SOUTH PACFIC STOCK EXCHANGE

2018 NATIONAL ESSAY COMPETITION

THEME: Savings and Investments

Name: Neha Yashna Sharma

Year: 901

School: Bhawani Dayal Arya College

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If you restrict your expenses and keep the unspent money in your own custody for the purpose of accumulating it, is called saving money. Saving can be done at any age. Whether you are a school-going child or a retired person, you can and must save. Its main objectives are to maintain liquidity and meet future expenses without hassle. The short to medium term large expenses are often fulfilled by money saved. While money doesn't grow on trees, it can grow when you save and invest wisely.

The difference between savings and investing.

Saving

Your "savings" are usually put into the safest places, or products, that allow you access to your money at any time. Savings products include savings accounts, checking accounts, and certificates of deposit. Some make sure they have up to six months of their income in savings so that they know it will absolutely be there for them when they need it. But how "safe" is a savings account if you leave all of your money there for a long time, and the interest it earns doesn't keep up with inflation? What if you save a dollar when it can buy a loaf of bread. But years later when you withdraw that dollar plus the interest you earned on it, it can only buy half a loaf? This is why many people put some of their money in savings, but look to investing so they can earn more over long periods of time, say three years or longer. Maintaining liquidity can help you through tough situations such as loss of employment or emergency fund – when an emergency happens, the money is needed immediately. The emergency fund, therefore, should be in a Savings Account. One could also consider, as long as the funds are easily accessible. Its purpose is not to make a bunch of money; it is there for emergencies.

Investing

Investment is buying an asset to generate returns from it over a period of time while also taking care of risk and volatility. For example, if you buy gold and keep it for years with an expectation of increase in its value, it is an investment. Similarly, buying mutual funds, bonds, shares, properties, etc are all various kinds of investment. When you "invest," you have a greater chance of losing your money than when you "save." The money you invest in securities, mutual funds, and other similar investments typically is not federally insured. You could lose your "principal"—the amount you've invested. But you also have the opportunity to earn more money. What are investments all about? When you make an investment, you are giving your money to a company or enterprise, hoping that it will be successful and pay you back with even more money. Examples your retirement is the big one and retirement funds should definitely be considered investments. Such funds should be rebalanced annually or even bi-annually, but you basically leave them alone and don't worry about checking the stock returns by month.

Savings means to set aside a part of your income for future use, Investment is defined as the act of putting funds into productive uses, i.e. investing in such investment vehicles which can reap money over time.

People save money, to fulfill their unexpected expenses or urgent money requirements. Conversely, investments are made to generate returns over the period that can help in capital formation.

Undoubtedly, the investment provides higher returns than savings, as there is a nominal rate of interest on savings. However, the investments can earn money more than the invested amount, if invested wisely.

You can have access to your savings, anytime because they are highly liquid, but in the case of investment you cannot have easy access to money because the process of selling the investments takes some time.

No matter how much or little money you have, the important thing is to educate yourself about your opportunities. Government enforces the laws that determine how investments are offered and sold to you. These laws protect investors, but you need to do your part, too. You should know how to check out investments to ensure you do not fall victim to fraud or costly mistakes. No one can guarantee that you'll make money from investments you make. But if you get the facts about saving and investing and follow through with an intelligent plan, you should be able to gain financial security over the years and enjoy the benefits of managing your money. No one is born knowing how to save or to invest. A few people may stumble into financial security—a wealthy relative may die, or a business may take off. But for most people, the only way to attain financial security is to save and invest over a long period of time. As a student, you might think that saving and investing is something you don't need to consider right now. But there's a cost to waiting, and even saving a little now can add up over time and help you pay for your short and long-term goals.

Keys to financial success – make a financial plan, create a budget, start saving and investing as soon as you've paid off your debts. Your First Step—Making a Financial Plan. What are the things you want to save and invest for? A car, an education, a comfortable social life, emergencies, periods of unemployment, your future goals. Make your own list and then think about which goals are the most important to you. List your most important goals first. Decide how many years you have to meet each specific goal, because when you save or invest you'll need to find a savings or investment option that fits your time frame for meeting each goal. Many tools exist to help you put your financial plan together.

Know your current financial situation. Sit down and take an honest look at your entire financial situation. You can never take a journey without knowing where you're starting from, and a journey to financial comfort is no different. You'll need to figure out on paper your current situation—what you own and what you owe. You'll be creating a "net worth statement." On one side of the page, list what you own. These are your "assets." And on the other side list what you owe other people, your "liabilities" or debts. Subtract your liabilities from your assets. If your assets are larger than your liabilities, you have a "positive" net worth. If your liabilities are greater than your assets, you have a "negative" net worth. You'll want to update your "net worth statement" every year to keep track of how you are doing. Don't be discouraged if you have a negative net worth. If you follow a plan to get into a positive position, you're doing the right thing.

When you watch where you spend your money, you will be surprised how small everyday expenses that you can do without add up over a year. Small savings add up to big money. How much does a can of juice cost you? If you buy a bottle of juice every day for $2.00, that adds up to $730.00 a year. If you saved that $730.00 for just one year, and put it into a savings account or investment that earns 5% a year, it would grow to $931.69 after 5 years, and grow to $3,155.02 after 30 years. That's the power of "compounding." With compound interest, you earn interest on the money you save and on the interest that money earns. Over time, even a small amount saved can add up to big money. If you are willing to watch what you spend and look for little ways to save on a regular schedule, you can make money grow. You just did it with one can of juice.

If a can of juice can make such a huge difference, start looking at how you could make your money grow if you decided to spend less on other things and save those extra dollars.

Savings, alone cannot constitute to the increase in wealth, because it can only accumulate funds. There must be the mobilization of savings, i.e. to put the savings into productive uses. There are a number of ways of channelizing savings; one of them is an investment, where you can find limitless options to invest your earnings. Although risk and returns are always associated with it, but when there is no risk, there is no profit.

As the excess of everything is bad, so as in the case of savings and investment, i.e. it is important for an economy that the savings and investment should be done in the correct proportion. The excess of savings over investment will lead to unemployment, and if it is revered, then inflation may occur.

Source: https://www.sec.gov

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