



# ***INVESTMENTS IN RETIREMENT***

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# Introduction to GenAfrica

# GenAfrica

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- Kenyan Company founded in 1996 as Genesis Kenya Investment Management Limited. Rebranded to GenAfrica Asset managers in 2015
- Our Only Business is investment management – no conflicts of interest
- Organised to provide efficient service to pension funds, insurance companies, individual and institutional clients.
- Currently managing assets in excess of Kshs 210 billion.
- Fully licensed as Investment Advisors by both the Capital Markets Authority and Retirement Benefits Authority in Kenya.
- Experienced Kenyan management and professional staff.

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# Personal Financial Planning

# *Key considerations*

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- **Risk**
- **Return**
- **Liquidity**

# *Risk*

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**The uncertainty that an investment may not earn its expected rate of return**

# *Return*

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## **Earnings from investments, e.g.,**

- **capital appreciation**
- **dividend income**
- **interest income**
- **rental income**
- **exchange gain**

# *Liquidity*

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**How quickly an asset can be converted into cash**



# *Types and options of investments*

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<b>Asset Class</b>	<b>Potential Return</b>	<b>Risk Profile</b>	<b>Liquidity</b>
Derivatives	VH	VH	VH
Property Development	VH	VH	VL
Property	H	H	L
Equities	H	M	M
International equities	H	H	H
T- Bonds	M/L	VL	VH
Deposits/ T-Bills	M/L	VL	VH
Cash in Bank	L	VL	VH

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# *Why plan your finances?*



# *Why plan your finances?*

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- To ensure you have a nest egg when out of a job/emergency.
- To continue with the same standard of living before and during retirement.
- Peace of mind.
- Financial freedom - get out of the rat race.

# *Personal Financial Planning*

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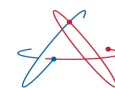
## *Are your finances in order?*

### **Exercise**

- **Take your age**
- **Divide it by 10**
- **Multiply by your annual gross salary**
- **The result should equal your net asset position**
- **If greater you are a “positive accumulator of wealth”**
- **If lower you are an “under accumulator of wealth”**

# *What is your net worth?*

ASSETS	Kshs
Cash	
Current/Savings account	
Life Insurance	
Employment pension plan	
Investment portfolio (shares, bonds, property, etc)	
Personal property (car, house, shamba, etc)	
Business	
<b>Total Household assets</b>	
<b>LIABILITIES</b>	
Credit card balance	
Bank loan	
Sacco loan	
Mortgage balance	
Other debts	
<b>Total Household liabilities</b>	
<b>NET WORTH (Total assets - Total liabilities)</b>	



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# Tips on achieving financial security



# *A) SAVE*

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- Start as soon as you can.
- Treat as a necessary expense e.g. rent
- Have a plan: 10-15% of salary
- Save as much in your pension scheme
- Build an emergency fund
- Pay your major periodic expenses on a monthly basis e.g. school fees.
- Have a good medical cover in case of large, unforeseen medical expenses.

# Wealth ....

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- “The more one earns the wealthier one is ” .. True or false??

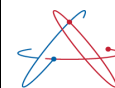
FALSE!!

Wealth is a function of  
**SAVINGS** not **EARNINGS**



# *Start early - Saving Kshs 1,000 per month*

	Number of years					
Rate of return	5	10	15	20	25	30
5%	68,010.00	155,280.00	267,290.00	411,030.00	595,510.00	832,260.00
6%	69,770.00	163,880.00	290,820.00	462,040.00	692,990.00	1,004,520.00
7%	71,590.00	173,080.00	316,960.00	520,930.00	810,070.00	1,219,970.00
8%	73,480.00	182,950.00	346,040.00	589,020.00	951,030.00	1,490,360.00
9%	75,420.00	193,510.00	378,410.00	667,890.00	1,121,120.00	1,830,740.00
10%	77,440.00	204,840.00	414,470.00	759,370.00	1,326,830.00	2,260,490.00
Principal	60,000.00	120,000.00	180,000.00	240,000.00	300,000.00	360,000.00



# *Start early - require Kshs 5,000,000*

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<b>Years to Retirement</b>	<b>Savings Required Monthly</b>	<b>Savings Required Annually</b>
50	286.20	3,434.04
40	794.10	9,529.20
30	2,193.60	26,323.20
20	6,530.00	78,360.00
10	24,207.00	290,484.00

- Assumes return of 10% p.a.

# *Effects of inflation*

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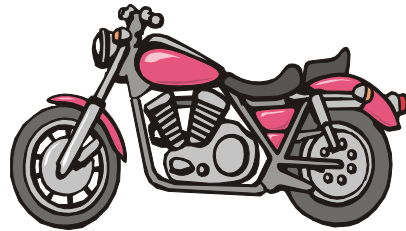
- **What could you do with Kshs 5,000.00.....?**

1970



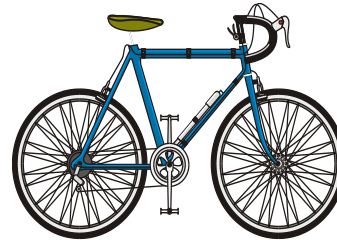
Car

1980



Motorbike

1990



Bicycle

2000



Shoe

**And in  
2019?**



**A pair of socks!**

# *B)BUDGET*

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- Live within your means
- Make a list of income and daily expenses.
- Expenses - necessary and discretionary.
- Cut down discretionary expenses.
- Consider your spouse.
- Stay out of credit card debt
- Invest
- Arm yourself with financial knowledge

## *ALSO...*

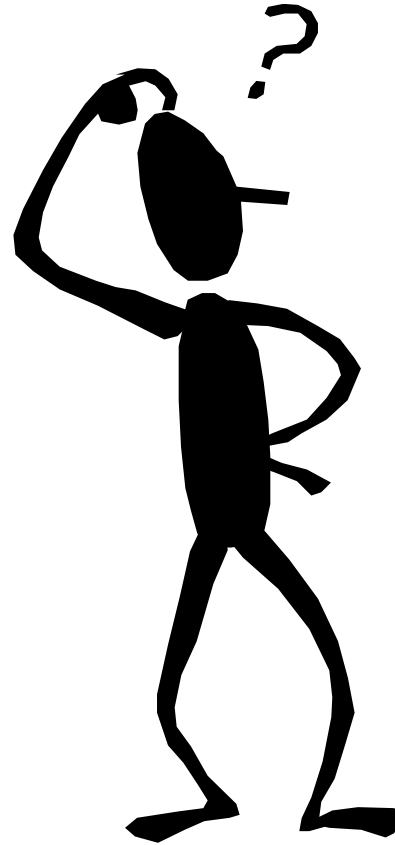
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- Do you have dependents? - Get life insurance.
- Write a will.
- Reality check - review the above periodically and resolve to act on all of them.

# *C)INVEST*

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**What can you invest in?**



## *What can you invest in?*

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- Shares
  - Interest bearing assets e.g. bank deposits, treasury bonds
  - International investments
  - Property
- ☆ Consider your **risk** profile, **return** expectations, and **liquidity** requirements

# *Investing in Property*

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## **Return:**

- **Capital appreciation**
- **Rental Income**

## **Risks:**

- **Politics**
- **Interest rate movements**
- **Default on rents**



# *When investing in land/property*

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- Location, location, location
  - Infrastructure in the area - availability of water, electricity, etc
  - Security in the area
  - Proximity to shopping centre, road, social amenities, etc
- Legal status of the property

# *To buy or to build?*

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## — **Advantages of buying**

- Faster return
- Avoid construction risk
- Avoid letting risks
- Lower purchase price may translate to better returns

## — **Advantages of building**

- Development Gain
- Avoid underlying building defects
- New good quality tenants
- Better the devil you know

# *Formal Plans*

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- Staff retirement benefits scheme - AVCs
- Personal pension plans
- Unit Trusts
- Saccos

# *Informal Savings Plans*

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- Investment Clubs
- Social networks (merry go rounds, chama)
- Personal savings
- Personal investments
- Business

## *D)DEBT MANAGEMENT*

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How can I manage debt...



# *WHY DO WE GO INTO DEBT?*

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- We spend more than we earn
- We want to have what the neighbor has
- The lure of easily attainable loans
- We borrow to pay back other loans

## **GOOD DEBT**

- Debt for investment e.g. business, buying shares (can be risky though)
- Mortgage (though aim to pay quicker)

## **BAD DEBT**

- Debt for consumables/expenses

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# GET OUT OF BAD DEBT!!!!

HOW?



# *Managing Debt*

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- 📄 Plan before you borrow.
- 📄 Maximum 1/3 of net pay in loan repayments
- 📄 Thou shalt not covet - don't borrow for things you desire but don't need.
- 📄 Avoid borrowing on consumption items - car, holiday, furniture, etc
- 📄 Avoid a 'saviour' mentality - you can't save everyone. Save yourself and your family first!!!



# *Managing Debt*

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- 📄 Write a list of all your debts and prioritize payments - pay interest bearing debt first.
- 📄 Pay your loans as fast as possible - the longer term the loan, the more you pay.
- 📄 Avoid credit card debt - it is the most expensive.
- 📄 Family and friends - cheapest and most understanding of creditors but **DO NOT EXPLOIT THEM!**

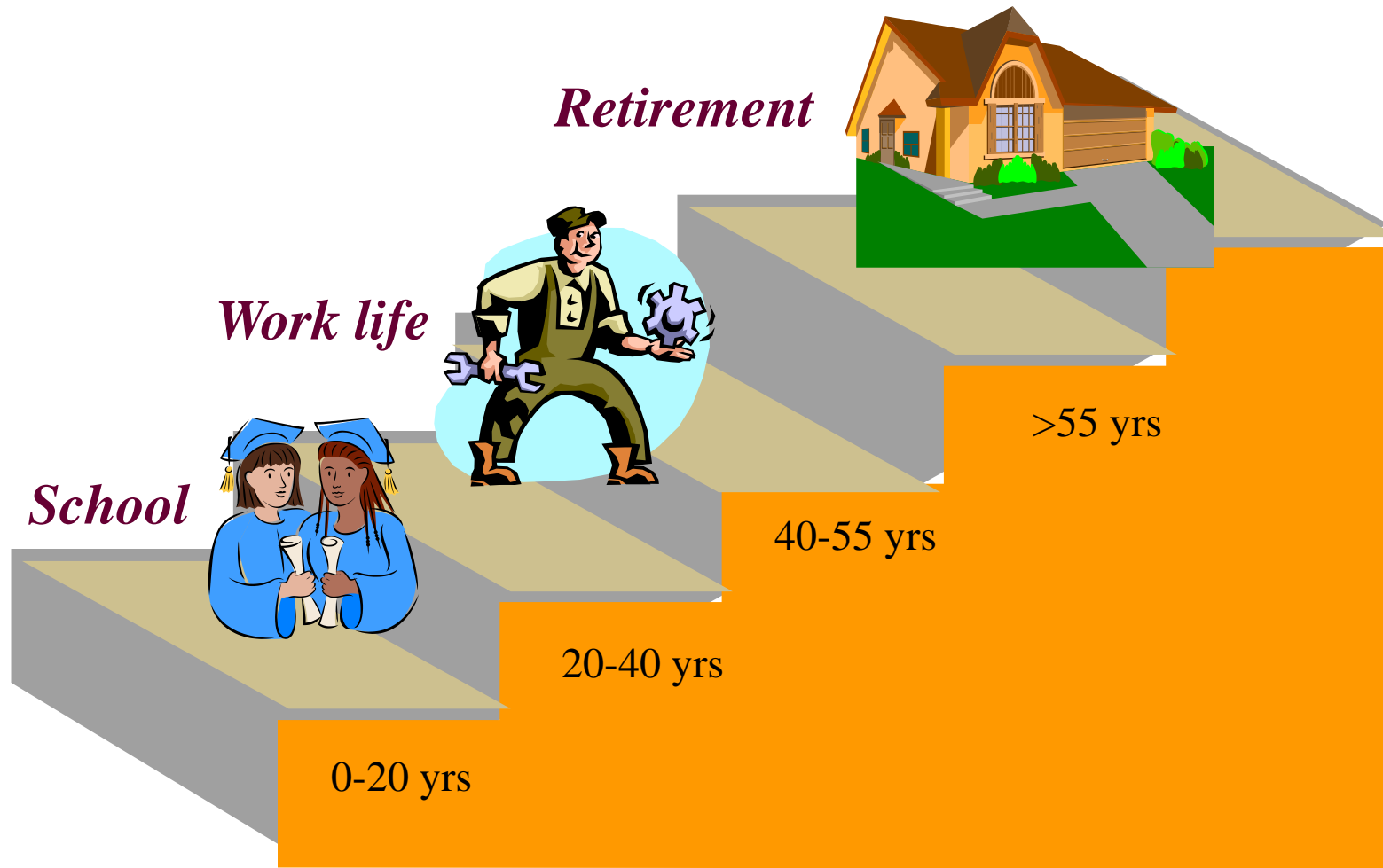
# *Planning for retirement*

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# Road to retirement...

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# *Career Life*

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Various stages in which your financial needs and objectives are different.

- ✓ Exploration phase - 20 years to 30 years
- ✓ Accumulation Phase - 31 years to 40 years
- ✓ Consolidation Phase - 41 years to 60 years
- ✓ De-accumulation Phase - 61 years to !!!!!!!!!!!

# *Retirement Planning...*

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- Have you thought about what you want to do when you retire?
- Have you considered how much money you would like to have saved to cater for your retirement?
- What percentage of your final salary would you be comfortable earning in retirement?
- Will it be adequate for your needs?
- Have you considered how much you need to save monthly to meet your goals?
- Based on a survey carried out by Kenyan Actuaries the average life expectancy for individuals retiring at 55 is 78 for males and 85 for females...

# *Retirement – What is it?*

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Retirement is a time.....

- Of change
- Of challenge
- Of adjustment
- To do what one has always wanted to do

To get the maximum out of retirement we need to plan

# *Post Retirement Activities*

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- Rest and relax
- Find another job - politics, abroad
- Start a new business
- Work in an existing own business
- Farm
- Back to school
- Social - alcoholic, religion, charity work, TV

# *PLANNING AND SAVING*

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# START NOW!!!

*It starts with the person in the mirror*



# *Ten Rules Of Poverty*

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1. Never wake up early
2. Never plan how to spend your money
3. Don't think of saving until you have real big money
4. Don't engage in activities usually reserved for the "uneducated"
5. Don't think of starting a business until an angel comes from heaven and gives you capital.

## *Ten Rules of Poverty cont..*

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6. Complain about everything except your own attitude
7. Spend more than you earn
8. Compete in Dressing
9. Buy a second hand car that costs more than three times your gross monthly pay
10. Give your children everything they ask for since you are a loving parent

***Source: The East African***

Thank You!  
*Q&A...*



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