

making **money count**



You earn what you save

by Chase Byler, Associate Director, RBC Public Fund Services

Have you ever had a memory from your past that just jumped into your mind because of a “trigger event”? I would like to share a few that did exactly that for me due to this interest rate environment. From my earliest memory as a child through present day, my father has always been my hero. I wanted to be just like him. I wanted to carry myself the way he did, put our family and others first, and I even wanted to learn all of his witty remarks and phrases that were passed down to him. He seemingly had a new quip or phrase about every aspect of life, which he made sure to tell us often until we just rolled our eyes and shook our heads.

As investment rates continue to be at all-time lows (even lower than they were during the 2008 recession), and we monitor the upcoming interest rate environment, I hear these phrases echoing in my head often:

- “You save what you earn and you earn what you save;”
- “Interest grows even without rain;”
- and the classic: “A penny saved is a penny earned.”

The point of these old adages all relate to the time value of money. Usually in the financial world, the time value of money is related specifically toward investments; however, in periods of low interest rate environments (such as we find ourselves in currently), savings can easily outperform “slightly better than zero” interest rates. Let’s face it – it’s not that hard to do so.

Within the confines of local governments (schools and municipalities) there are many widely utilized opportunities to enact these saving strategies without a lot of extra work or time. A few of these savings strategies that are worth looking into are:

- Restructuring or refinancing debt
- Procurement cards
- Ability to prepay expenses

Like your home mortgage, it might be time to refinance. Restructuring debt is the most commonly considered way to save significant funds during a low interest rate environment. Restructuring or refinancing current debt is a strategy that can be utilized at times throughout the life of the issuance and is well worth looking

into. During periods of low interest rates, entities should contact their investment banking professionals to discuss what strategies may be open to them.

Get rewarded for spending money you have to spend. Procurement cards are the very definition of the popular saying, “Get rewarded for doing what’s needed.” Within each business office, everyday expenditures, both big and small, can often be paid for by a procurement card (which is different than a credit card). Procurement cards operate in a similar manner to credit cards, in that the entity will receive a rebate for the amount being spent, but it will have higher levels of control and reporting/reconciliation capabilities. There are different types of procurement card programs with different rewards, such as tiered rebates based off of an aggregate group spend or a flat percentage of each purchase. These cards allow entities to earn rebates and receive real money back from their normal everyday spend. What could your organization do with an additional \$1,000 or \$5,000 or \$10,000 rebate check?

Take advantage of any discounts offered. Yet another strategy to attempt to save money from an everyday expenditure would be to review the cash flow and inquire with professional vendor partners if it is possible to receive a discount for an early lump sum payment for the goods and services. Some industries, such as health insurance and fuel providers, may offer this ability in the form of a percentage discount. In a low interest rate environment, this discount may be higher than any interest rate that could be received from a comparable investment.

Although reminiscing about old adages that ring true to our current economic climate is nostalgic, these old sayings are rooted in some form of truth. As we all navigate this suppressed interest rate environment for the foreseeable future, it is important to shift our mentality from solely investment earnings (although still crucial), to include a mentality of savings. After all, “A penny saved is a penny earned,” and looking into common saving strategies in this environment just makes “cents.” **B**