MiBank provides financial literacy training in AROB

SPEND less than you earn and save something every day will now help me meet my financial goals, this are the words of Eva Betson from Halia village in Buka Rural District. Eva attended a week long workshop in financial education provided by MiBank's Financial Inclusion Unit, from July 18-21. The MiBank team was led by Genevieve Daniels who was supported by Grace Chapiu and Buka Branch Manager Clara Lake.

Facilitating Financial Literacy workshops for low income households is high priority for MiBank through their vision to be a commercially sustainable bank that contributes to financial inclusion. Financial literacy is one way of bridging the financial inclusion gap.

The financial literacy training was provided through the Bougainville Women's Federation for the Widows Association of the Halia LLG in the Buka Rural ward. This was the first batch under the Bougainville Women's Federation outreach programme.

The Halia project team works with widows and their family members with other members of the Community. The training saw 80 participants and 15 observers. The aim of the project is to enhance the economic development for women smallholders by building their agricultural and business acumen.

The project also aims to improve women's agricultural productivity through agricultural extension, improve banking, savings and skills in financial and resource management for agricultural small business activities, increase capability to access micro-finance and build gender inclusive decision making capacity within the family and community.

Financial inclusion is an important step towards inclusive growth. It helps in the overall economic development of the underprivileged population and financial literacy is paramount in empowering communities to be able to be part of the formal economy.

ABOVE: Branch Manager Clara Lake and a participant. BELOW: Participants were awarded certificates at the end of the Workshop.

The benefits of financial inclusion are not only significant for individuals but for economies as well. Financial inclusion is linked to a country's economic and social development, and plays a role in reducing extreme poverty.

This project is an initiative of University of Canberra and Australian Centre for International Agricultural Research (ACIAR), funded by the Australian Government.

How a monthly income plan works

IF you're looking at saving for a rainy day, and hope to have a steady stream of income when you retire, then the monthly income plan might be just the ticket.

What is a monthly income plan?

MIPs are hybrid investment avenues that invest a minor portion of their portfolio (around 15 -25 per cent) in equities and the balance in debt and money market instruments (i.e. bonds, certificates etc). MIPs provide a monthly income to investors, but the periodicity depends upon the option you choose.

These are generally monthly, quarterly, half-yearly and annual options. A growth option is also available, where you do not receive regular dividends, but gains in the form of capital appreciation.

However, like any other fund, the returns are market-driven. Though many fund houses strive to declare a monthly dividend, they have no such obligation.

With the current levels of market volatility, MIPs can be a good option considering their exposure to debt instruments. These will help you maintain a low-risk portfolio and generate regular and stable returns. Stability, rather than quick and high returns, should be the priority for a typical MIP investor.

MIPs differ from Income funds, which are launched with the objective of posting regular returns (either in the form of dividends or capital appreciation).

Is the monthly income plan for you?

If you are conservative in your investments, but want to earn marginally better returns than a debt-only portfolio, then the MIP is for you. An MIP typically invests the bulk of its assets in debt, while a small equity exposure is maintained to earn something extra.

While MIPs are typically availed of by retired persons, the 'Growth' option of an MIP fits in neatly into the risk-return profile between a pure income fund and a balanced fund. This is attractive to investors like HNIs, Institutions, Trusts etc. as these investors typically do not require a regular monthly dividend inflow.

However, capital appreciation with a controlled level of risk is an extremely important parameter for investment. The controlled equity exposure of around 15-25 per cent should deliver the icing on the cake over the medium term and should generate higher returns compared to a pure debt fund, albeit with a slightly higher level of risk.

Who can opt for it?

Ideally those nearing retirement could opt for MIPs as there would be an adequate steady flow if income that factors in inflation (higher real rate of interest) that combines advantages of meeting monthly expenditure as well as capital appreciation.

This product has appeal for both the conservative and the risk taking investor as it combines regular safe returns (from debt instruments) and higher returns, when the equity portion of the investment offers good returns. – rediff.com