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NAME: **DHAVEETA KUMAR**

YEAR : **902**

SCH : **M.G.M. HIGH**

IMPORTANCE OF SAVING AND INVESTMENT

Every day we use money as a medium of exchange. It has become a need in this era. Life is unpredictable and the only way to deal with its uncertainties is ensuring that we are financially stable. We cannot change the total amount of our financial status overnight. However, we can alter the composition of wealth over time as we save and invest.

Savings and investment are *two crucial economic variables* by which we can measure a person's physical quality of life and standard of living. In general, these are important basically to meet the goals in life. Savings is used as a synonym for wealth-the value of what has been accumulated over time. It can be defined as an income not spent i.e. the amount left over when the cost of a person's expenditure is subtracted from the amount of his income he earns in a given period of time. (Amy F., 2017). It can be in form of putting money into a bank deposit, pension account, investment fund, bonds, etc.

The importance of saving money is profound. Savings helps to fulfil short term goals or meet urgent requirement example going on a vacation or buying a new car. We save when we consume only part of our income and deposit the rest for retirement, hospitalization or putting children through college. In today's world, quality education is essential as well as expensive therefore savings will act as a bridge that will provide a great sense of accomplishment and peace of mind. It makes a man financially strong and secure.Saving money as early as possible will help family members to achieve more stable life than someone who has no savings.Long term habits of saving money are a way to meet unexpected expenditure in life and give people the ability to enjoy independence. It plays an essential role in compensating the adverse situation and rescues them from borrowing. Moreover, savings can provide an excellent source for future business ventures as capital. It also allows for exploring hidden talents and other interests that may increase ones income example engaging in entreprenuel activity.

According to Warren Buffet, world's second richest person, if a person has to become a millionaire at the age of 65, then he has to save $10.00 per day at the age of 25. (Gavagan M., 2012). Savings account is a reliable place for an emergency fund which allows us access to ready cash whenever we need it. This provides a feeling of self-reliance. It is correct to affirm that this money is at minimal or no risk of losing it. Though investing in a saving account is safe, the gains will be minimal given the extremely low interest rates than investment where wealth gradually increases. Savings provides funds that allows us to invest in the future. On the other hand, when a country saves so much money that it hardly spends, the economy suffers. The paradox of thrift developed by John Keynes states that the more the people save, the less they spend thus less they stimulate the economy. In the other words, it is essential to invest. (K. John, 2012). Unless one already has a huge amount of money, the only way to accumulate it is through savings. To grow or maintain the value of the corpus, one must invest it in higher return asset. Savings alone cannot constitute to the increase in wealth because it can only accumulate funds. There must be mobilization of savings i.e. putting it into investment. Savings act as a *supply* of funds for investment and investment as a *demand* for funds. It is incredible/unbelievingly true that millionaires around the world have not become wealthy just by putting money into a savings account but by investing hugely into various investment vehicles.

Investment is defined as the act of putting saved money into productive uses which can reap benefit over time in terms of profits. In other words using money to make more money. To most people, investment refers to the purchase of assets, gold or shares. Economists use it to refer to the purchase of new capital goods such as new machines, buildings or houses. Investment is the sum of non-residential investment: purchase by firms of new factories, machines, computers to be able to produce output in future. Residential investment is the purchase by people of new houses or apartment to get housing services in future. Technically, anything that generates return is an investment. This means that even our saving account generating 1% interest is an investment. Investment options include individual securities (share, stock) mutual funds, real estate, taxable or tax deferred account.

The ultimate purposes of investments are to generate returns over a period that helps in capital formation. Investment results in acquiring an asset. If the asset is available at a price worth investing, it is normally expected to generate income so that it can be sold at a higher price. In finance, the benefit from an investment is called a return. It may consist of capital gain, interest, or rental income. Interest received is normally higher than regular savings which means wealth is gradually increasing. Investment has a productive nature. It is a catalyst for growth in aggregate wealth. There is an opportunity to earn more than we save- a potential for greater rewards.

Investments may appreciate the infused capital (go up in value) day by day. This increases the net worth value of assets. If it is sold at a higher price than what was invested initially, a profit is made. The essential quality of an investment is that it involves waiting for a reward after utilization of resources in the hope that some benefits will accrue in future.Investing is essential to good money management because it ensures both present and future financial security and income. Most importantly, it improves spending habits. Not only do we end up with more money in the bank, we have another additional income. Investing is the only way to achieve both growing wealth and passive income. One of the ways investment like stocks, bonds and ETFs provide income is through dividends. This is an amount paid to shareholders.

Globally, foreign direct investment are viewed as a major stimulus to economic growth in developing countries. It is pivotal in providing a country the necessary finance and capital to achieve sustainable growth as well as alleviating poverty. For example, Hotel Industries and Fiji Water Bottling Companies in Fiji have provided employment opportunities to local people.

As we are growing up, we are taught the virtues of thrift. Those who spend all their income are condemned to end up to be poor. Those who save are promised a happy life. To make our dreams into reality, we need to advance and make our money work for us. The stepping stone of wealth is the formation of savings. Budgeting is an important tool of savings. In addition, *investment starts only after savings*. It is better to start investing at any early age. Investment is the way forward to be financially independent. However, investment requires great discipline and patience.

Without savings, we cannot invest and **without investment we lose the value of saving.** Hence, both go hand-in-hand and are equally important. Savings and investment are vital to increase fixed capital that contributes to economic growth. The population that saves and invests has economy that will grow strong and prosper.

"SAVE TODAY FOR A SECURE TOMORROW"

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