

Endnotes

1. See Deaton, 2005.
2. There are many examples of individuals pursuing an occupation until over 90 years of age. In fact, there is evidence to suggest that these individuals reach advanced ages *because* they have an occupation.
3. A term used by Marais in Marais, 2003.
4. A term used by Fourie in Fourie, 2004.
5. This section benefited much from: <http://www.knowledgesutra.com/forums/topic/64677-4-stages-of-child-cognitive-development/> and <http://www.telacommunications.com/nutshell/stages.htm>. [Accessed March 2012].
6. A term used by Marais in Marais, 2003.
7. Sue Grant-Marshall (in Fourie, et al., 2002:128) mentions the actions of a teacher who lined up school children at the end of term according to grades. The emotional effect on the child (in terms of self-esteem) who came last was devastating: “Imagine the psychological effect of that physical manifestation of ‘failure’, one about which the teacher never failed to make a comment.”
8. Fourie, et al., 2002:131.
9. Fourie, et al., 2002:149.
10. Marais, 2003.
11. Note: this does not apply to everyone; there are cases where combination policies are appropriate.
12. Personal Finance, 2010. *Buying the right risk life assurance*. Cape Town: Independent Newspapers. 20 November.
13. Fourie, et al., 2002.
14. “Spend kids’ inheritance”, a favourite pastime of most parents, and so it should be. This means do not have ambitions to become a trustafarian.
15. Fourie, et al., 2002:205.
16. Terminology used by Marais, 2003.
17. Inclusion suggested by Mega Parathyrus.
18. Oppenheimer, S, 2003. *Out of Africa’s eden*. Cape Town: Jonathan Ball Publishers.
19. Ware, B, 2011. *Have no regrets: a life transformed by the dearly departing*. Bloomington, IN: Balboa Press.
20. See *The Economist*, 2010:33-36. This publication refers to the NBER Working Paper: *Subjective well-being, income, economic development and growth*.
21. Examples are Reserve Bank of Malawi bills, Bank of Botswana certificates, and South African Reserve bank debentures. They can be regarded as a type of deposit security, hence the term negotiable certificates of deposit (NCD) we use here for them. It is also done in the interests of simplicity.
22. In most countries this is so. In some, notes and/or coins are issued by the central government. Notes are bearer deposit securities. We regard coins in the same light in the interests of pedagogy.
23. Many countries’ bond markets are OTC markets.
24. This differs from country to country. In most countries preference shares are redeemable at the option of the issuer. Some countries have perpetual preference shares. Note that the term *shareholders’ funds* refers to ordinary and preference shares plus the retained profits of the company.

25. LCC is the currency code for fictitious country, Local Country (LC). The monetary unit is corona.
26. Also erroneously called the money *supply*. As we will see BD creation is the *consequence* of new bank loans made. Therefore, a supply of bank loans exists, but not a “supply” of BD.
27. South Africa in this case.
28. The so-called cash reserve requirement (RR) does enter the picture here, but is ignored because not all countries have a RR. The RR is often misconstrued / misused and confuses the process of money creation. There is also little space to discuss this important issue here.
29. A yield curve is interest rates (called yield to maturity – ytm – in the case of bonds) on securities running from one day to the longest term government bond, at a specific time. In other words, it is the relationship between interest rates and term to maturity at a specific point in time.
30. A reminder: LCC is a fictitious currency: the “corona” of “Local Country”.
31. Please note that there is much overlap in this list, i.e. each bond is not necessarily a separate bond. For example, a plain vanilla bond can be a registered bond or a bearer bond, a senior bond can also be a registered bond or a bearer bond, a retail bond can be a plain vanilla bond, and so on.
32. The latter point benefited from Bradley, Higgins and Abey, 2000.
33. The classification is from Faure, AP, 2005. **The commodity derivative markets**. Cape Town: Quoin Institute. It represents a personal view.
34. Except when they are used to cover a short sale (e.g. gold).
35. Because they cannot be held for long periods, and are subject to insect infestation – such as grain – which increases the risk attached to the investment.



The image shows the BI Norwegian Business School logo, which is a central blue square with 'BI' in white, surrounded by a colorful, multi-colored starburst of lines. The lines are labeled with various business programs: Business, Strategic Marketing Management, International Business, Leadership & Organisational Psychology, Shipping Management, and Financial Economics.

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36. In terms of which “contractual” amounts are paid (also lump sums); this is why insurance companies are referred to as *contractual intermediaries* – CIs.
37. <http://www.amex.com/?href=/etf/Glossary/Gloss.htm>
38. Defaults do occur, but they are rare. Perhaps a better term is least-risky-rate (lrr).
39. We use these two terms interchangeably.
40. Actually on a “net” basis, but we are keeping it simple here. $\Delta M = \Delta DBC + \Delta FBC$, should be: $\Delta M = \Delta \text{net}DBC + \Delta \text{net}FBC$, i.e. after the deduction of government deposits in the case of DBC and foreign deposits/loans in the case of FBC.
41. From an e-letter of Citadel Investment Services, “Think”, of 2 November 2006 to clients, entitled “The future will surprise...again!”
42. There are also other measures: arithmetic mean return, geometric mean return, internal rate of return.
43. Source: Citadel.
44. Mr Dave Foord and Mr Liston Meintjies founded Foord Asset Management (FAM) in 1981. FAM has achieved average returns of over 20% pa for clients over longer than 30 years. Mr Dave Foord is regarded as one of the foremost authorities in the field of investments. See Foord, D, 2011.
45. It and its opposite, the *castle-in-the-air theory*, were originally postulated by Keynes.
46. In most derivatives’ formulae the risk free rate (rfr) is used, and this is so because it is a well known and easily accessible rate. There is no standard definition for the rfr but most analysts / academics apply this term to the 91-day treasury bill rate.
47. Foord, D, 2011.
48. The amount that bookmakers charge for their services is known as the vigorish. It is the amount they would earn irrespective of the outcome of their wagers. The word is Yiddish slang and has its origins in the Russian term for winnings, vyigrysh.
49. Foord, D, 2011.
50. Foord, D, 2011.
51. Foord, D, 2011.
52. Foord, D, 2011.
53. As we said before perhaps the rfr should be called the least-risky-rate (lrr). “Certain” applies if the asset is held to maturity; otherwise market risk applies.
54. Foord, D, 2011.
55. Foord, D, 2011.
56. This text benefitted from: <http://www.iol.co.za/business/personal-finance/news/how-to-choose-between-a-guaranteed-annuity-and-a-living-one-1.998729> [Accessed on 16 February 2012].