

Negative Interest Rates Coming Soon?

You may think this is a joke or an internet hoax., but can you believe that financial institutions in other parts of the world are charging negative interest rates or charging savings fees as a service to keep their customers' money safely insured? The Swiss National Bank introduced negative interest rates in December 2014. The aim was to drive money out of the banks and into the economy, but that only works if the savers find attractive places to spend or invest their money. With economic growth an anemic 1%, many Swiss withdrew cash from the bank and stashed it at home or in safe-deposit boxes. High-denomination notes are naturally preferred for this purpose, so circulation of 1000-franc notes (worth about \$1,010 US dollars) rose 17% last year. They now account for 60% of all bills in circulation.



Japan banks pay *extremely* low interest on savings deposits. Even the slightest fee, causes a negative interest rate. Demand for the highest denomination 10,000-yen notes rose 6.2%. But 10,000-yen notes are worth only \$88 US, so hiding places fill up fast. That explains why Japanese went on a safe-buying spree. Stores reported that sales of safes rose as much as 250%.

You may think it could never happen in the US, but recent Federal Reserve policy meetings have discussed and have studied negative interest rates. Maybe great-grandpa was right, the best place to keep your cash is in the mattress or in an air tight can buried in the backyard. *Note: some of the statistical information obtained from a recent WSJ article.*