



# MAPID TRAINING PROGRAM - ITALY

FINANCIAL LITERACY, PART II: THE FILIPINO SIDE\*

Commission on Filipinos Overseas\*\*

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### **III.3. *Financial Literacy, part II: The Filipino Side***

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edited by Golda M. Roma

In 2008, overseas Filipinos remitted about US\$16.4 billion to the Philippine economy, an increase of 13.4 percent over the previous year despite the downturn in the global economy (BSP, 2008). Directly or indirectly, 85 million Filipinos in the Philippines depend on the remittances of the estimated 9 million overseas Filipinos in more than 200 countries (Rodis, 2009).

Lately, the linkage between remittance and development has been vastly explored in numerous studies conducted by academicians, international organizations and private institutions. Numerous efforts have also been initiated primarily by the *Bangko Sentral ng Pilipinas* to capture most of these remittances through formal channels, such as banks and other similar financial institutions, as well as innovative industries like telecommunication.

This paper deals with the various attempts by several sectors to enhance the use of these remittances in the country. It looks at the savings programs currently offered by banks and other financial institutions to overseas Filipinos, investment areas to explore and business enterprises which these overseas Filipinos might venture into.

The paper is divided into several sections. Each section has brief description of the facilities offered, followed by examples of these instruments.

#### **III.3.1 Remittances and Remittance Channels**

The World Bank, in its 2007 publication *World Development Prospects*, placed the country as forth in the top remittance-receiving countries across the globe. The value of the remittance in 2008 is 9.7 percent of the country's gross domestic product. The BSP has credited remittances as financing the household needs of recipient families, which in turn drives the demand for goods and services, thus creating employment. The remittances have also increased the supply of foreign exchange of the country, enabling it to purchase necessary imported materials such as oil. Lastly, remittances induce productivity as the savings deposited in banks are used for loans to finance investments which generate jobs. These multiplier effects of remittances make it an indispensable source of national income by the country.

##### **REMITTANCE CHANNELS**

In recent years, industry players have rolled out a growing variety of remittance products and services catering to the evolving needs and requirements of their clientele. While the market remains highly competitive, industry players are often inter-linked, and it is not uncommon to see overlapping or complementing offerings with other service providers where revenue-sharing schemes are also observed (Niala, 2007).

Today, we see a convergence of services offered by Philippine banking institutions, licensed non-bank money transfer agencies, courier/cargo companies, and ethnic stores acting as agents for the banks. Different types of alliances have been formed and partnerships among the various stakeholders have become very common. Exclusivity is no longer a common practice as revenues and profits are shared among the players in the alliance. All the major Philippine banks in the remittance business are doing door-to-door services while most non-bank agents are promoting bank “credit to account” transfers. Indeed, with industry estimates on remittance revenues from \$250 million to \$500 million, there is ample room for everyone to share in profits, not to mention revenues from the use of other financial products and services, such as increased usage of bank accounts, credit or insurance (ADB, 2004).

### ***Banks***

In the first few years from the start of organized overseas deployment, overseas Filipinos had difficulty getting access to remittance services of host country banks. Philippine banks, courier companies and informal money transfer providers filled the gap. The Philippine National Bank (PNB) started their remittance service in the early 1970s through their various foreign offices while several Philippine courier companies provided remittance services including door-to-door deliveries as an adjunct to their cargo business. Informal remittance systems appeared to be commonly used, and was sometimes the only available and convenient vehicle for workers in sending money to their families. In the early 1980’s more bank players such as the Bank of the Philippine Islands (BPI), Philippine Commercial and Industrial Bank, Metropolitan Bank and Trust Company (Metrobank) and Allied Banking Corporation, established offices and remittance tie-ups overseas. Alongside Philippine banks, courier and cargo companies and informal transfer providers continued to prosper with their door-to-door service where cash was actually delivered to the beneficiaries’ homes (ADB, 2004).

Banks typically offer any or all of the following remittance services: over-the-counter servicing or branch pick-up, credit to a depository account in the Philippines, use of credit cards, pre-paid cards, cash cards, debit cards and automated teller machines (ATMs), door-to-door delivery, or establishment of off-site payment centers such as those located in malls and other convenient spots with high people traffic. Following this trend, some selected rural and thrift banks are now forging their own tie-ups to accommodate remittance flows (Niala, 2007).

There are currently 17 Philippine financial institutions directly involved in servicing remittances of overseas Filipinos through their branches, affiliates or agents in 30 countries. Sixteen out of 44 commercial banks are involved in remittances. Of the 92 thrift banks, only four are engaged in remittances. Sixteen of these banks are members of the Association of Bank Remittance Officers Incorporated (ABROI). The association assists in bringing the concerns of the remittance industry to regulators and other stakeholders in the industry.

The BSP has developed an OFW portal on its website which links all Philippine banks and non-bank financial institutions that have remittance services and products. Currently, there are nine (now 8 with the merger of Equitable to Banco de Oro) major banks that are listed on the Portal. The complete list can be found at Annex 1.

### ***Philippine Money Transfer Agencies***

It is difficult to obtain a reliable listing of entities engaged in the money transfer business due to the involvement of at least five different government agencies in the registration process and the lack of inter-connectivity among them. Furthermore,

registration forms in some of the key agencies do not require applicants to specify that they are in the money transfer business. Most of the Filipino companies now engaged in money transfers started as cargo companies and quite a few still handle both cargo and remittance transactions for Filipinos overseas. In the succeeding years, Filipino companies were established to concentrate purely in remittance services. Several companies including iRemit Inc., 2GO, JRS Express and LBC Express Inc. are now considered significant players in the industry and are believed to be handling remittance volumes ranging from about \$25 million to \$500 million each per annum according to estimates of industry players. They have longer business hours than formal institutions, are nearer and more accessible to remitters and are also able to introduce banking services to remitters due to their partnerships with banks. Aside from door-to-door delivery, companies like LBC also offer ATM-linked and deposit-to-account remittance servicing (ADB, 2004; Niala, 2007).

### ***International Money Transfer Agencies***

There are also large international money transfer agencies in the Philippines. The biggest, Western Union, has a distribution system that includes five major agencies and a 6,000 strong sub-agent network including top Philippine commercial banks such as the BPI and several hundred rural banks and even pawnshops. MoneyGram, through its Philippine representative PeraGram, has a network of 2,000 agents including three commercial banks – RCBC, Equitable PCI Bank and Bank of Commerce, in addition to some 200 postal offices. Vigo, the third largest money transfer company in the world has been in the Philippines for several years and is working through New York Bay. Uniteller on the other hand has a tie-up with a thrift bank based in Metro Manila (ADB, 2004).

The main strength of international money agencies is their ability to deliver remittances faster than other transfer agencies, a large distribution network both in the US and Philippines, and competitive prices on low volume remittances (ADB, 2004).

New entrants like U.S. based Omnex Group have also started exploring the Philippine market. U.S. based Western Union maintains the most extensive network among the global money transfer agents in the country, having been present in the country for over 20 years. It presently works with six major agents - eBusiness Services, Radio Communications of the Philippines Inc. (RCPI) / USSC, PETNET, DA5 and the M. Lhuillier and JP Tambunting chain of pawnshops, plus a network of sub-agents consisting of more than 6,000 representatives. Western Union enjoys strong brand recall in the Philippines, and has an aggressive marketing and promotional strategy to further expand their client base (Niala, 2007).

### ***Host Country Banks***

There is limited participation in the Philippine remittance market by host country banks. Generally, costs are higher than those of Philippine banks and money transfer offices, unless programs are created specifically for migrant communities. Recently, the Development Bank of Singapore-PSOB (DBS-PSOB) opened its remittance service for Filipino remitters through a tie-up with the BPI. United Financial Japan (UFJ) accepts deposits from Filipino remitters in Japan through the use of ATMs for credit to MetroBank Japan's remittance account. Citibank through its Hong Kong, China branch, has made their technology and systems available to create the unique remittance product offered by Philippine National Bank and the 7-11 chain of convenience stores.

### ***Online companies (internet based remittance)***

Meanwhile, online remittance companies have also emerged to serve this growing market. Philippine companies like iRemit link up with telecommunication companies, courier service companies, banks and other private remittance service providers to facilitate transactions. Aside from iRemit, other online money transfer companies tapping the Philippine market include Remithome (which has existing partnerships with non-profit, community and an academic organization in the Philippines), San Francisco-based Xoom (which has teamed up with PayPal), and Cashpin (based out of Latin America) (Niala, 2007).

New US based remittance services, such as IKOBO and Yahoo/HSBC are expected to attract the younger generation with internet based service. IKOBO reports they are experiencing the highest growth in Philippine remittances compared to other migrant populations in the US. Vigo on the other hand is restructuring their distribution network in the Philippines to improve their share of the market. Paypal is also looking at Asia for expansion of their business. Xoom, a California based company has recently appointed Equitable PCI Bank as their distribution arm for their internet based product (ADB, 2004).

Credit card companies such as Visa are likewise active in the market, pushing for alliances with various stakeholders including banks, insurance companies, and telecommunication companies. Visa tied up with RCBC last year on an internet based product, with Philamlife (a large insurance company affiliated with AIG), for an investment/savings product for seafarers, and with BPI, PNB and Equitable PCI Bank for various card products (ADB, 2004).

### ***Telecommunications companies***

With advancements in telecommunications technology, companies such as Smart and Globe have introduced innovative approaches to sending and receiving remittances. Smart pioneered cash remittance servicing via short messaging system (SMS) through its “Smart Padala” program, wherein the remitter goes to any of the remittance partners abroad who in turns sends an SMS (text message) to transfer funds to the intended beneficiary in the Philippines. Meanwhile, Globe launched its G-Cash, an “electronic wallet” which can be used to purchase items and facilitate money transfers through text messages. Both Smart and Globe are now exploring tie-ups beyond Philippine partners, owing to the success of this new platform (Niala, 2007).

Two Filipino companies, Paysetter International and Global Mobile Enterprises (under brand name REMITXT) are expected to launch their mobile phone based remittance services this year in partnership with local banks (ADB, 2004).

### ***Computer companies***

Meanwhile, Microsoft Philippines teamed up with the Rizal Commercial Banking Corporation (RCBC) to launch “Tele-OFW One Follow Me” system, which makes use of Windows-based personal digital assistant (PDA) phones that will enable users to connect to the Microsoft Live Communication Server within a Wi-Fi area and then manage funds in a bank account (Niala, 2007).

### ***Card Products***

ATM/debit card usage for remittances will continue to increase and it is expected that ATM cardholders will venture into using their cards for purposes other than withdrawing money from a bank ATM. Card-based products, especially store value and/or prepaid cards is expected to be popular with Filipino remitters and their

beneficiaries, particularly those who do not have access to bank accounts. With the expected interconnectivity of the three ATM networks in the industry, users will experience more convenience in transacting through ATMs (ADB, 2004).

In the last five years, credit card companies have aggressively marketed credit cards to individuals with personal incomes as low as P15,000.00 (equivalent to \$270) per month. Though the industry is at a consolidation stage, credit card payments for remittance transactions will continue to grow as overseas workers and their beneficiaries are made part of the banks' target market for various loan and credit products (ADB, 2004).

### ***Postal Office***

The Philippine Postal Corporation (PPC) embarked on a five year Modernization Program (2002-2006) that will involve introduction of information technology, computerization and mechanization of its business operations. Aside from its regular delivery post offices numbering 1,505, it has 1,080 additional offices consisting of 141 non-delivery post offices, 255 extension post offices, 187 barangay post offices, 61 postal stations, 368 private mailing centers, and 68 satellite post offices. With the appropriate funding, the PPC can contribute greatly in improving the last mile infrastructure to benefit remitter's beneficiaries. Their Electronic Postal Money Order (ePMO) project bears watching, although currently beset by funding problems (ADB, 2004).

### ***Entry of Non Traditional Players***

The World Council of Credit Unions (WOCCU) is entering the Philippine remittance market with a forthcoming remittance product called IrNet, which promises low remittance costs for transfers made from US credit unions to those in the Philippines.

Cooperatives are also foraying into remittances. The National Confederation of Cooperatives (NATCCO), a large network of cooperatives in the Philippines, is in the process of forging a partnership with NTUC Income Insurance in Singapore, for the use of NTUC software in servicing remittance requirements of OFWs in Singapore. The system will feature cooperative to-cooperative, multi-currency transfers at low cost, and is now being piloted in five Philippine cooperatives. Aside from its low cost, the system is also seen to contribute to the sustainability of cooperatives as a result of the fee sharing, and encourage more cooperatives to join the confederation, as well as migrant families to affiliate with cooperatives (ADB, 2004).

## **III.3.2 Financial Literacy**

In 2004, the BSP has embarked on a consumer education program that aims to improve the financial literacy of the public. Among its target groups are the overseas Filipinos and their beneficiaries. The BSP continues to undertake its advocacy through financial learning campaigns (or FLCs) that aim to promote a culture of savings among overseas Filipinos and their families and encourage the channeling of these savings into productive investments in financial instruments and business ventures. The FLCs are conducted using lectures and multimedia presentations focusing on topics such as the importance of remittances, financial planning, rewards and risks associated with various financial instruments, and ways to protect remittances and savings. Through the FLC, the BSP aims to encourage the productive uses of remittances, not only for consumption or spending for the basic needs, but also for savings in different forms of financial

instruments and/or investments such as in small- and medium-sized enterprises or microfinance (BSP, 2009).

***Other BSP initiatives***

Other BSP initiatives to improve the Overseas Filipinos' remittance environment are geared towards the following:

1. Enhancing transparency and promoting competition in the remittance market. Studies on remittances underscore the importance of healthy competition among the remittance players to bring down transaction costs. To drive down remittance charges, remitters and beneficiaries should be fully aware of the costs and benefits of the different products and services available in the market. The BSP issued Circular No. 534 dated 26 June 2006, requiring banks and non-bank financial institutions to post remittance charges, classification of costs, and other relevant information for the benefit of remitters and beneficiaries. To facilitate access to bank websites, the BSP will serve as a portal to all relevant pages of the banks on remittance services and products, locations of branches/centers as well as their corresponding service fees.
2. Improving access to financial services. Toward promoting efficient and speedy transfer of funds to beneficiaries in remote areas of the country, the BSP has:
  - a) granted foreign currency deposit unit (FCDU) license to rural banks/cooperative banks to encourage the flow of foreign exchange into the banking system and provide OFs with an option to maintain foreign currency deposits (FCD) instead of immediately exchanging their remittance proceeds into pesos;
  - b) facilitated interconnection of major ATM networks to provide safer and convenient banking and also reduce transaction cost or lower service fees for all ATM-related transactions of over 10 million ATM cardholders, including OFWs and their beneficiaries;
  - c) approved alternative modes of remittances, e.g., Smart Padala, G-Cash and stored value cards to achieve lower transaction cost and faster delivery time for the remitters and the beneficiaries; and
  - d) issued Circular No. 564 on 11 April 2007 to standardize identification requirements of banks to customers while ensuring compliance with the Anti-Money Laundering Act.
3. Encouraging OFs and their families to increase savings and investment. The National Government (NG) and the BSP have agreed in principle to offer retail treasury bonds as an alternative investment instrument to overseas Filipinos (OFs). In undertaking this proposal, the NG would promote the culture of saving among OFs, prepare them for future reintegration into the Philippine economy, and raise additional funding for government requirements, including infrastructure development. The BSP has encouraged commercial banks to offer OFWs specialized investment products and services, e.g., insurance, pension and real estate, with direct payment schemes to ensure the security and added convenience of beneficiaries. The BSP has also approved the proposals of DBP

and LBP to launch their hedging program and Long-Term Negotiable Certificates of Deposit for OFWs, respectively.

### **III.3.3 Investments**

The BSP has identified four forms of investments wherein remittances can be invested. These are:

- 1. Human resources capital investments** – through education and health care for beneficiaries.
- 2. Physical capital investments** through acquisition of real properties, including land purchases and home construction.
- 3. Financial capital investments** through savings in bonds and other financial instruments; and
- 4. Investments in business ventures** such as in small and micro-enterprises (SMEs).

These will be discussed with examples in the succeeding sections.

### **III.3.4 Human Resources Capital Investment<sup>1</sup>**

Contractual savings institutions insure against a future event by taking in premiums or payments today in exchange for payment upon the happening of an event. Their products may come in the form of education plans, insurance plans, or pension plans.

#### **A. Insurance**

On the whole, the Philippine market has two types of insurance companies: life insurers and general (non-life) insurers. Life insurance companies cover people against financial hazards following death and sell annuities (annual income payments upon retirement). The other type of insurance covers fire, casualty, and accidents. Like other contractual savings institutions, insurance companies acquire funds at periodic intervals (“premiums”) on a contractual basis to keep their policies in force and to use them to purchase investments.

The Insurance Commission, currently under the Department of Finance (DOF), regulates insurance companies in the Philippines. Some commercial banks with universal licenses also offer insurance products. The complete list of licensed and best performing insurance companies is indicated in the Philippine Insurance Commission’s website at [www.insurance.gov.ph](http://www.insurance.gov.ph).

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<sup>1</sup> Unless otherwise indicated, this section relied primarily on the Primer on Savings and Investment in the Philippines by the Research Advocacy and Advisory Group of the Economic Policy Reform and Advocacy of the Ateneo de Manila University, which was funded by the US Agency for International Development in 2006.

Listed in Annex 2 are the top ten insurance companies in the country based on certain indicators such as assets and net income, denominated in either or both peso and dollar accounts, as certified by the Insurance Commission.

### **B. Pension Plans**

Pension funds provide retirement income through annuities to employees covered by a pension plan. Funds are obtained through contributions from employees or employers. Pension funds differ in method of payment although the purpose remains the same. The first method of payment— known as defined benefit plan— guarantees payments of benefits that are not tied to contributions but based on a prescribed formula. Under this type of plan, the sponsor shoulders risk of shortfall in investment returns. The other type of plan—defined contribution plan—both the employee and the employer contribute specific amounts to the plan periodically. Under the defined contribution plan, the employee bears the risk of accumulated funds not meeting replacement income goal.

The Government Service Insurance System (GSIS) and the Social Security System (SSS) serve as the largest pension funds in the Philippines. These two government administered funds invest in government securities, the stock market, commercial paper, and property development. Their income usually comes from salary and housing loans, interest income in investments, dividends, and foreign exchange gains. Apart from GSIS and SSS, there is another smaller government administered fund: the Armed Forces of the Philippines Retirement Separation and Benefits System (AFP-RSBS). These three public pension funds all fall under, mandatory defined benefit plan. At present, GSIS and SSS experience difficulty in meeting their redistribution goal. Specifically, benefits paid to member have outpaced the amount of contributions of members. Meager returns on investments, poor compliance and enforcement in payment of premiums, low collection rate on loans, huge losses from housing programs, and the lack of regulatory institution threaten the viability of the two government administered pension funds. Nonetheless, there have been initiatives to reform the country's pension system and enhance its role in capital market development.

All in all, insurance and pension plans offer alternative source of finances for overseas Filipinos particularly upon reaching retirement age. Investment in insurance and pension plans assure them and their families of readily available finances in cases of death, health problems and emergency. Companies offering insurance and pension plans offer a variety of benefits accompanying the plan, such as transferability of benefits to heirs, minimum amount for premiums, and assured continuity of benefits and guaranteed full payment even in cases of untimely death or disability during the paying period.

### **C. Pre-need plans**

Pre-need companies offer education, pension, and memorial plans. Based on the Rules on Pre-Need of the Securities and Exchange Commission (SEC), “pre-need plans are contracts that provide for the performance of the future service(s) or payment of future monetary consideration at the time of actual need, payable either in cash or installment by the plan holders at prices stated in the contract with or without interest or insurance coverage and includes life, pension, education, internment and other plans which the commission from time to time approve.”

Pre-need plans come in two forms: open-ended and fixed value plans. Open-ended, actual cost, or traditional plans are acquired through fixed costs and delivered to the beneficiary based on actual costs upon the period of availment. They, however, expose pre-need firms to risks of not being able to service maturing obligations. Fixed-value

plans are plans in which the amount of the benefit fixed at the time of purchase. These plans may yield returns below inflation rates but have features to compensate for it.

In the Philippines, pre-need pension plans usually have the following features:

- a.) Payment of contract price averages five years, which can be made in monthly, quarterly or yearly installments.
- b.) Maturities of pre-need pension plans are either upon reaching a certain age of the planholder or over a period of years after full payment.
- c.) Pension benefits may be paid out in lump sum or installments or both at the option of the planholder.
- d.) In case of death of the plan-holder before the maturity date, pay-out will still be at maturity date.
- e.) To ensure payment of benefits, pre-need companies are required to contribute to a Trust Fund which are funded from their collection

A number of pre-need companies are subsidiaries of banks or insurance companies. Pre-need firms are regulated by the SEC and not subject to liquidity requirements imposed by the central bank.

Recently, however, a few of the big pre-need companies have experienced financial difficulties and failed in fulfilling their contractual obligations to their clients.

The following companies have been given licenses to sell plans for 2009 by the Securities and Exchange Commission upon satisfactorily passing the SEC requirements:

**2009 Pre-need plans licensed by the SEC**

1. AMA Plans, Inc.
2. Ayala Plans, Inc.
3. Caritas Financial Plans, Inc.
4. Cityplans, Inc.
5. Cocoplans Inc.
6. Danvil Plans, Inc.
7. Destiny Financial Plans, Inc.
8. Eternal Plans, Inc.
9. First Country Plans, Inc.
10. First Union Plans, Inc.
11. Grayline Plans, Inc.
12. Himlayang Pilipino Plans, Inc.
13. Loyola Plans Consolidated, Inc.
14. Manulife Financial Plans, Inc.
15. Mercantile Careplans, Inc.
16. Paz Memorial Services, Inc.
17. Permanent Plans, Inc.
18. Philam Plans, Inc.
19. Provident International Plans, Inc.
20. Prudentialife Plans Inc.
21. St. Peter Life Plan, Inc.
22. Sun Life Financial Plans, Inc.
23. Transnational Plans, Inc.
24. Trusteeship Plans, Inc.

(from <http://blogs.inquirer.net/moneysmarts/2009/02/12/pre-need-companies-with-seal-of-good-housekeeping-from-sec/>)

### III.3.5 Physical Capital Investments

The growing population in urban and suburban areas in the Philippines has increased demand for housing, as well as pushed up the long term prices of single unit and condominium residential facilities. Increase in property values as a result of demand offers excellent possibilities for secure investment in residential subdivisions and condominium units, depending on area preferences. While the development of single unit residential subdivision tends to move away from urban centers, condominium units are usually built closer to commercial areas and place of work (Invest in the Philippines CD, 2006).

The purchase of real property in the Philippines by overseas Filipinos may, in addition to the usual in-house financing, be made possible through the Philippine Home Loan Program of the Philippine National Bank and the PAG-IBIG Overseas Housing Program. The program also finances construction of a residential home or property owned by the borrower, improvement of an existing house, or refinancing of a home mortgage loan (Invest in the Philippines CD, 2006).

There are several Philippine real estate websites which consolidates all existing properties for sale and has links for all the developers. Most of these sites have fully searchable property finder where one can find properties based on a given budget. Some of these sites are:

1. <http://bahay.ph>

Bahay.ph is the first world-class free on-line Philippine housing & real property super trade show. The site has a comprehensive listing of various types houses, condos, apartments, housing programs for sale by property developers around the country. This can be accessed through its fully searchable online database.

2. <http://www.investph.com/>

The site has one of the most detailed online real estate brokerage site in the country. It has over 15,000 property choices with the help of its 1,700 affiliates located all over the Philippines.

3. <http://www.philippinerealestateportal.com/>

The site has links for agents that assist prospective buyers in looking for their dream houses. It also has a fully searchable database where one can specify the type of property one is looking for, in what place or location (province/city) and price range.

One may also access the PAG-IBIG website which has a fully searchable database of acquired assets and properties that are for sale. One can specify the area or location and the type of property one is looking for. The search result will generate specifics of the property for sale such as lot number, lot area, floor area, price, property type and status, among others. It can be accessed at:

[http://www.pagibigfund.gov.ph/housing\\_fair/default.asp](http://www.pagibigfund.gov.ph/housing_fair/default.asp)

Also, there are a number of land and property developers in the country. Examples of these developers are:

- Ayala Land, <http://www.atayala.com/>

The site has a user friendly property finder where one can choose what property type to look for (lot, condominium, house and lot, townhome), the price range and the location. Prices start from half a million pesos to as high as 30 million pesos.

- Burgundy Realty Corp. <http://burgundygroup.net/>  
The company started in 1987 under the name Sphere Holdings Corporation, which specialized in the development of single detached houses in prestigious Makati Villages such as Dasmariñas, Urdaneta, Bel Air and Magallanes.
- Cityland Development Corp. <http://www.citylandcondo.com/>  
It was judged as the 2007 leading developer for condominium projects (national level). To date, Cityland has built and completed more than 25 buildings and more than 10 subdivisions.  
Cityland has been the recipient of many awards. A few of the most notable ones being: The CNBC Business Leaders Award presented in Kuala Lumpur, Malaysia, and the National Award as the Leading Condominium Developer for 2003 to 2007 presented by the Office of the President.
- Crown Asia Properties, Inc. <http://www.crownasia.com.ph/>  
Crown Asia is a subsidiary of Vista Land and Lifescapes, the country's largest home builder of quality homes and condominiums. For more than 10 years, Crown Asia has led the way in creating a higher standard of living for the Filipino family with masterplanned communities that are reshaping the local landscape.
- Filinvest Land, Inc. <http://www.filinvestland.com/>  
The site has property search for homes, condos, condotels and townhouses. Filinvest Land, Inc. (FLI) is one of the leading real estate developers in the Philippines. The company spun off from Filinvest Development Corporation (FDC), which has more than 40 years of experience in real estate development.  
Its projects are primarily located in Luzon particularly the National Capital Region (Alabang, Caloocan, Las Pinas, Makati, Pasig, Quezon City) as well as in Bulacan, Cavite, Laguna, Palawan, Pampanga, Rizal and Tarlac. Some are also located in the Visayas-Mindanao region, specifically Butuan, Cebu, Davao and Zamboanga.
- Phinma Properties <http://www.phinmaproperties.com>  
Phinma Properties is a pioneer in the development of affordable medium and high rise housing projects in the country. It provides master-planned affordable housing within major urban areas, especially Metro Manila.

### III.3.6 Financial Capital Investments<sup>2</sup>

#### 1. Banks

##### A. Savings

The most basic of savings instruments housed in banks is the savings account. However, interest rate is almost nil; hence, the only use of savings account to many is for safekeeping purposes. In addition to safekeeping, some people find keeping money in a

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<sup>2</sup> Unless otherwise indicated, this section relied primarily on the Primer on Savings and Investment in the Philippines by the Research Advocacy and Advisory Group of the Economic Policy Reform and Advocacy of the Ateneo de Manila University, which was funded by the US Agency for International Development in 2006.

savings account a good way to prevent mindless spending or an effective tool to prudent savings.

### ***B. Current/checking accounts***

Another simple deposit instrument offered by banks is the checking account. The best way to settle payments/obligations is by way of issuing checks because one is able to issue large sums of money safely without risk of theft. However, checking accounts do not earn interest. Hence it is advisable not to keep a large maintaining balance in your current account. Some banks have packaged a two-in-one savings and checking account to facilitate easy transfer from checking account to savings and allow the depositor to still enjoy the interest that regular savings accounts offer while maintaining a checkbook.

A person who holds a checking account should always ensure that there are sufficient funds to back up any check that he issues. A check that is drawn against insufficient funds (DAIF) or drawn against an uncleared deposit (DAUD) will be charged by the bank at least P2,200. If an account holder issues bouncing check for more than three times, his or her name is reported to the Bangko Sentral ng Pilipinas (BSP). The name becomes part of a list that banks usually refer to before granting loans and credit cards and is a negative point to one's "credit-worthiness".

### ***C. Time Deposits***

If one wants to keep excess funds (defined as that over and above your daily requirements), time deposits can offer a depositor slightly higher interest than savings accounts. Moreover, the bank assures the depositor of a fixed rate, often based on the 30-day, 90-day or 180-day Treasury Bill rates, but sets a fixed duration where no withdrawals should be made. Hence, the depositor is advised to ensure that the amount placed in the time deposits will not be used during the placement period or else pay penalties.

### ***D. Dollar Savings Account***

Dollar Savings accounts allow a depositor to keep his dollars in a savings account and earn an interest rate of 0.5% to 0.75 %. Attached to this is the bank service that allows remittances from relatives abroad via telegraphic transfers. It can come with an international ATM for easier access when out of the country.

### ***E. Dollar Checking Account***

Similar to the peso checking account, the dollar checking account earns no interest. When packaged as a checking cum savings account, it is able to earn minimal interest (0.5%) as a regular dollar savings account. The real selling point is the ease it offers when one needs to settle major obligations abroad such as paying tuition fees or purchasing real estate overseas. For businessmen, import transactions can also be facilitated.

### ***F. Government Securities***

On many occasions, the Philippine National Government or its agencies issue debt securities to finance deficits and development projects. These debt securities, commonly referred to as GS, can be alternative forms of investments. Further, they are either directly or indirectly backed by the full faith of the Philippine Government. Hence, they carry lower interest rates than those issued by the corporate sector. In addition, GS may

be used to track market interest rate movements and as benchmarks in setting the return rates of corporate issues.

**a. Treasury Bills**

Treasury Bills (T-bills) are direct and unconditional obligations of the national government. They are issued by the Bureau of Treasury (BTr). They carry maturity of one year or less and can be traded in the secondary market before maturity. Various tenors of T-bills exist: 91, 182 or 364 days. Banks that comprise majority of the Government Security Eligible Dealers (GSED) bid for T-bills in the weekly auctions held by the Bureau of Treasury. Then, the banks resell the T-bills to investors.

Treasury Bills do not bear interest. They are issued and sold at a discount from face value and are redeemed at maturity for the full face value of the instrument.

**b. Treasury Notes**

Fixed Rate Treasury Notes (FXTNs) are direct and unconditional obligations of the national government. They are issued by the Bureau of Treasury (BTr). They are interest bearing and carry a term of more than one year and can be traded in the secondary market before maturity. The tenors for these debt instruments can vary.

**c. Retail Treasury Bonds**

Retail Treasury Bonds (RTBs) are like treasury notes but are usually longer in maturity (10 years and above). They are direct and unconditional obligations of the national government that primarily caters to the retail market or the end-users. They are issued by the Bureau of Treasury (BTr). They are interest bearing and carry a term of more than one year and can be traded in the secondary market before maturity. Retail Treasury Bonds (RTBs) are safe, liquid and offer attractive returns to investors.

The interest coupons of treasury bonds are paid to the investor quarterly. Further, Retail Treasury Bonds (RTBs) serve as a critical part of the government's program to make government securities available to small investors. They are issued to mobilize savings and encourage retail investors to purchase long-term papers. In contrast to PhP 500,000 in the wholesale market, the minimum placement of RTBs is PhP 5,000.

**d. Dollar Linked Peso Notes (DLPN)**

Dollar Linked Peso Notes (DLPNs) are direct and unconditional obligations of the national government and are issued by the Bureau of Treasury (BTr). They are interest bearing and carry a term of more two (2) and three (3) years and can be traded in the secondary market before maturity. The notes track the movement of the Philippine Peso and US Dollar exchange rate. Payments of interest and principal are linked to the movement of the exchange rate and computed based on the foreign exchange factor.

**Purchasing GS**

Institutions that buy these government securities include mutual funds, pension funds, insurance companies, commercial banks, corporations, state and local governments, central bank, and international investors. Individual clients buy or hold government bonds through common trust funds/unit investment trust funds, mutual funds, or pension

plans. Those who opt to purchase government securities through these channels tend to look for dependable income, relative safety, and diversification (BusinessWorld, 2005). Retail investors may also purchase government securities (GS) through eligible/qualified dealers or commercial banks.

Although government bonds are the safest and are relatively “risk-free”, it does not mean they are immune from credit/default risk, credit spread risk, or downgrade risk. Credit or default risk is the possibility that the issuer will fail to meet the terms of the obligations with respect to the timely payment of interest and principal. Credit spread risks refer to the probability of an increase in the spread of the bond over a default-free security (i.e., US Treasury security) and a decline in the price of that bond. Downgrade risks pertain to the chance a credit rating firm (e.g., Fitchratings, Moody’s, or Standard and Poor’s) will lower the rating of a bond. In this regard, downgrade risks are closely associated with credit spreads risks.

### ***G. Long Term Negotiable Certificate of Deposits (NCDs)***

Negotiable certificates of deposit refer to a debt instrument sold by a bank to the public that pays annual interest and gives back the original purchase price at maturity. They can be liquidated anytime at the current market price, but the investor has to pay withholding taxes if held less for less than five years. Investments in NCDs are not subject to withholding tax if held for more than five (5) years.

Long-term NCDs are competitively priced and usually carry a premium over the 3-month Treasury bill benchmark. In the Philippines, only a few banks issue and sell negotiable certificates of deposits. For 2009, only Citibank and Banco de Oro have issued LTNCDs.

## **2. Non-Bank Financial Institutions**

Non-bank financial institutions (NBFIs) refer to non-monetary institutions outside the traditional banking sector which are primarily engaged in long-term financing of productive ventures. Moreover, NBFIs provide alternative avenues to savings but typically do not take deposits. They consist of mutual funds (or investment companies), investment houses, finance companies, securities dealers/brokers, pension funds, and insurance companies.

### ***A. Mutual Funds (Investment Companies)***

Mutual funds (or investment companies) pool money from individual investors with small capital to purchase bonds and stocks, and create a diversified portfolio. The funds are then run separately by professional managers. Like any other companies, mutual funds issue shares of stock and sell these shares to public investors in exchange for cash. Mutual funds (or investment companies) allow savers to become long-term investors and make it possible to open the public to the securities markets.

#### Kinds of mutual funds:

Depending on the investment objectives, professional managers buy, hold and sell assets in equities, fixed interest instruments like bonds, and money-market deposits. In the Philippines, mutual funds fall under the following:

**1) Equity fund.** This fund is largely placed in stock market and has wide fluctuations. Nonetheless, in the long run, equity funds tend to perform better than fixed income funds.

**2) Index fund.** This fund consists of several stocks in the same proportion as that of the index the fund tracks (e.g., PSE Composite index), and has less risk than the equity fund.

**3) Balanced fund.** This makes investment in a balanced portfolio of stocks and fixed income securities. It both has the earning power of stocks and the stability and income of bonds.

**4) Bond fund.** This describes a type of investment company that primarily invests in long-term bonds and other types of debt securities. Earnings do not fluctuate as much as the other types of funds.

**5) Money market fund.** This refers to fund that makes investment in short-term fixed income instruments (i.e., those securities with less than one year of maturity). This portfolio has the lowest risk. In the Philippines, banks are not allowed to sell mutual funds for the announced reason that it gives “impression that the investor is dealing with the parent bank” (USAID-AGILE, 1999). Unlike CTFs or UITFs, mutual funds are distributed and sold by insurance companies and asset management companies and regulated by the Securities and Exchange Commission (SEC) under the Investment Company Act. In February 2001, the SEC allowed Philippine registered mutual funds to invest 20% of their portfolio in foreign funds or securities in response to weakness in the local equities market.

Since mutual funds are professionally managed, investors need to pay specific fees called sales fee/ load. Like CTFs/UITFs, the actual price of each share is calculated defined by what is called net asset value per (NAVPS), which is the value of all assets held by the fund (less any liabilities) divided by the number of shares sold. To realize earnings on a mutual fund, an investor should compare the current NAVPS of the fund with its NAVPS at the time he/she bought it, and also take account of cost of sales and redemption fees. The NAVPS of mutual funds is regularly published in *BusinessWorld*, *Philippine Daily Inquirer*, and *Philippine Star*.

### ***B. Corporate Bonds***

A company with strong credit rating may issue bonds to fund working capital or expansion requirements. Most corporate bonds are fixed-rate bonds such that the interest rate the company pays (coupon payment) remains constant until maturity.

Corporate bonds may either take the form of debentures, asset-backed bonds, or convertibles. Debentures have no collateral and are simply backed by the company’s credit standing and its capacity to repay interest and principal. Asset backed bonds come with specific assets that serve as collateral in case of default by the issuer (i.e., company), while convertibles have the additional feature of allowing the holder to convert them into shares of stock under certain provisions.

Investors who want to purchase corporate bonds must contact the lead manager/underwriter of the issuer and submit an application and other documents for purchase and verification. The lead underwriter guarantees the sale/distribution the bond issued by the company, negotiates the pricing with the issuer, secures rating from credit rating agencies, and handles registration requirements from the SEC. Alternatively, investors may contact a bank or broker who participated in the sale of the corporate bond, or simply participate in a bond fund. Corporate bonds involve higher risks than government bonds, but higher risks may also mean better returns.

They involve more risk because companies are vulnerable to economic shocks, mismanagement, and competition (BusinessWorld, 2005). Returns on corporate bonds hinge on the issuing company's performance and outlook.

### ***C. Stock***

Stocks represent ownership of a company as well as claims on the net income and assets of a corporation. Stocks are either common (voting) or preferred shares. Prices of stocks are determined by market valuation based on the performance of the company or market perception, and fluctuate daily. The prices of most stocks are listed in major newspapers.

Individuals, pension funds, mutual funds, banks, and insurance companies may hold stocks. A person or an institution makes money on the stock market either through the dividends declared by the listed company or when the stock is sold at a higher price than the purchase price. Investors may purchase stocks from investment/brokerage houses, banks, or investment companies (mutual funds). Stocks are usually considered long-term investments. Most stockbrokerage firms are located in the buildings of the Philippine Stock Exchange in Ortigas and Makati.

### ***D. Savings in Cooperatives***

A cooperative is a duly registered association of persons who want to achieve a common lawful social or economic end. Members of the cooperative pool their money, resources and talent to build capital, produce goods and raise their income. Cooperatives serve as a mechanism for marketing the members' produce and for availing of loans at low interest rates. ([www.cda.gov.ph](http://www.cda.gov.ph)) With the cooperative, members are able to save and have access to credit at a low interest. There are quite a number of Philippine cooperatives although some of them are no longer viable. For additional information regarding cooperatives, see the websites of CDA at [www.cda.gov.ph](http://www.cda.gov.ph), the Federation of Philippine credit cooperative at <http://www.natcco.coop/> and the Land Bank of the Philippines site at [www.landbank.com.ph](http://www.landbank.com.ph) which actively partners with cooperatives.

### ***E. Microfinance institutions (MFIs)***

Microfinance is defined as the provision of a broad range of financial services including loans, savings, insurance, remittances and transfers to low-income households and their micro enterprises (Roman, 2004). Majority of these MFIs accept savings and deposits. For a list of MFIs nationwide, check on the following website:

<http://www.mixph.com/2007/10/list-of-micro-finance-institutions-nationwide.html>.

### ***F. Social Security System (SSS) Flexi Funds***

The SSS Flexi-fund is a voluntary, provident fund for overseas Filipino workers (OFWs). It is an additional service provided by the SSS on top of the regular OFW membership. The SSS, through the Flexi-fund Program, provides OFWs the opportunity to set aside a part of their earnings abroad and maximize the returns on their Flexi-fund contributions. The accumulated funds are investments for the future. It is offered as a supplement to SSS benefits of a regular OFW member, by promoting savings generation, thus serving as an additional layer of social security protection.

The Flexi-fund is open to all OFWs who are:

- recruited in the Philippines by foreign-based employers for work abroad;
- having a source of income in a foreign country; or
- residing permanently in a foreign country.

A Flexi-fund member receives additional income from the savings in his/her Flexi-fund account, on top of the benefits under the regular SSS coverage. Members who reach the retirement age of 60, or become disabled or get injured at work, are entitled to Flexi-fund benefits, either in the form of a monthly pension, lump-sum payment, or combination of both. Beneficiaries of a pensioner who has passed away shall be given a lump sum amount equivalent to the cash value of the remaining pension. Contributions to the SSS Flexi-fund are invested in government securities. The interest earned is based on the average 91-day Treasury bill rate, thus ensuring a transparent, high-yielding and risk-free investment.

The SSS Flexi-fund provides good security for the future. Primarily, the program aims to supplement pension benefits. Aside from this, one may apply for early withdrawal of Flexi-fund savings to support urgent financial needs when one's overseas employment contract ends. It can also be used to finance schooling, construction of a house or a small business.

An OFW member may withdraw his Flexi-fund contributions with interest, either in full or partial lump sum, anytime, especially in times of need.

Pre-termination fees shall be imposed, however, on withdrawal of accumulated contributions that have stayed in the Fund for less than a year. Computation of pre-termination fees shall be based on net earnings (interest earnings less operating expenses) at the time of filing of claim. Charges shall be in accordance with the following schedule:

<i>Retention/Holding period At time of early withdrawal</i>	<i>Pre-termination fees</i>
6 months and below	20% of net earnings
Within 6-12 months	10% of net earnings
12 months and above	None

The Flexi-fund is a voluntary provident fund scheme, designed exclusively for OFW members of the SSS. It is a pension plan and savings account rolled into one that enables one's money to earn interest. The program provides for very flexible modes of paying the contributions, and allows for varying the amount that one has to pay.

***Interest under the SSS Flexi-fund is:***

- Tax-free
- Based on prevailing 91-day Treasury bill rates, quoted on a per annum basis
- Subject to quarterly re-pricing, to make it more reflective of current market conditions
- Computed at actual date of payment of Flexi-fund contributions, and posted to individual accounts at the end of the month
- Compounded monthly, such that earnings at the end of each month are taken into account in the computation and application of earnings in the succeeding months.

**SAMPLE ILLUSTRATION OF LUMP SUM BENEFITS  
UNDER THE SSS FLEXI-FUND PROGRAM FOR OFWS**

<b>CASE 1: MONTHLY CONTRIBUTION PAYMENT OF P2,000</b>		
<b>Contribution Period (in years)</b>	<b>Total Contributions Paid</b>	<b>Lump-sum Benefit Amount*</b>
3	72,000	78,994
5	120,000	139,876
10	240,000	327,091
15	360,000	577,665
20	480,000	913,042
25	600,000	1,361,920
30	720,000	1,962,714

<b>CASE 2: ONE-TIME CONTRIBUTION PAYMENT OF P100,000</b>		
<b>Contribution Period (in years)</b>	<b>Total Contributions Paid</b>	<b>Lump-sum Benefit Amount*</b>
3	100,000	119,113
5	100,000	133,843
10	100,000	179,140
15	100,000	239,767
20	100,000	320,911
25	100,000	429,518
30	100,000	574,880

- *Actual amount of lump-sum benefits depends on actual interest rate re-pricing*

### III.3.7 Investments in Business Ventures

#### **A. Franchising**

Franchising is a business method whereby a franchisor (business owner or manager) allows a franchisee (person or entity) to market products or services under its name and trademark, and in strict adherence to a system he prescribes. Among the benefits are:

- Minimized risk of business failure and higher chance of success;
- Savings on advertising costs with the use of a recognized trademark and, pooling of resources with other franchisees; and
- Provision of detailed training and help by the franchisor to the franchisee and staff.

Investment is dependent on the nature of the chosen franchise business. This includes construction of the store, kitchen equipment and facilities, furniture and fixtures, air-con system, signage and pre-operating expenses. Return of investment is usually between three and five years (Invest in the Philippines CD, 2006).

The franchisor or the Mother Company will provide continuing support to its franchises including the initial training program. Before the franchisee gets started with his business, he will undergo a Basic Operations Training Program (BOTP). This, along with other programs, will enrich the franchisee's management and analytical skills needed in the operation of the business.

Other forms of assistance include:

- Store layout and design, equipment specifications, furniture and fixtures construction management
- Creative advertising and marketing programs
- Product development
- Manufacturing and logistics facilities
- Consultative services for operations
- Manpower and personnel
- Recruitment and training of management team

Income from the business is dependent on a number of factors such as: location, market condition and type of supervision, advertising and marketing. Depending on the franchise business, recovery period can be anywhere from 6 months to 36 months.

An excellent source of information on Philippine franchising, including updated listing of franchisees available can be accessed at [www.franphil.com](http://www.franphil.com). See Annex 3 for a sample listing of these available franchises.

#### **B. Agribusiness**

The expansion of agribusiness enterprises is a profitable opportunity in the Philippines considering the vast natural resources that the country offers. The production of a wide array of agricultural land products and the millions of hectares of fishing grounds that are filled with marine life provide for various potentials, which can be taken advantage of, such as crop production, livestock production, meat processing, food processing and packing, etc. Investors can put capital in all stages of an agribusiness venture, including purchase of raw supplies, provision of up-to-date machinery, construction of related facilities, financing and management of actual processing operations, training, transport of finished products, marketing and the like. (Invest in the Philippines CD, 2006).

A comprehensive listing of agribusiness prospects that overseas Filipinos might want to venture into is listed in Annex 4.

These business prospects are classified into three broad categories: **agri-aqua** which covers agriculture, livestock, crops and fisheries; **food** which covers various possible food business including processing and business tips; and **small-medium enterprise (SME)** which contains a comprehensive list of possible SME ventures, including their differences, how to's and tips. All the listed possible business ventures in all of the categories contain a very detailed description and discussion of the subject matter. It also lists contact information of which government agency or private entity involved as well as links to seminars and related articles on the subject.

### ***C. Retail of Oil products***

The Philippines is a major consumer, although minor producer, of gasoline and oil products. Its growing population and increasing number of industries demand a large bulk of these products to be able to continue and sustain its activities. In the past years, the Philippine's downstream oil industry has been dominated by the three biggest oil players, Petron, Shell and Caltex. Since the Oil Deregulation Law was implemented in 1998, however, small industry players like Seoil, Flying V, and Unioil were able to enter the industry. Their entry has paved the way for competition and provided more opportunities for small businesses.

Other than gasoline and oil production, the companies ventured into other business activities such as franchising and operation convenience centers. For example, Petron has "Treats" and Caltex has "StarMart". An individual who wants to invest in the gasoline station business now also has an opportunity to engage in complementary businesses (Invest in the Philippines CD, 2006).

Listed in Annex 5 are the major industry players who are retailing their petroleum products.

## **III.3.8 Retirement Programs<sup>3</sup>**

The country's retirement program is managed by the state-owned Philippine Retirement Authority (PRA). Its primary role is to promote and grant the Special Resident Retiree Visa (SRRV) to would-be retirees, and to offer a range of services, benefits, and comfort.

### ***Benefits***

Among the benefits of an SRRV Visa holder are the following:

1. Option to Retire Permanently
  - The privilege to live, work and study in the Philippines
2. Multiple Entry Privileges
  - You may travel outside the Philippines and re-enter anytime
3. Exemptions from:

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<sup>3</sup> The information contained in this section was taken from the Philippine Retirement Authority.

- Income tax from pension and annuities;
- Exit and re-entry permits of the Bureau of Immigration;
- Annual registration requirement of the Bureau of Immigration;
- Customs Duties and Taxes with regard to the importation of household goods and personal effects up to US\$7,000.00;
- Travel tax, if the stay in the country is less than one year from the last entry date; and
- I-Card

As an SRR Visa holder, the PRA assists in obtaining basic documents from other government agencies. These include, but are not limited to:

- Alien Employment Permit
- Driver's License
- Tax Exemption/Extension Certificate
- Tax Identification Number
- National Bureau of Investigation (NBI) Clearance

### ***Retiree Services and Assistance***

The PRA provides a range of services to help the retiree settle comfortably in the country. Some of these are the following services:

#### **1. Greet and Assist**

The PRA extends airport courtesy from arriving retirees and provides airport shuttles on a first-come, first-serve basis.

#### **2. 24/7 Hotline**

The PRA operates a hotline (+63.2.848.1412) which is accessible anytime of the day, seven days a week for all inquiries or assistance. It also maintains a web based support desk which can be accessed at <http://www.pra.gov.ph/main/complaint?page=1>.

#### **3. Assistance in Obtaining Basic Government Documents/Requirements**

The PRA assists in obtaining or securing basic government documents which include, but not limited to the following:

- a. National Bureau of Investigation (NBI) Clearance
- b. Driver's License and Motor Vehicle Registration
- c. Philippine Tax Exemption
- d. Medical Clearance
- e. Alien Employment Permit (AEP)

#### **4. Assistance with Banking Matters**

#### **5. Merchant Discounts**

As a retiree, several discounts from PRA-merchant partners are available.

#### **6. List of Hospitals and Doctors**

As retiree-members of the program, having a guide or list of hospitals and doctors may be of help in the future or in case of emergency. The U.S. Embassy in Manila for

example, recommends a list of hospitals and medical institutions, including the name of the doctors, their specialization and their clinic hours, for patronage.

### **Active Living Facilities**

As part of the PRA retirement system, the accredited retirement facilities reflect the underlying philosophy of a holistic approach to retirement. This is the only retirement program in the world that have nine components integrating housing, healthcare, insurance, lifestyle services, transportation, safety and security, finance, human resources and management. International standards were given ample consideration in the accreditation process.

Listed in Annex 5 are the major industry players who are retailing their petroleum products.

### **Retiree Investment Incentives**

Retirees who qualified to join the PRA Retirement Program has the option to convert their time deposit into active investments after a holding period of thirty (30) days from the date of SRRV issuance.

### **Investment Areas for Retirees**

A retiree can choose to invest their required deposit through the following means:

- a. Purchase, acquisition and ownership of a condominium unit.
- b. Long-term lease of house and lot, condominium or townhouse for a period not shorter than twenty (20) years.
- c. Purchase, acquisition and ownership of golf or country club shares.

NOTE: Former Filipinos can purchase a lot not exceeding 5,000 square meters in urban areas or three (3) hectares in rural areas for business use or other purposes.

### **Alternative Investments**

A retiree who has converted his dollar deposit into an active investment may opt to substitute the same with another form of investment that is allowed under the PRA program. In case of substitution, the value of the substituted one must at least be equal to or higher than the amount of the retiree's requisite deposit after conversion. The Visitorial Fee must be continually paid yearly.

The allowable investments to be substituted are confined to only those mentioned above.

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