WHENEVER the economy is growing at a reasonably good pace, unemployment is low, jobs are plentiful and consumers are generally happy and confidently spending money on new goods and services and even on upgrades. It is a time when it is difficult to give consumers advice on how to budget, save or spend money wisely. For the most part, they feel that they are doing okay and therefore no help is necessary. The recent economic recession which descended upon The Bahamas since 2008 to present has changed that outlook for many people and the prospect of the introduction of a new consumer tax regime has only added to the uncertainty. Reduced incomes and in some cases job losses has served to heighten financial awareness among many in the work force and there is now a genuine search for way and means to meet the challenges of the recession and indeed, any future challenges to ones personal finances. Outlined below are some simple suggestions for consumers who might be interested in maintaining or improving their situation as regards household finances.

- If you are still working, recognize that jobs are currently in short supply and the employer has more options to downsize or replace you with lower paying new hires. Avoid becoming a casualty by giving that extra effort at work; complete tasks efficiently and quickly. Take on more than you are required to do; always arrive early to the job and leave later; and

above all, try not to be absent from the job at anytime. If you are seen as a valuable employee, chances are you are likely to be kept on.

- Once you are in a job, it is essential to determine your exact financial position before you can begin to plan any future action. Start by writing down all sources of income (wages, salaries, bonuses, tips, etc.) earned by each member of the family. Next, make a list of all of your monthly expenses including rents or mortgages, electricity, telephone, water, food, insurance, loan repayments, credit card and any other debt. Subtract the monthly income from the monthly expenses and if anything is left over, that amount should be used to start an emergency savings account. If nothing is left over, you should begin immediately to explore ways and means of increasing income, reducing expenses or both. Shop around for better deals on food or insurance etc.; try pre-paid mobile instead of post paid; track daily expenses for small items like coffee or beer with a view to cutting down on those expense or cutting them out entirely.

- Establish an emergency savings account if only as a fallback position for that day when the car breaks down, or the roof begins to leak or worse still, an unexpected trip to the doctor's office. These unexpected events will occur so you need to be prepared. You might try putting aside at least ten percent of your income

for that rainy day.

- An alternative or perhaps an additional emergency source of funds might be to establish a line of credit with your bank whereby the equity built up in your house over time could be used to support a line of credit with the bank; in that type of arrangement, you would not be required to pay any interest on the line unless it is drawn down. But more importantly, you will be covered in the event of an emergency.

- Perhaps the most critical element of household finances is the ability to manage your household debt more intelligently. Some types of debt are not necessarily bad if overtime, the value of the underlying asset increases as in the case of real estate. Other types of debt, for example unnecessary consumer credit and credit card loans ought to be avoided at all cost. The high interest credit card debt should be paid off as soon as possible and any extra money from that exercise used to pay off other debt or applied to the savings account. Avoid taking on any new debt, especially during the recession, by deferring any purchases of big ticket items like cars, appliances or costly home repairs. Learn to live within your means.

- Since one form of credit or the other is now an integral part of our society and more importantly, the local banking system is moving rapidly towards the establishment of a credit agency, it is becoming

increasingly important for you to build a good credit history which could help you throughout your life. Try to keep all your commercial commitments by repaying the full amount and on time.

- Whether in a recession or not, you should seek to educate yourself about household finances in terms of debt management, savings and investing. If necessary, seek the counsel of a professional investment advisor, consult the internet for relevant information, read pertinent information and attend any available seminars and other presentations on the subject.

If there is one take away from all of this, the informed consumer must always remember that bad times do not last forever but good savings and financial management habits, developed during the bad times, could benefit a household for life. So in going forward you should always remember to follow some simple yet important guidelines that should help you to successfully navigate the troubled waters of a recession such as: doing the things to ensure you keep a job and therefore a source of income; calculating your exact financial position in order to be in a position to plan; making room to establish a savings account, especially for emergencies; managing your debt intelligently and above all, taking advantage of every opportunity to educate yourself on matters pertaining to household finances.

.....
• James H. Smith, Chairman CFAL Ltd.

SHOULD WE HAVE SEEN THIS COMING?



AS WE look back today to the halcyon days of 2007, we must think, “surely we should have seen this coming”.

Times were good. The global economy, notably led by the largest economy in the world and exerting the largest influence over the economy of The Bahamas, the United States, had been in an extended growth phase for over 15 years with positive GDP growth every year from 1992 to 2007, including 2001 despite the potentially destabilising impact of the 9/11 tragedy.

However, history shows that the longer a boom period persists, the more we tend to believe it is a permanent fixture. Over the 15-year period, credit extended in the US housing sector exploded with financing in excess of 100% of the value of a home becoming commonplace. At the same time credit card debt continued to expand. Securitization of mortgages and onward selling of the debt as investment grade securities resulted in pushing these substandard securities throughout the US and European banking system. Thus, when the housing sector imploded, the true value of the underlying securities was revealed and the banking sector was shocked by the huge amount of potentially worthless assets on their balance sheets. The greatest global recession since the Great Depression had begun.

In The Bahamas, strict regulation by the Central Bank of The Bahamas as well as a lack of a derivative market initially insulated the Bahamian economy from dramatic effects to its financial markets. The Bahamian economy had seen an increasing tendency by banks to finance in excess of 100% security values in the mortgage market, but with the banks holding the loans on their own balance sheets and not repackaging and selling them as investments, greater due diligence was exercised, consequently there was no threat to the on-going existence and future stability of domestic banks.

The impact of the global recession began to be felt in The Bahamas in late 2008 as US citizens, negatively impacted by the financial collapse, cancelled vacations in attempts to keep afloat. However, it was only after Atlantis laid off approximately 800 staff members, only then did Bahamians accept that this was not going to be a downturn that the country would get through without any severe impact. Still we believed

that the impact would be short term and of similar duration as the 9/11 impact. The years 2009 and 2010 came and went without an end to the recession. The Government undertook public infrastructural works in an effort to stimulate the economy, thus utilizing the classical Keynesian economic model. While being successful in the short term by providing a positive impact on employment, the road improvement programme ended, with the country having superior roads, but at the cost of extensive public debt, with much of the theoretical benefit of the deficit financing being lost, as funds were repatriated rather than circulating within the economy and providing the anticipated boost to economic activity. The economy was still suffering from low tourism figures as the US economy started to recover but as a new phenomenon, a jobless recovery. In the jobless recovery, traditional economic statistics to measure the performance of an economy improved, with the notable exception of any significant improvement in the number of persons employed.

At home, the pigeons came home to roost as household incomes fell. The result was to reveal the double-knife edge of the typical Bahamian household – almost zero savings and personal debt commitments that either left almost zero or even negative income after monthly payments were deducted from lower pay levels. Personal consumer installment debt increased 50% from the first quarter of 2004 to December 2007. Even those still employed at Atlantis saw a tremendous decrease in take home pay as tips dwindled from their pre-crisis peak, and this was reflected throughout the economy. Consumer installment delinquencies (90 days and over) started to climb - \$128 million at December 2007 to \$178 million at December 2013 while total outstanding Bank Consumer Installment Credit increased \$56 million over the same period.

Contributing factors to the decline in mortgage performance was firstly unemployment with total loss of salary. However, in many cases, scenarios were observed where couples used joint income to secure financing, and the loss of income by unemployment or underemployment resulted in an inability to meet payment commitments. Contributing to this, in many cases, were instances of homeowners trying to move straight to “mansion” housing construction. Too often, cost overruns resulted in financing requiring repayments exceeding that planned and leaving the borrowers exposed. Financial stress brings tension, discord and sickness. Financial institutions have seen many accounts deteriorate as couples divorce and go their separate ways.

The banks worked with their financially

honest but disabled clients through the period, while unfortunately a minority of financially dishonest tried to take advantage of the situation. Despite the efforts taken by the banks, a widespread unfounded rumour that customers were losing their homes after missing just one payment made the subject of mortgage relief an election issue in the 2012 election. However, after the election, when the state of the nation's economy was more clearly understood, it became readily apparent that Government could not afford a direct subsidy of the floundering mortgages that would materially change the overall delinquency picture - notwithstanding the innumerable hours local banks spent working with Government and the Central Bank of The Bahamas on trying to find a viable programme. Banks have continued to work with customers wherever possible to keep customers in their homes. The housing market continues to be stagnant with a large pool of houses on the market with little activity. Paradoxically, appraised values have been very slow to fall based on the current market situation and many times continue to show pre-crisis values. This situation contradicts market economics, which indicates that prices should fall as supply exceeds demand.

This undermines a long held opinion that, with limited land in The Bahamas, house prices always go up. While this may be true in the long run, this 6-year period indicates that incurring losses on home ownership is possible. It underlines the following important points in preparing to buy or build a house:

- Save, save, save – the most fundamental lesson to learn from the experience of 2008 – 2014 and forward is the importance of saving. As an example, instead of borrowing \$150,000 for a 30-year mortgage at 6.75% with a payment of \$973, having a \$10,000 deposit would reduce the mortgage to \$140,000 for a 25-year mortgage with a payment of \$967 would save \$50,000 interest over the life of the loan.
- Start by buying small and investing into growing the equity in the house so it will be easier to upgrade your house.
- Budgeting is the key - understand how you spend your money, allow cushions for unexpected expenses, sicknesses, house repairs, etc.
- Avoid the trap of materialism – identify needs rather than wants.
- Rather than obtain a mortgage requiring two salaries, use the second salary to save for deposits, insurances, etc. and use one salary to support the mortgage. Pregnancies, sicknesses, etc. have negatively impacted many young couples who have committed both salaries to supporting their mortgage.
- Finally, if you are sinking in mortgage debt, consider selling the house and elim-

inating the debt and, if necessary, start again with renting a home.

As we have seen, government financing has also fallen significantly since 2007. As noted, the deficit financing to stimulate the economy was not successful enough to offset the ongoing recession. Demands for increasing funding for programmes to counter the recession came at the same time as the downturn in credit in the economy – a significant negative phenomenon where financed imports fuel government revenue through customs duty. With further pressure on customs duty from the impending WTO membership, government had to find a way to broaden the tax base. After a long process including being open to consultation from the private sector, the government has concluded that the previously announced Value Added Tax (VAT) is indeed the right way to move forward.

The 2014 – 2015 Budget has changed the previously announced regime from a 15% rate to 7.5%. VAT is cited as being easy (relatively) to police and self-regulating. As the revisions go through the House of Assembly and we learn more details, we will be able to understand the details that will affect our daily lives before it is introduced in January 2015.

It is important that a safety net is put in place for those who are affected by poverty in this economy to prevent them from falling further into despair.

The unpleasant truth that we have to face is that, until the economy starts to grow again, the average person is going to experience a reduction in the standard of living. We all have to look at what we spend, including the Government.

The next pending social challenge is the number of people who will be facing retirement with no savings to help them survive. We cannot afford to push the issue of occupational pensions down the road, like we have done for so many other issues. The Government has it on its agenda and it needs to be brought forward, as soon as a recovering economy allows.

The biggest lesson we need to learn from this experience as the economy eventually emerges from the recession is the importance of increasing our savings and reducing our wanton consumption.

This article has been prepared and submitted by Commonwealth Bank Limited. (Editor)

MORTGAGE DELINQUENCIES

From 2007 to 2013, Mortgage delinquencies (greater than 30 days past due) increased as follows:

Year	Amount
December 2013	\$730.9 million
December 2012	\$699.5 million
December 2011	\$650.0 million
December 2010	\$617.9 million
December 2009	\$531.5 million
December 2008	\$364.3 million
December 2007	\$264.0 million

*Source: Central Bank of The Bahamas



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