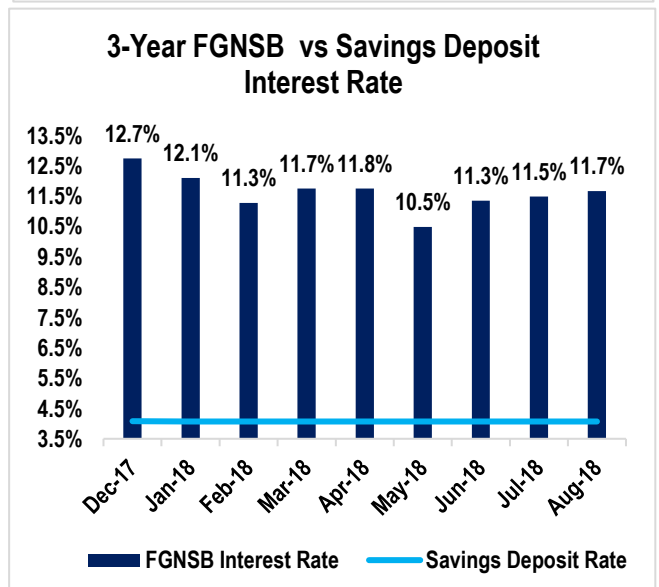
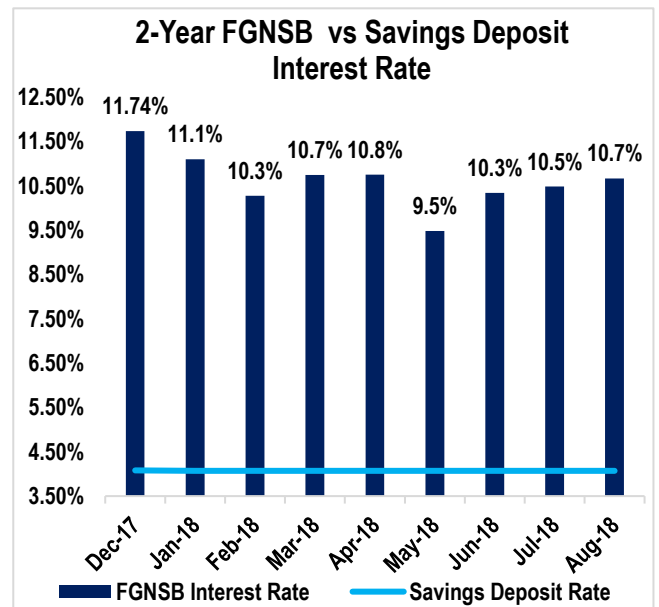
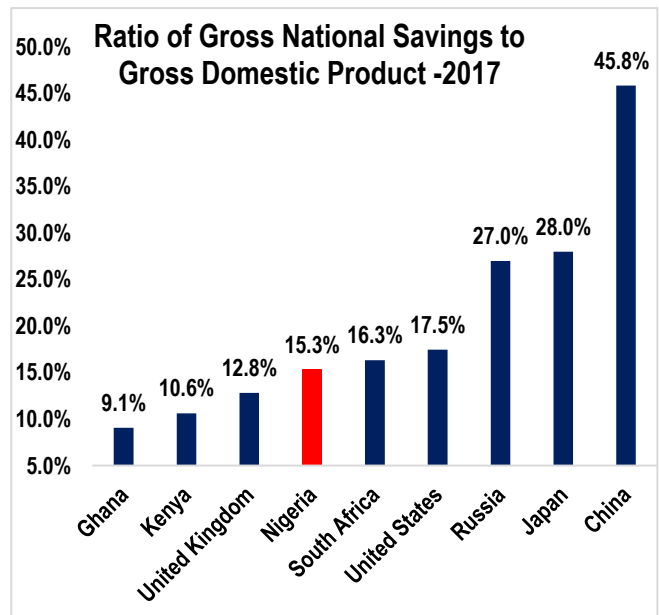


## Investment Opportunities in the FGN Savings Bonds

In March 2017, the Debt Management Office (DMO) introduced the Federal Government of Nigeria Savings Bond (FGNSB) to provide an avenue for low-income earners to earn consistently good returns over time. The FGNSB provides an investment opportunity offering attractive returns with low investment risk. It is an initiative of the FGN to encourage a culture of national saving, which is amongst the lowest of certain selected countries. The FGNSB also helps to diversify the funding sources of the government. The minimum investment in the Bond is N5,000 while the maximum investment is N50million. Investors can purchase the FGNSB through a stockbroker who is accredited by the DMO.

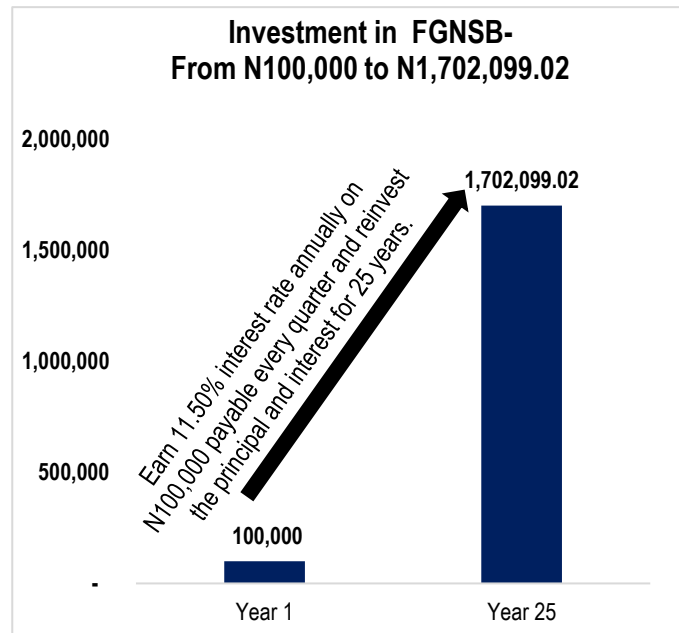
The FGNSB has two tenors on offer: two years and three years. The interest rate (coupon) on the three-year tenor is usually higher than the two-year tenor. The average interest rate on the two-year tenor between March 2017 and August 2018 was 11.81%. The average interest rate on the three-year tenor between April 2017 (when it was introduced) and August 2018 was 12.74%. The FGN pays the interest on the Bonds on a quarterly basis. This means a saver who invests N100,000 in the Bond, with an interest rate of 11.67%, will earn N2,917.50 every three months throughout the life of the Bond.

The FGNSB is a more attractive investment option than a savings account as it is exempted from all forms of tax and offers a higher interest rate than a savings account. Data from the Central Bank of Nigeria (CBN) shows that the average interest rate on savings deposits was 4.10% between March 2017 and June 2018.



An additional benefit of the FGNSB is its relative liquidity as investors can trade the Bond on The Nigerian Stock Exchange (NSE) if they wish to sell before maturity. Investment in the FGNSB may be used as collateral to borrow money in any financial institution in Nigeria

FSDH Research believes investing in the FGNSB is a good avenue for low-income earners to build wealth over a long period. Our illustration shows that an investment of N100,000 in the FGNSB could grow to N1,702,099.02 in 25 years. This is possible if the interest earned and the maturing principal are reinvested at an interest rate of 11.50% annually, payable every quarter.



Sources: Debt Management Office, Central Bank of Nigeria, International Monetary Fund and FSDH Research Analysis

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