

Saving options for those new to the work life

ZAKIA SAMEEN NOOR

Earning income is a fantastic feeling. It's the main pathway to adulthood. No wonder most of us are obsessed with finding ways to earn money.

After this hurdle, the next challenge is to save your income and grow it. Conventional wisdom tells you to save first and spend later. But, it doesn't specify how to do so.

Hopefully, by the end of this article, you will have an idea of how to save and grow your new hard-earned money.

DPS

Deposit Pension Scheme or DPS bank account is an easy automated savings option for anyone earning money. Here, you can deposit a fixed chunk of your salary every month, starting at 500 BDT and going up to 20,000 BDT or more. The total amount of money you save at the end of your term is known as the maximum maturity value. You get to decide your maximum maturity value and the number of years of your saving period (usually 3 years). You can even choose a DPS option which allows you to save a million taka by the end of your term.

Depending on the number of years, different interest rates will be charged. While the average interest rate is approximately 5%, some banks charge higher interest rates. For example, Trust Bank charges an interest rate of 8.24%.

FDR

Getting a Fixed Deposit Receipt (FDR) (also known as Time Deposit in the Western countries) can be a suitable option if you're risk-averse, have a good portion of money available to save, and earn a high yield after a fixed period. Interest rates tend to be higher for FDR than for normal savings accounts. In fact, the longer the time period of FDR, the higher will be the interest rates.

FDR is basically a receipt the bank gives you certifying that you have a fixed deposit in that bank for a stipulated period of time. The deposit in a fixed deposit tends to be higher than the savings deposits. Also, you don't withdraw any amount from your fixed deposit until the end of its maturity. If you do, you might have to pay a hefty charge to the bank and may even miss out on earning interest. Although the cost of premature withdrawal is a disadvantage, the benefit is that this is a backup option during severe cash flow crises.

It's not necessary for you to break your FDR either during such crises. You can

simply avail a loan against your FDR for upto 80-90%. That too, at a lower interest rate since the FDR is a much more secured collateral for your loan.

SHARE MARKET

If you're fascinated by stocks and enjoy analysing them, you might be interested in investing your money in the share market.

However, there are a few things to keep in mind:

- i) Have a strong grasp of basic financial literacy.
- ii) Be in this game for the long haul.
- iii) Understand your psychology, especially when it comes to money
- iv) Make calculated rational decisions and not emotion-driven ones
- v) Seek expert help from only trusted professionals if needed
- vi) Keep in touch with economic and financial news and relate these with stock analysis

Now, to invest in the share market in Bangladesh, you must have a Beneficiary Account (BO). This is the account through which you can buy/sell shares and earn profit. To open a BO, you'll need a bank account and general documentation like NID/passport and passport-size photographs of yourself and nominee. You can open your BO online or with the help of a reputed brokerage house. The brokerage house will guide you in your stock analysis and keep you updated with market trends. It is important to pick the right brokerage house you can trust and rely on as the way you manage your money will depend a lot on them.

Investing your hard-earned money in the stock market can be scary. Thus, you must be careful and do a lot of studying and research on your own. At the same time, keep your eyes and ears open. You can reap immense rewards from investing in the share market.

MUTUAL FUND

A new up-and-coming option in

Bangladesh, mutual funds are basically investment funds created by pooling money from various investors who wish to purchase securities (stocks, bonds, equities, etc). The funds are managed by professionals whose goal is to allocate the funds such that investors can earn the maximum gains or income from the portfolio. So, if you don't have the time to do stock analysis, you can rest assured that your investments will be taken care of by multiple protectors.

What's more, as per the Tax Ordinance, 1984, you save a lot of money as the amount you invest in the mutual fund gets a full tax rebate.

Each of us has different needs when it comes to investing. Also, we need to diversify our investment funds. All this can be done in mutual funds. Moreover, you can opt for liquidity any time you want if you invest in an open-ended mutual fund.

SANCHAYAPATRA

Also known as savings certificates, Sanchayapatra has the highest yield out of all the other options listed here. It's also the safest investment choice as it is backed by the Government itself. This makes investing in Sanchayapatra a lucrative opportunity for low-income and middle-income groups.

There are four different sanchayapatra schemes with two for varied classes of people. For example, the five-year Family Sanchayapatra is specifically for adult females.

To get a Sanchayapatra, you need to have an NID. Other forms of identification won't do.

Also, if you invest more than 1 lakh BDT, you will need a photocopy of your TIN certificate.

Investing in real-estate, farming and other high growth-high return projects i.e. startups

Investing in real estate provides a very high and consistent return. More

importantly, owning real estate means owning assets that have value. Plus, this value appreciates with time. Earning income from real estate is a lucrative option if you want to diversify your savings and/or income sources.

Bangladesh is still predominantly a country dependent on agriculture. Around 15% of our GDP comprises agriculture. Plus, the demand for farming products like crops, dairy, meat, etc will always be there since these are necessities. Thus, the farming sector presents a lot of opportunities to develop agricultural business ideas that can boost the economy. Investing in such ideas is bound to reap massive benefits after a while. Moreover, investing in farming is safer and more secured since it provides more long-term value than you would receive when investing in the stock market.

At the same time, the startup scene in Bangladesh is growing. Recently, 4 Bangladeshi startups got selected for the Accelerating Asia incubator in Singapore. Even the Bangladesh Bank has announced a 500 crore taka fund for financing startups. Most importantly, if you have the sufficient savings to invest in a scalable startup, you have the potential to earn massive returns than you would elsewhere. You also get to diversify your savings portfolio.

ISLAMIC SAVINGS INSTRUMENTS

The primary component of conventional banking systems is interest, where there is a winner and a loser. This is prohibited in Islamic finance. The main philosophy behind Islamic finance is risk-sharing in both parties, which makes shariah investments more equitable and more secured. Also, Shariah investments cannot be made in ethically ambiguous industries like alcohol, pork, and gambling industries.

The global Islamic Financial system is predicted to increase to USD 3.78 trillion next year. The growing interest in Islamic Finance means you too can be a part of this system. Luckily, Bangladesh has numerous Islamic banks adhering to Shariah principles enabling financial inclusion for us all.

This guide is just an introduction to the myriad ways you can save and invest your money to grow your income. We hope this inspires you to take control of your income now and become a much more financially savvy and independent citizen of Bangladesh.



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