TRENDS | INTEL | INDUSTRY | REGION | PURSUITS

SUSTAINABLE BANKING | STAWI | PENSION | EAST AFRICA | TRAVEL GEMS

KCB VENTURE

NOT FOR SALE

Corporate Magazine | July - September, 2019

High hopes for Rwanda's budding pension industry

Making your money last in retirement

PENSION & RETIREMENT

Planning for a 100+ year life

The number of children born in the next decade are most likely to live longer. How then do we make their retirement savings match the resultant long life?

KCB

CONTENTS

Are you ready for retirement?

I have heard very many stories about people who have retired to a life of misery.

After working for years on end, they end up destitute and lonely, without the means of assuring them a life of blissful retirement. More often than not, the reason is almost the same. They did not prepare for retirement.

It need not be like this. With proper planning, and with good investments, one need not retire to a life of penury after working hard all their adult lives.

In this issue, we have tackled the challenges that come with retiring without a proper plan, and talked to investment experts on how one can ensure that they do not lead a life of misery after they stop working. Our experts in our subsidiaries in Uganda and Rwanda have also shared their insights.

You will also find a new concept that's gaining ground in the country: the mushrooming of retirement villages. These are purpose-built homes for those who would like to retire in a serene and planned estate among peers.

Previously, such concepts were seen as a foreign idea suitable for people living in the developed world. The concept is now here, and there are many takers opting for this unique proposition.

We also have a story of hope about a group of women who have come together and, through sheer hard work and perseverance, they have managed to secure their future by buying land where they hope to build their houses after they were evicted from their land following the infamous post-election violence.

And, have you ever heard of HENRYs? It's not someone's name. It actually means High Earner Not Rich Yet. It's a read you cannot miss.

For Pursuits, our correspondent explores the magical allure of Jamaica, discovering many new places away from the capital city of Kingston.

I am sure you will find this issue well worth the read.

Judith Sidi Odhiambo
Editor-in-Chief

In this issue, we have tackled the challenges that come with retiring without a proper plan, and talked to investment experts on how one can ensure that they do not retire into a life of penury.

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Securing your life in retirement

Peter Kathanga

For many employed people, retirement is a time they can finally have control over their time. It's also a great time to pursue new hobbies, travel, adopt a vibrant social life, or spend time with your grandchildren.

But, nothing makes for a greater retirement period if you are financially healthy. Experts have always advocated the need to plan for retirement if you want to enjoy your sunset years.

The most important question one should ask themselves is what changes can I make now to ensure that I have money to fulfill my retirement dreams?

Having a solid retirement plan is probably one of the best ways to accumulate savings for retirement.

For you to enjoy your retirement years, you will need a stable source of income. This is why you need to join a registered Retirement Benefits Scheme and make regular contributions. You don't have to be in formal employment to join a scheme.

KCB Group has investing options to suit customers at all stages of life and to suit different financial goals. For example, we offer home/mortgage loans with competitive interest rates to help you achieve your dream of owning a home. This way, you will not be forced to use your pension money to build or buy a house.

> **KCB Group has a investing options to suit customers at all stages of life and to suit different financial goals.**

To inculcate a savings culture among our customers, we have fixed deposit accounts that offer a high-yield return to ensure you get maximum return on investment.

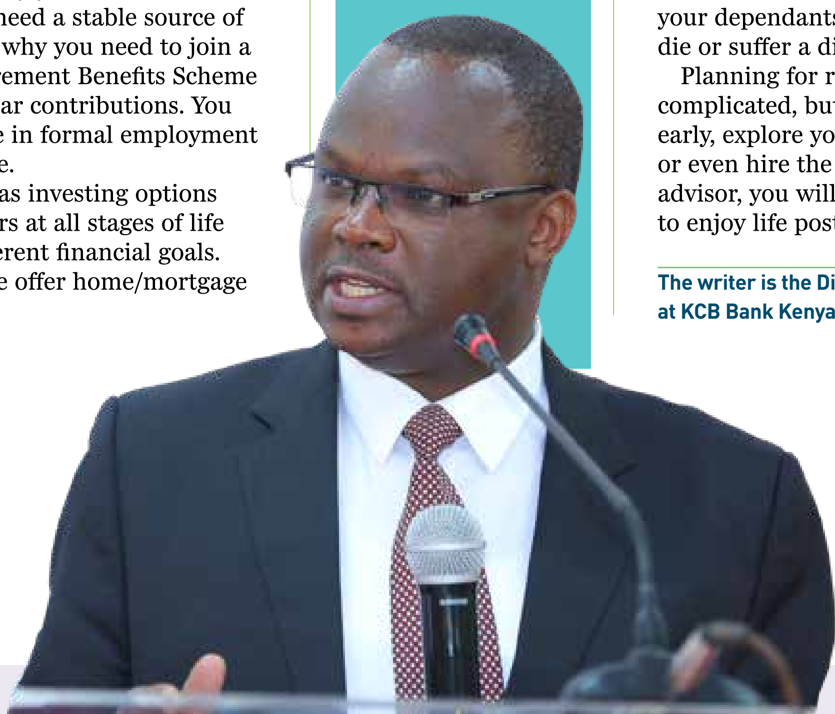
These accounts have flexible investment periods with interest that is paid upon maturity or at scheduled times of the year.

We also have a variety of insurance products that can offer our customers multiple avenues to save periodically, meet your expenses, and grow their money.

These range from education, health and life assurance. These covers not only provide peace of mind, but they also ensure that the financial future of your dependants is secure in case you die or suffer a disability.

Planning for retirement can be complicated, but if you start saving early, explore your options carefully or even hire the services of a financial advisor, you will be in a better position to enjoy life post-retirement.

The writer is the Director, Corporate Banking at KCB Bank Kenya



> **If you want to be able to achieve your ideal and comfortable retirement, you should plan for your retirement now. That way, your retirement life will be blissful.**

CORPORATE CITIZEN

We are building a sustainable banking system

By Joshua Oigara

KCB Group is committed to facilitating investment in Sustainable Development Goals

Sustainable Banking refers to the practice of integrating sustainability in a bank's business strategy so that financial institutions can invest and support environmentally or socially responsible projects.

It is rooted in the concept of sustainable finance, defined by the European Commission as the "provision of finance to investments taking into account environmental, social and governance (ESG) considerations."

The overarching goal of sustainable banking is to support a transition to a low carbon economy in line with the Paris Agreement of 2015 so as to limit global warming under 2 degrees, without which the earth will face catastrophic effects such as rising sea levels, heatwaves, drought and floods.

Kenya's economic development is highly dependent on natural resources, with agriculture contributing almost a quarter to the GDP.

In recognition of this and attendant risks of climate change, Kenya has been an early adopter of ESG initiatives, with the Kenya Bankers Association (KBA) launching the Sustainable Finance Initiative (SFI) Guiding Principles in 2015, the launch of the Climate Change Act in 2016 and the Green Economy Strategy and Implementation Plan (GESIP) in 2017. KBA also launched a website and an e-learning platform to raise awareness about sustainable banking.

KCB Group has intertwined sustainability and positive social impact in its core business. It has increasingly embraced sustainable development in all areas of business, from operations to its lending portfolio.

In 2017, the Group formally launched the process of integrating achievement of the United Nations' Sustainable Development Goals into operational goals. The SDGs, as they are commonly known, provide us with a new way of looking at how our business is contributing to the needs and ambitions of developing the international community as a whole.

Most recently, KCB Group joined 130 other global banks in New York to launch the Global United Nations Environmental Programme Finance Initiative (UNEP FI) Principles for Responsible Banking.

The principles will define the banking industry's role and responsibilities in shaping a sustainable future. The Principles for Responsible Banking are supported by a strong implementation and accountability framework. By signing them, KCB Group commits to being transparent on both our positive and negative impact on people and planet. KCB Group will focus where it has the greatest impact – in its core business – and set, publish and implement ambitious targets to scale up positive and address any negative impacts.

The principles set the global standard for what it means to be a responsible bank and will ensure that banks create value for both their shareholders and society. They provide the first global framework that guides the integration of sustainability across all business areas of a bank, from strategic, portfolio to transaction level.

The Bank expects clients to assess and manage the environmental and social issues associated with their projects so that projects meet the applicable performance requirements.

In 2018, we screened 84 loans worth KShs.126 billion. For enhanced quality control we are targeting at least one E&S visit per quarter per Corporate Relationship Manager to verify E&S Compliance.

Since the launch of KCB's Green Agenda in 2009, which focuses on reducing our direct environmental footprint, we are working to become a responsible consumer and producer. The Green Agenda is our 24-point blueprint for green office practices, focused on minimizing unnecessary resource utilization and environmental impacts of the business.

The Green Agenda supports our efforts to become Carbon Neutral by 2028. KCB will therefore continue greening our operations achieve this goal.

Local and diversified procurement is a priority for KCB Group. However, it can at times be challenging to locally source goods and services that are aligned with our sustainability requirements. We have therefore updated our supplier requirements to include measures and processes that encourage our suppliers to build upon sustainable practices.

KCB also hosts supplier conferences annually to create awareness of its sustainable procurement policies. This opportunity enables us to engage and obtain feedback from our suppliers. To date, 100% of our suppliers have signed on to our Group Code of Ethics.

130

Number of global banks that participated in the launch of the United Nations Environment Program Finance Initiatives for Responsible Banking.

The principles set the global standard for what it means to be a responsible bank and will ensure that banks create value for both their shareholders and society - KCB Group CEO and MD, Joshua Oigara

In 2018, we identified and tracked the Group's green assets—assets which have social, environmental and/or economic value—and green asset potential. We identified over USD 48 million of current pipeline green finance projects and over USD 137 million worth of potential green financing in various sectors including transport, agriculture, renewable energy and energy efficiency.

This exercise is also preparing KCB to become an issuer of green bonds and obtain accreditation for the Green Climate Fund.

Institutions in Kenya have a lot to do to remove barriers to funding. This involves providing clear data, providing risk assessments as well as stakeholder engagement and feedback. By addressing these bottlenecks, KCB and like-minded institutions can provide guidance and steer Kenya towards a greener future.

9%

Interest charged per annum for Stawi loans, with repayment profiles of 1-12 months

CBK Governor Dr Patrick Njoroge with a trader at the Gikomba Market.

EMPOWERMENT

Taking SMEs to the next level

KCB is among four banks that launched Stawi, a mobile loan product that offers affordable financing to micro, small and medium scale enterprises

Bensam Obura has a large, heavy smartphone with a battery that he says can jump-start a vehicle. The phone also has a port that he uses to charge other phones.

When he is idling at the City Clock at Kondele in Kisumu, waiting for passengers on his motorbike, he spends a lot of time scrolling through the phone, finding out what the internet has to offer.

Bensam says he bought the phone off a website that had it delivered to him.

Apart from the jersey and heavy jacket that he wears even in the humid heat of Kisumu, the phone is a constant companion he has learnt a lot from.

Bensam plunged into business after leaving his job as a graduate teacher at Athi River, near Nairobi, after graduating from the Catholic University of East Africa.

Now he runs a bodaboda business while his wife manages a shop at Migosi Estate in Kisumu. He is always looking for financing options and has at least five mobile loan apps on his phone.

Bensam was among those in Kondele who were approached by Stawi agents when the app backed by five top commercial banks was rolled out in May.

The agents sent him the link, which enabled him to download the app and when his creditworthiness was scored, found that he could borrow up to KShs.60,000.

"It was really amazing to see the limit. I have accessed other apps where the limit is about KShs.1,000 or KShs.1,500 with very many conditions," said Bensam.

Stawi is backed by KCB Bank, Diamond Trust Bank, Cooperative Bank, NCBA.

It is unique in several aspects, not least the fact that the Central Bank endorsed it, with CBK Governor Dr Patrick Njoroge leading the charge as it was taken through the testing stage.

Its joint development was preceded by long conversations between the banks and Dr Njoroge, with the governor then visiting traders at Gikomba, Kiambu Road, Kamukunji and Ngong Road to learn about their challenges.

There was also research on what exactly would work for Micro, Small and Medium Enterprises, which were hardest-hit by Parliament's decision to enact the capping of interest rates.

In the two years since the enactment of the changes to the Banking Act, lending to SMEs has reduced by KShs.250 billion.

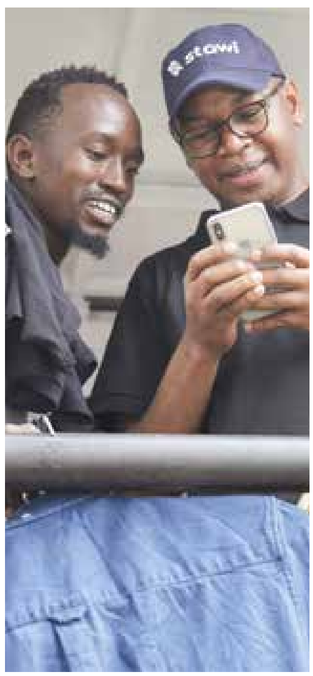
Stawi is intended to increase lending to SMEs, which are typically sole proprietorships with a monthly turnover of less than KShs.50,000.

Its features distinguish it from the more than 60 mobile loan apps already in the market, especially those that have proliferated so fast that the Central Bank is concerned about their viability and consumer safety.

To register for Stawi, traders are required to have proof that they are running a business. This can be in the form of a licence issued by the county government in whose jurisdiction they operate as well as documents from the Kenya Revenue Authority.

Unlike other mobile loan products, Stawi offers loans ranging from KShs.30,000 up to KShs.250,000 at an interest of nine percent per annum payable over three to 12 months.

It was really amazing to see the limit. I have accessed other apps where the limit is about KShs.1,000 or KShs.1,500 with very many conditions,"
Bensam.



KCB Group CEO and MD, Joshua Oigara with a trader at the Gikomba Market.

Borrowers are eligible for a top-up functionality once 80 percent of the loan borrowed has been repaid or the customer has a track record of three months' repayment.

Stawi is therefore a welcome relief to entrepreneurs like Bensam or his neighbour down the road in Kondele Salina, Tirus Owino.

After he downloaded the App, the furniture maker secured a loan of KShs.46,000, which he immediately put to use buying frames for the seats that he makes at his shop just off the newly-rebuilt Kisumu-Kakamega road.

At his shop, which previously housed a café and which he set up using capital from his savings in his previous job, Tirus primarily makes and sells sofa sets, with a five-seater going for KShs.45,000 and a seven-seater for KShs.65,000.

"Since I took the loan, two customers have bought seats," he said.

If Stawi pans out as planned, he says, he hopes to expand his business.

Bensam is happy that Stawi requires less procedures, has a longer repayment term and is suited to businesspeople like him.

"In terms of business, the repayment period gives me ample time to pay back, contrary to other apps which if they give you money, want you to pay back in 30 days," said Bensam.

He has learnt his lessons over the years, and has not liked the experience, he says, adding: "Instead of making you develop, it's like they are making you give them the little money you have made and you remain poor."

He has a clear picture of where his money will go and the purpose it will serve.

"I have a shop that needs more stock so that I meet my customers' taste so that when they ask for anything, they get it. Customers tend to go to the shop where they get everything they want," he said.

Stawi's backers hope that the product will pick up and get the sort of reception it has had from the likes of Bensam and Tirus.

INHERITANCE

The law of succession

There is a saying that everybody's family is full of nice people - until you die. "From ashes to ashes and dust to dust" - the phrase that begins it all. As soon as the body is laid to rest, the gold rush for property begins. Fights over cars, land, money in bank accounts, domestic animals, household items, and other forms of property begin.

It's a race to divide the property of the deceased, for some a race to the deceased's home, for others a race to the land registry and for most a protracted court journey for the State to referee the property distribution.

Before the advent of colonialism, communities in Kenya were guided by customs and traditions — what our Constitution calls Customary Law. In most communities, inheritance of property was largely a reserve of sons with some communities making allowance for inheritance by old unmarried daughters.

The most common reason for exclusion of women in general from inheritance was the expectation that they would get married which would result in a transfer of ancestral wealth from their family of origin to their husband's family.

Fast forward to 2019. Though much has changed in our world today, Customary Law still remains central to the inheritance process especially given the fact that majority of Kenyans die without wills.

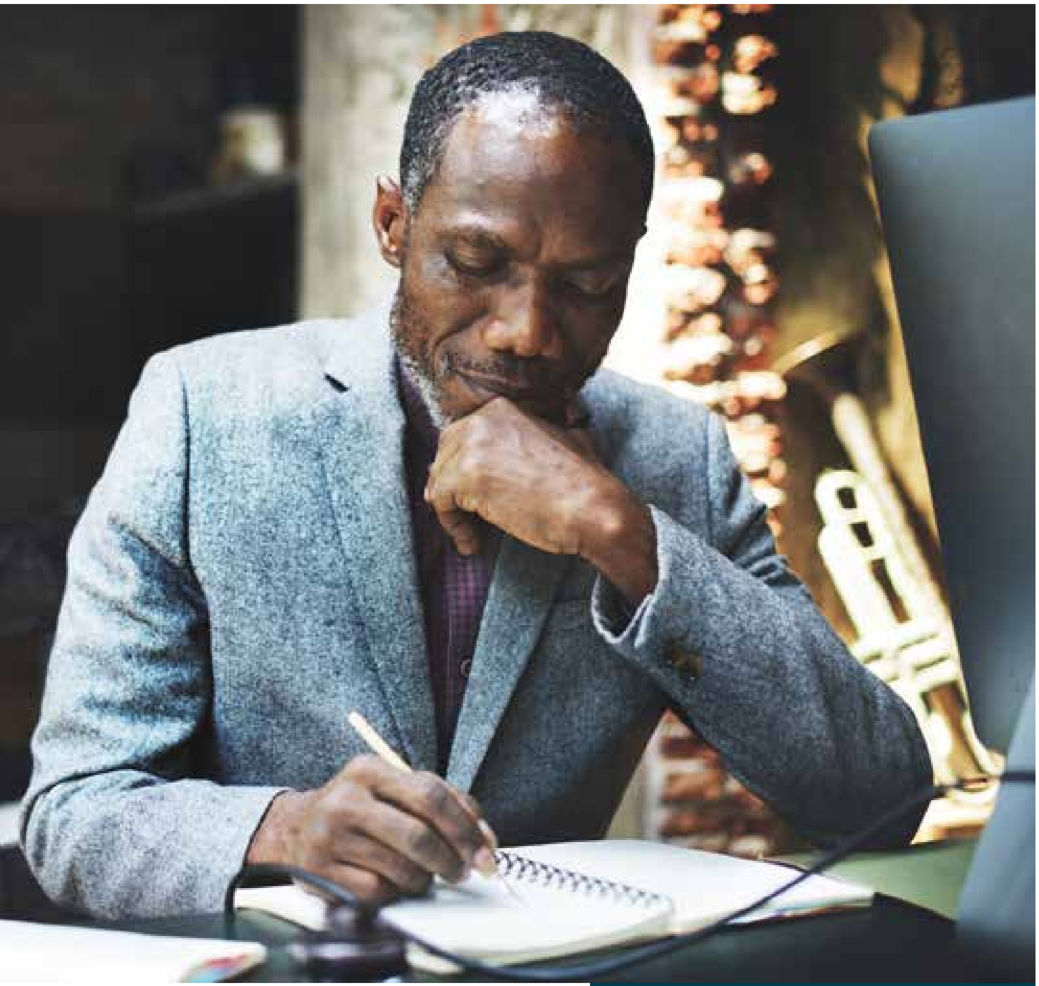
In Kenya, the laws guiding inheritance is the Constitution, the Matrimonial Property Act 2013 and the Law of Succession Act enacted by Parliament in 1972. In 2010, the Constitution overruled customary laws that barred daughters from inheriting property. The Matrimonial Property Act provides for the equal rights of spouses to property acquired during the lifetime of their marriage. It helps protect wives from disinheritance upon the death of a husband.

The Law of Succession Act consolidates the Law of Succession across all Kenyan communities by providing a uniform process through which the bereaved acquire property from their deceased relatives and defining who can inherit, guiding how property is to be divided particularly when the deceased has no will, as well as guiding how disputes between two or more rightful heirs may be resolved.

Under the laws of Kenya, when a man dies his wife, wives or former wives and his children, born in wedlock or out-of-wedlock, are entitled to inherit his property whether or not he was providing for them immediately before his death.

It is important to note that the reference to children does not distinguish between sons and daughters or married and unmarried daughters.

Each child irrespective of gender or marital status is entitled to inherit the property of a deceased parent. Other people who may inherit



include the deceased parent's, step-parents, grandparents, grandchildren, step-children, brothers, sisters, half-brothers and half-sisters but only if they can prove that they were being maintained by the deceased prior to his death.

It is important to note that upon death, the estate of the deceased consists of all assets and liabilities acquired by the deceased during their lifetime. In cases where the deceased was a director of a company and had guaranteed company debt using personal assets such as land, the debt shall be inherited as an encumbrance to the specified parcel of land.

However, lenders should ensure spousal consent is obtained before processing loans as the Matrimonial Properties Act provides that matrimonial property shall not be mortgaged or leased without the written and informed consent of both spouses.

> **Under the laws of Kenya, when a man dies his wife, wives or former wives and his children, born in wedlock or out-of-wedlock, are entitled to inherit his property whether or not he was providing for them immediately before his death.**

Failure to obtain spousal consent results in an unsecured loan increasing risk of loss for the lender. This provision is the reason why banks insist that the wife or, in the case of a polygamous client, his wives co-sign on loan applications made by the husband. Failure to obtain consent will result in the bank being unable to use property as security in the case of default in payment of any issued loan.

In cases where a woman dies intestate — without a will — her children, born in wedlock or out-of-wedlock, are entitled to inherit her property whether or not she was providing for them immediately before her death. Her husband inherits all matrimonial property but has to prove dependence in order to inherit any of her property that is not matrimonial property.

Inheritance laws particularly for intestacy differ across the East African community. In Uganda, when a man dies intestate, the family home remains with the wife living in it. In the case of multiple wives, each wife retains her residence.

The rest of the property is divided amongst customary heirs of the man according to customary law, his wife or wives, sons and any dependant relatives in accordance with customary law and the Succession Act 1906.

In Tanzania, both customary and Islamic laws are the two predominant systems of intestate succession, both of which limit women's inheritance based on gender. Under customary law a widow is generally denied an inheritance all together as 'her share is to be cared for by her children just as she cared for them'.

Daughters inherit the smallest share with attached restrictions while under Islamic law women inherit half as much as men. This often leads to inequality in inheritance between the sexes.

Inheritance is often an emotive issue where customs and traditions are cited as justifications for discrimination and injustice in sharing of property. As we create better cultural practices, courts of law remain central in ensuring proper and fair inheritance processes and outcomes.

INTERNET

Changing faces of content consumption

The internet has changed the way the world seeks and enjoys content. TV networks, until about a decade ago, had the power to decide whether a show or movie was renewed for another season or whether it was canceled.

Not long ago, we depended on the DJ or radio presenter to listen to our favourite music. But the internet has handed power back to the consumer which allows them to choose when, what and how to consume content.

This was evident recently after the hit TV series Lucifer, starring British actor Tom Ellis, was canceled after three seasons. Days after its cancellation by Fox, Netflix acquired rights to air the show. Actually, Netflix and Amazon had been in the running to acquire the show's rights - it all boiled down to who had more money.

Although not original content, it made sense for Netflix to buy the rights to Lucifer given that it had millions of fans. Like other streaming companies, Netflix does not rely on advertising to bring in the big bucks. It capitalises on subscriptions. And it sees the value in niche shows that have passionate viewers (such as Lucifer that has been renewed for a fifth and final season, thanks to a Twitter petition #SaveLucifer that received over a million tweets overnight).

Back in the day, you had to wait for a specific time slot for your preferred music genre to be plalyed.

For TV, you had to wait a whole week to watch a single episode of your favourite series to air. This changed in 2005 after the launch of YouTube. Its wide selection of content introduces us to worlds and cultures that we never knew existed.

Local content

In 2008, Hulu, the first TV streaming service was launched by America-owned NBC in partnership with Fox. In 2017, Kenya's Royal Media Services launched Viusasa, one of the country's largest streaming platforms.

Viusasa is headed by George Waititu, Content Aggregation Limited's Managing Director. Unlike most other niche platforms (such as Showmax that focuses on series and movies), Viusasa is a one-stop shop for everything entertainment: DJ mixes, series, movies and breaking news. Artistes also have the option of uploading their content on the App, and pay for it.

According to Waititu, producers are paid 40 percent of the revenue generated by their content. Other local competitors include iFlix and Showmax that provide

the consumer with local and international content for a small fee.

Before subscribing to Netflix, Eric Mwangi, a student, used to watch YouTube - he'd also subscribed to Showmax where his family enjoyed local content. Mwangi was drawn to the platform because it provided him with the option to choose what he watched, regardless of time of day.

"With traditional TV, the choice isn't yours. You watch what is aired. Now I watch what I like, when I want. I don't have to wait for an episode of my favourite series to air on a Saturday night," he says.

Streaming has also changed the way we listen to music. Now, instead of waiting for late night or weekend shows that play the music that you like, you have the option of being your own DJ and creating a playlist.

Locally, Mdundo, a streaming platform provides fans with one of the biggest music catalogues on the continent. The platform's Marketing Manager, Orawo Olave, says that the service gets over 1.5 million users every month.

"Information is precious. Artistes place their music on Mdundo and they are given data on the demographic that listens to them. That way, they know their target audience," she says.

"Artistes are paid royalties twice a year. For a small fee, the site provides consumers with a legal way to download music," Olave says.

If you are a gamer, there are tonnes of free games to play online and don't have to spend thousands of shillings on gaming consoles.

However, not everything is rosy. Although the World Wide Web is one of the greatest inventions, it can be a bad neighbourhood especially for children and teenagers. Cyber bullying, pornographic content, addiction and violent videos are some of the vices they are likely to fall prey to.

Challenging traditional media

Internet and especially social media has transformed the way news and information is disseminated. Thanks to smart-phones, news is now broadcast live by citizens who shoot videos or take pictures, telling their raw story in real time.

By the time TV rolls the carpet to air news in the evening, most Kenyans have already read about it or watched it on their phones.

Since they are competing with traditional media, streaming services are eager to obtain content from wherever they can. This is why some cancelled shows end up on platforms such as Hulu, Amazon and Netflix. To ensure that you remain subscribed, the services have also invested billions of dollars to develop new and original content. Netflix's budget for original content this year is USD 15 billion.

Numbers

In a consumer-driven market, Mdundo seems to be doing quite well. Showmax and Netflix, for platforms that aren't actively advertising, don't seem to be hurting too much either. On Google Play, Showmax has more than one million downloads while Netflix has more than 500 million. However, other than a fallout with content providers — which Waititu vehemently denied — Viusasa doesn't seem to be pulling in the numbers. While it also has more than one million downloads, it is believed that the service has about 400,000 active subscribers.

Illegal downloads

While streaming services are striving to make money, the internet has also provided consumers with illegal ways to consume content. According to GumGum Sports, a marketing technology firm, Kenya is among the top five countries that illegally stream English Premier League matches.

Movie and series producers also lose millions in revenue thanks to websites such as 123Movies, Popcornflix and Fmovies. One doesn't even have to sign up to gain access. Despite this, conglomerates such as Disney, WarnerMedia, Apple and NBCUniversal are gearing up to join the streaming market later this year.

Gradually, the internet is making the existence of the television, and radio, in homes unnecessary. Whether you're at home, travelling or standing in a queue, as long as you have access to the internet, you can access any content you wish. It is safe to say that the internet has changed the landscape of how content is consumed.

With traditional TV, the choice isn't yours. You watch what is aired. But now I watch what I like, when I want. I don't have to wait for a single episode on a Saturday night when the TV station airs it," Mwangi

The making of Kenya's first KShs.1 trillion bank

Precursor to tough financial crossbreed arrived on East African shores in 1893 and floated first shares in 1988

When KCB Group Chairman Andrew Wambari Kairu rang the bell at the Nairobi Securities Exchange on Friday October 4 to mark the beginning of trading for new shares following the purchase of the National Bank of Kenya, it marked another milestone in the bank's over 120 years of existence.

The move to acquire NBK has now given KCB Group a stronger edge to play a bigger role in driving the financial inclusion and economic empowerment agenda in the East African region while simultaneously building a robust and financially sustainable organisation.

"The listing will enhance the vibrancy of the capital market and will be instrumental in fueling continued business growth and the execution of the Bank's expansion plans," said Mr. Kairu.

The takeover is expected to give NBK a new lifeline as a business and fits well within the Group's expansion strategy. It came three decades since KCB's shares were first floated in 1988.

"We see this friendly takeover as an enrichment of the banking heritage that we have created in the country in our more than 120 years of existence. It is anticipated to deliver immense value to our shareholders, customers, staff and all other stakeholders through creation of meaningful synergies from the business lines and group operating structure," he said.

On this day, KCB Group Plc listed an additional 142,979,717 shares at the Nairobi Securities Exchange (NSE) following the successful acquisition of NBK.

In his remarks, NSE Chairman Samuel Kimani said: "We are delighted that the acquisition has been successfully concluded, creating additional value to KCB shareholders and boosting overall market participation. We continue to encourage domestic-led economic growth and applaud KCB on this historic transaction."

It's been a long journey creating a bank with a balance sheet of KShs.828 billion - KCB Group's balance sheet stood at KShs.714 billion while NBK's stood at KShs.114 billion at the close of 2018.

The 120-year-old story of KCB Group is the story of Kenya. It is also the story of banking in Africa.

120

The Bank is over 120 years old

"Although KCB had humble origins in the Indian city of Calcutta, where the mother bank was founded in 1863 as Calcutta City Banking Corporation, we are delighted today to celebrate a story of resilience, forward thinking, strategy and an undying spirit that have been the hallmarks of our bank," said KCB Group CEO and MD Joshua Oigara.

KCB arrived in East Africa in 1893, in Zanzibar, as the National Bank of India and by 1904 we had constructed a one room, corrugated iron sheets shed on Moi Avenue that served as our Kenyan branch.

KCB is a tough financial crossbreed. In 1948, the National Bank of India acquired Grindlay's Bank and became National and Grindlays; that is how it was known until January 1970 when the government acquired a controlling stake and it became Kenya Commercial Bank.

"By this time, we were the largest bank in the country and had a far wider branch network than any other bank. It is a position that we cherish and still retain after all those years. This is because our customers have historical ties to the bank and we have a large portfolio of success behind us," said Mr. Oigara.

"We have always supported entrepreneurs and offered banking solutions from those pioneer days. This has not been a simple journey."

KCB Group Chairman Andrew Wambari Kairu (C) rings the bell during the listing of new shares on the Nairobi Securities Exchange. He was accompanied by, from left, KCB Group CEO and MD Joshua Oigara, National Treasury CAS Nelson Gaichuhie, NSE Chairman Samuel Kimani and NSE CEO Geoffrey Odundo. Below: KCB Kipande House Branch, Nairobi.

The acquisition of NBK is in line with KCB Group's expansion in the region.

KCB operates in Uganda, Tanzania, Rwanda, Burundi, and South Sudan.

In 2015, KCB opened a representative office in Ethiopia. The Group is well positioned to make an entry into the country, which has over 100 million people.

The lender also plans to venture into the Democratic Republic of Congo (DRC) and Somalia. KCB sees an opportunity in the DRC where there is low access to banking services.

"We see emerging opportunities in the region. Organic growth has served us well so far but with the observance of moves such as the liberalisation of financial services in Ethiopia, we should begin looking at such markets differently," said KCB Group chairman when the Bank released its 2019 half year earnings on August 15.

> **We are accelerating the transition of our industry into fewer, stronger players. We can then finance larger projects in (areas such as) energy, infrastructure and housing**
> - Mr Oigara

KCB Group has also acquired part of Imperial Bank's assets and liabilities. Among the assets to be transferred to KCB Group are Imperial Bank's five branches and portion of its loans and deposits.

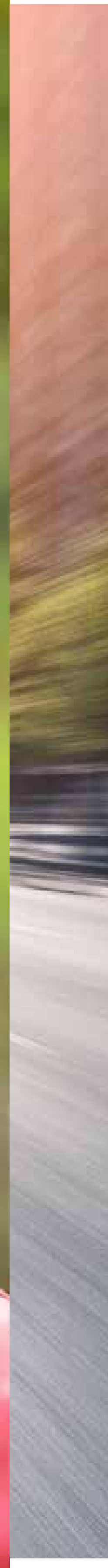
Mr. Oigara says mergers and acquisitions are in line with the Group's vision of being the preferred financial solutions provider in Africa with global reach.

"In my view we need to build stronger institutions. We are accelerating the transition of our industry into fewer, stronger players. KShs.1 trillion is not very far for us. It's the right size. We will be in the top 25 banks on continent. We can then finance larger projects in (areas such as) energy, infrastructure and housing," said Mr. Oigara.

PENSION & RETIREMENT

Planning for a 100+ year life

The number of children born in the next decade are most likely to live longer. How then do we make their retirement savings match the resultant long life?

Avoiding old-age poverty

Treasury made changes to the pension rules that will see more than KShs.385 billion of workers' pension savings made inaccessible to those below 50 years

The pension sector is poised for growth after a change to the law by the National Treasury that will lock in the employer's pension contributions until the employee reaches the retirement age.

Kenya has about 1,300 pension schemes holding KShs.1.3 trillion and of this, about KShs.385 billion is employers' contributions.

Simon Nyakundi, who heads the Association of Retirement Benefit Schemes (ARBS) says the decision by the Treasury, announced through a Kenya Gazette notice in July, will have a positive effect on individual savers as well as the sector and the country's economy at large.

With the money held by pension schemes being the biggest lenders to the government through Treasury Bills and Treasury Bonds, says Nyakundi, the preserved KShs.385 billion could spur economic growth as it will be available for lending and investment.

"We can anticipate that the money will be available for use on infrastructure, securities exchange and investment in property, venture capital or start-ups. It will also reduce the cost of borrowing as there will be more money in circulation," Nyakundi says.

The same view is shared by Cytonn Investments, who said in an analysis that the industry is likely to experience faster growth of assets and that Fund Managers will have more room to make long-term investments.

For Nyakundi, who is concerned about the low levels of education among the young and the continued perception, even by employers, that only those who are close to retirement should be educated about pension, Treasury's decision will also help in the fight against 'old-age poverty'.

"Old-age poverty is where you have people retiring on a meager pension or they are retiring without a pension because they accessed their benefits as they changed jobs," says Nyakundi.

His concerns are backed by facts and are reflected across the industry.

Peter Anderson, the Managing Director for Asset Management at UAP Old Mutual said: "The policy has been driven by a recognition from the government: despite the country's median age being 18, a lot more people are likely to live longer now than in the past".

1,300

Number of pension schemes in Kenya holding about KShs.1.3 trillion of workers' contributions

"If we allow everybody to access their pension benefits when changing jobs to use it for present day needs before they reach retirement, we're going to have a lot of people in retirement poverty," he says.

In a sense, the government was working to avoid a future crisis where it would have to provide a significant part of its annual budget to provide for those in old-age poverty.

"The other aspect is the drive to make retirement saving compulsory to recognise the need that everybody needs to have some level of retirement savings to achieve a certain minimum standard of income in retirement," said Anderson.

Despite the relatively stable and well-regulated pension sector, the numbers are still not good.

Only 20 per cent of the employed are under pension schemes, despite the best efforts of the Retirement Benefits Authority, mainly because the industry leans towards formal employment.

Even with this, pensions are inadequate, and retirees are bound to feel like they have retired into

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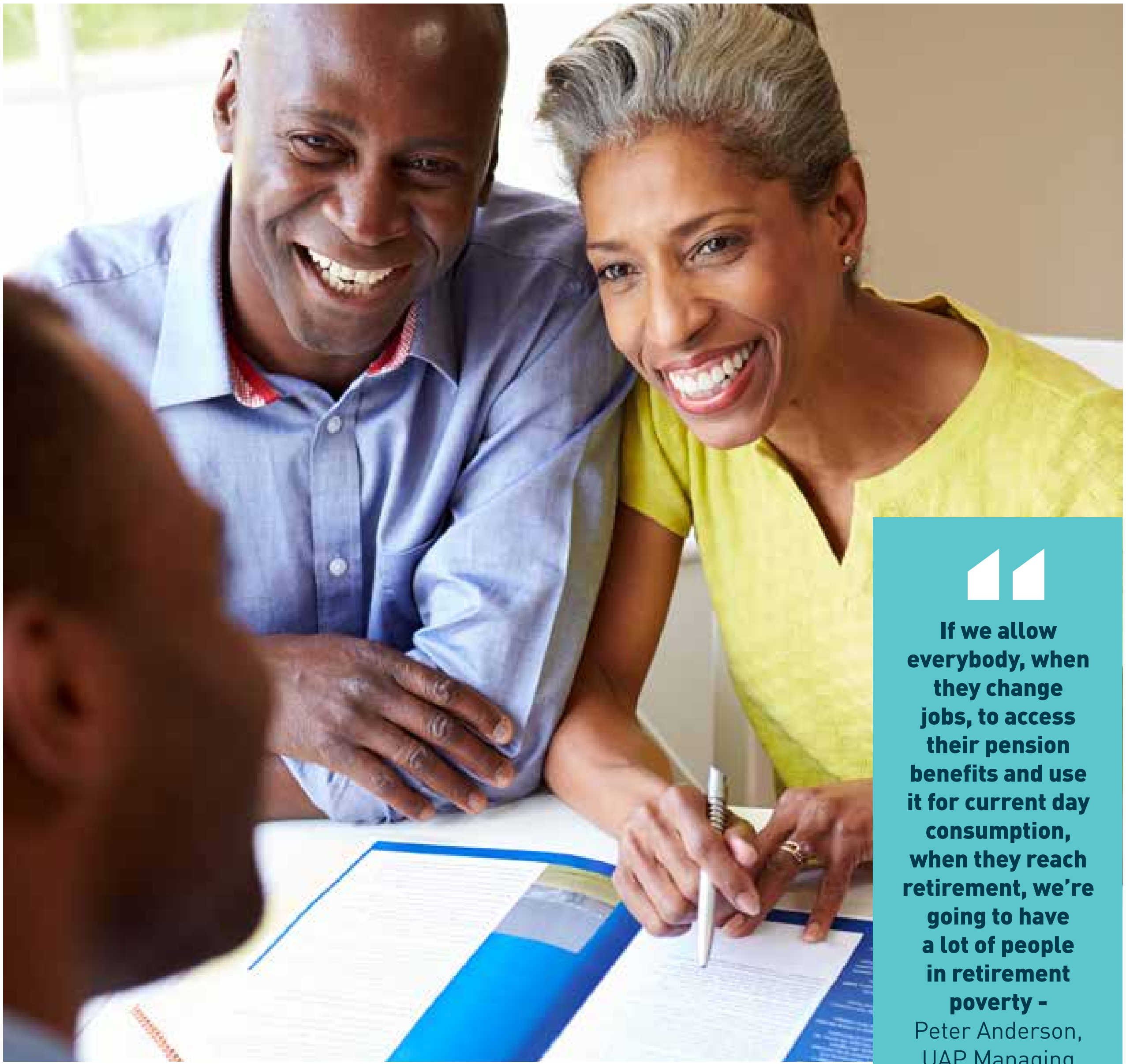


If we allow everybody, when they change jobs, to access their pension benefits and use it for current day consumption, when they reach retirement, we're going to have a lot of people in retirement poverty - Peter Anderson, UAP Managing Director for Asset Management

> **Pensions are designed to be tax efficient vehicles, and it is possible to take advantage of the incentives available and leave employment at the end of one's career with a decent pension and without having to hand over too much to the taxman.**
> -Peter Anderson, Managing Director Asset Finance UAP

Peter Anderson, the Managing Director for Asset Management at UAP Old Mutual.

>>> poverty once they leave formal employment, with studies showing that the income replacement ratio is 34 per cent.

This typically means that for someone who was taking home KShs.100,000, and living the lifestyle of someone who earns that much, their income goes down to KShs.34,000 and they therefore find that they cannot afford the same things they previously used to.

To avoid the risk of that happening, workers are encouraged to aim to have a pension equal to 80 per cent of their last net salary. It is also something that schemes work towards by making the right investments.

"I think the sort of aspirational standards globally is around 75 per cent. Actually, when you're approaching retirement certain expenses will no longer be required. And 75 per cent is considered a pretty good benchmark to try and achieve," says Anderson.

Anything below that standard would mean that the retiree would have to adjust their lifestyle downwards.

With old age also comes the risk of diseases such as diabetes, deteriorating vision, and high blood pressure.

"It used to be that the basics – food, clothing and shelter – were what we used to think about regarding retirement," says Nyakundi.

"Medical cover is an issue in old age since the employer's medical cover that you used to enjoy ends with employment. The cost of medical is becoming expensive and the kind of care has also become more expensive."

The National Treasury also changed the regulations to make it possible for members of umbrella schemes to save for medical cover in old age.

This provision was previously only available for members of Occupational Schemes and Individual Schemes but members can now transfer a portion of their retirement saving, up to a maximum of 10 per cent, into the medical fund to achieve the desired level of medical funds.

Apart from the monthly contributions, the law now allows for additional voluntary contribution for an employee who would like to increase their pension savings.

Overall, says Anderson, pensions are designed to be tax efficient vehicles, and it is possible to take advantage of the incentives available to walk

You may work from 25 to 65 years and live from 65 to 95 years. And that means you need a tremendous amount of planning to understand where your income will come from in retirement,"
- Simon Nyakundi, who heads the Association of Retirement Benefit Schemes

Simon Nyakundi heads the Association of Retirement Benefit Schemes.

away from employment at the end of one's career with a decent pension and without having to hand over too much to the taxman.

"Currently, when your contribution is deducted from your pay, there's a tax free relief that is given on the first KShs.20,000 of the contribution," Anderson explains.

"Avoiding old-age poverty is all about planning and making the right investments along the way, even as amendment of laws continue being reviewed to help workers avoid that fate," says Anderson.

"You may work from 25 to 65 years and live from 65 to 95 years. And that means you need a tremendous amount of planning to understand where your income will come from in retirement. The odds are you're going to live a long time thus needing a substantial amount of assets. With this in mind, the idea is to try and accumulate a certain amount of assets or wealth that will generate a certain amount of income in retirement," says Anderson.

KShs.385bn

Estimated amount of pension savings that will be inaccessible to workers aged below 50 following new government regulation.

Key to this, says Nyakundi, and which is the challenge retirement benefit schemes have, is education of their members.

"We need to make noise so that people understand. We have so many challenges in retirement; people who have to take care of their grandchildren, people with children in school and if savings start late, it could be too late," he concludes.

Preparing for life after employment

> My experience now tells me that it's never too early to plan for what you will do in your golden years," - Martin Oduor-Otieno, former KCB Group CEO

Retirement is a momentous chapter in the life of an employee. To many people, it is the time when you'll finally get to do all the things you've always wanted to do, but didn't have the time or money for it. Our vision for retirement is always blissful.

But if you don't prepare well, retirement can turn into one long nightmare. For one, you no longer have a salary at the end of every month, and you don't have anything to keep you occupied at least every weekday. Retirement also robs you of certain perks, for example, medical insurance, which comes in handy especially as you age.

According to studies, the biggest regret for employees nearing retirement is not having planned early enough for life after employment. This planning goes beyond financial obligations; it requires emotional planning too.

Early planning is especially critical in today's volatile job environment, In Kenya, job security no longer exists, and if you are employed on contract, you don't get to enjoy pension savings.

The sooner you start saving for retirement, the more time your money has the potential to grow and the harder your money works for you. The opposite holds true. The longer you delay, the more you will need to save monthly.

According to financial experts, the best time to start saving for retirement is immediately you get your first job. This, they say, has immense benefits and helps one build sufficient resources for retirement life without strain.

"We all constantly hear about the need to save: Save for a rainy day, save for your children's education, save for your retirement and so forth. However, in today's world of consumerism and instant gratification, it is easy to get tied up in the here and now and to believe that the future will work itself out" says Adil Suleman, Head of Actuarial Division at Zamara.

"When you start saving early, and you save aggressively, a little can go a long way. In today's economic environment, to retire comfortably at 60 you would want to have savings equal to about eight to 10 times your annual salary immediately before retirement. This should allow you to secure a lifetime pension that replaces at least 70 per cent of your pre-retirement income and allows for some modest annual increments to help protect you against inflation" Suleman adds.

"In 40 years' time, you will probably need even more to replace that level of pre-retirement income – even more reason for you to save early and aggressively" he adds.

His sentiments are echoed by former KCB Group CEO Martin Oduor-Otieno in his biography, Beyond the Shadows of My Dream. He stresses the need of saving early for retirement and warns that those who dawdle on investing for future end up miserable in old age.

"My experience now tells me that it's never too early to plan for what you will do in your golden years," he says.

However, it's not as easy as it sounds. Saving for retirement requires discipline and sacrifice because of the competing needs which all require finances.

Other than personal saving and investments, pension also helps in giving a retiree a regular source of income.

Sector data shows that pension coverage for the formally employed in Kenya is generally good—particularly in large companies and government entities. The coverage is, however, extremely poor among those in small and medium enterprises (SMEs).

The biggest incentive for pension savings among workers in corporates is the support through company contributions and tax incentives.

But even with the impressive retirement saving among corporate and state workers, there has been a challenge due to low pension replacement rate because workers choose to access part of their pension before retirement.

Multiple studies including one by the Retirement Benefits Authority(RBA) showed that the pension replacement rate in Kenya stands at an average 34 per cent against an ideal target of 75 per cent in terms of pension income as a proportion of pre-retirement income.

"The primary cause of this low pension adequacy in Kenya was traced to frequent access to the benefits before retirement with 95 per cent of individuals who leave employment opting not to preserve their benefits but taking out the maximum available under legislation in cash. This was likened to "going on a long distance journey and emptying the fuel tank at every stop" says Nzomo Mutuku, Chief Executive Officer at RBA.

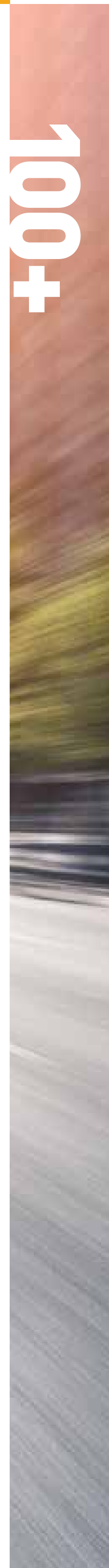
As part of a strategy to address the pension adequacy challenges, Treasury Cabinet Secretary, through Legal Notices Number 87 and 88 published on June 17, 2019, amended the Retirement Benefits Umbrella and Occupational Regulations to further extend preservation of retirement benefits to include 100 per cent of employer contribution.

Previously scheme members could access 100 per cent of benefits from employee contributions and 50 per cent of benefits from employer contribution in the event of leaving service of an employer before retirement age. From June 17, 2019 scheme members can still access 100 per cent of employee contribution but none of the benefit from employer contribution.

"The existing exemptions to this rule which include immigration and medical grounds still remain. Similarly, members can still use part of their accumulated benefits to secure a mortgage to purchase a house in accordance with the Retirement Benefits (Mortgage) Regulations" Mr Mutuku says.

"For the preserved benefits, which will continue to be invested and accumulate interest, members have the option to retain them in the scheme of the previous employer or transfer them to another scheme of their choice" adds the CEO.

The sooner you start saving for retirement, the more time your money has the potential to grow and the harder your money works for you. The opposite holds true. The longer you delay, the more you will have to save monthly.



Creating smart retirement income strategies

According to financial experts, people need to educate themselves on savings and investment

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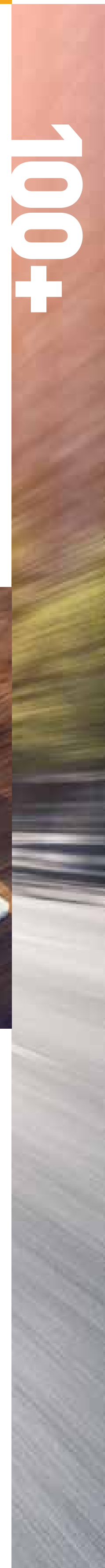

Unlike the 70s when people held jobs for a lifetime, these days a typical Kenyan in formal employment will work for several companies, changing jobs every 2-3 years. As soon as he resigns from a job, he will apply to receive his pension as well as 50 per cent of his employer's contribution, which he can legally access, and then promptly spends it. For someone in their 20s, this is a no brainer. He assumes he has lots of time to build the egg nest again. He's worked hard and is starting a new job in a few weeks, so why not take a holiday, invest in that lazy boy seat he's been eyeing or buy a new car.

Two years later the pattern is repeated when the employee changes jobs again. Fast forward 25 years and four job changes later and reality hits. Retirement is around the corner and he has very little in the retirement fund. And then panic sets in.

"So many people keep making this mistake," says Shera Noorbhai, Head, Operations and Administration at Zamara (formerly Alexander Forbes Financial Services EA Ltd).

"We are transiting from a era when your parents left you enough money to take care of you or you could rely on your children to take care of you. With the high cost of living, your children can barely make ends meet let alone take care of you," he says.

This has forced many retirees to start side hustles to survive. To avoid struggling when you are retired, she advises people to create separate funds for education, health, wedding, vehicle purchase, holidays and other big expense items to avoid dipping into the retirement fund when financial hardships arise.

Nicholas Malaki, Chief Investment Officer at Sanlam Investments East Africa advises employees to start saving for retirement soon after they get their first jobs.

"Do not struggle so much to cater for your children and neglect yourself. Give them what is required and save for your retirement. If my daughter goes to Strathmore University, I don't have to buy her a car. My parents never bought me a car. How often do children visit their rural homes? Usually at Christmas or during school holidays. M-PESA has helped because they can send money. So a cultural and mental shift needs to happen. Technology has helped to make it easier to save. I can open an App on my phone and start saving for retirement," he says.

Educating yourself on investment is

"Do not struggle so much to cater for your children and neglect yourself. Give them what is required and save for your retirement" Mr. Malaki, Chief Investment Officer at Sanlam

also important especially for people in informal employment who have joined an individual pension scheme. There are plenty of Individual Pension Plans (IPPs) to choose from, with the Retirement Benefits Authority (RBA), having registered 34 such schemes.

"Before joining an IPP ask: Is it secure? Is it safe? Does it have to an extent a brand name thus giving you some comfort that they are unlikely to go under? Look at their expense structures. What is their history of returns? How have they invested?" says Ms Noorbhai.

Potential members need to consider what level of transparency they want. How often does the IPP update members? Do they

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Retirement Benefits Authority CEO Nzomo Mutuku.

>>> have a system where members can get information on their investments and account balances in real time?

Another key factor to consider is your risk appetite. Zamara gives new members three options- the conservative plan, whose focus is to conserve the principal contribution, moderate and aggressive plans. The latter is mostly invested in stocks, which depending on the state of the economy can be extremely volatile.

"We get members who choose the aggressive option because it has high returns and then go into shock when their investment is hit by short term fluctuations at the stock market. Losses are emotional and people tend to panic but if they understood the way the stock market works and took a long term view, 5-10 years, they would make better decisions."

She gives the example of Safaricom, whose shares took more than a decade to hit a high of KShs.28 in the last week of November 2017. Many local investors panicked and sold their shares at a loss long before this. The Business Daily attributed this price rally to foreign funds heavily buying Safaricom shares as they rushed back to the Nairobi Securities Exchange (NSE) as political tension eased following the Supreme Court decision that confirmed Uhuru Kenyatta as the winner of the October 26 presidential poll.

Members of pension schemes need to understand that pension funds are invested in various asset classes including government fixed securities (treasury bills and bonds), stocks, real estate, and private equity among others. Depending on the mix, economic and political events will affect returns.

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"Foreigners trade between 65-75 per cent of the stock market turnover and of course they invest in other markets. When they see the Kenyan market is not doing as well as Nigeria for instance, they move their money to Nigeria causing share prices to go down. So although local institutional investors are still holding on to their investments, volatility in stocks is sometimes skewed by foreign investors," says Mr Malaki.

Ms Noorbhai says it is important to ask questions to get the full picture.

"It's more for you to understand and appreciate the environment in which your savings are invested. Otherwise you can take your money and invest it yourself. I think that's why sometimes people get it wrong. They complain that the pension fund is doing a horrible job

KShs.3,000

Minimum amount Kenyans can invest in the M-Akiba bond. This will attract a 10% interest per annum

KShs.1.6tn

Value of pension funds in December 2018. This is an increase from KShs.912.6 billion in 2016

Kenyans can invest KShs.50,000 or more directly in a government bond by setting up a special account at the Central Bank of Kenya. The M-Akiba bond is even easier to get into as it has a minimum investment amount of KShs.3,000.

and yet they have other investment options."

Employees in formal employment are not locked into their employer's pension fund. They can save additional funds and contribute to an individual pension plan of their choice. Industry players have been lobbying the government to increase the tax exempt contribution currently capped at KShs.20,000.

"This amount was set in 1997. It needs to be reviewed upwards to provide an incentive for people to save more," says Mr Malaki.

Government bond

Kenyans can invest KShs.50,000 or more directly in a government bond by setting up a special account at the Central Bank of Kenya. The M-Akiba bond is even easier to get into as it has a minimum investment amount of KShs.3,000. Government bonds are great for risk averse people as the returns are guaranteed.

RBA is creating new products targeting Muslims who do not participate in pension schemes due to their religious beliefs.

The Authority registered a Shariah based umbrella fund retirement benefits scheme and allowed for registration of Shariah "windows" within existing registered retirement benefits schemes.

RBA has also created products for Kenyans in the informal sector including the Mbao Pension Plan, launched in June 2011 where members contribute KShs.20 daily. Mbao membership stands at over 100,000 members with a fund value of KShs.119 million as at December 2016.

"Employers don't have to establish a fully-fledged pension scheme if they have few employees. We've registered umbrella pension schemes, which allow employers to register members from different companies to save for retirement. This works so well with the informal sector where members can now enrol in individual pension schemes under an umbrella scheme," says Nzomo Mutuku, CEO, RBA.

RBA data

Data from RBA shows that pension funds have been increasing steadily over the last few years from KShs.912.6 billion in 2016 to KShs.1.16 trillion in December 2018. Government securities accounted for the biggest share of the total assets at 39.41 per cent, followed by immovable property (19.71 per cent), quoted equities (17.27 per cent) and guaranteed funds (14.36 per cent).

Investment in alternative assets by schemes has gained traction with the inclusion of Private Equity and Venture Capital as an asset class. This category increased by 51.04 per cent from KShs.422.99 million in June 2018 to KShs. 863.94 million in December 2018 to account for 0.07 per cent of the total assets.

The current pension coverage ratio (the proportion of labour force participating in a pension arrangement) in Kenya stood at 20 per cent as at the end of December 2018.

This ratio is quite high compared to other sub-Saharan Africa countries but is still insignificant compared with global average coverage ratio of 51 per cent for middle-income countries in which Kenya is classified.

High hopes for Rwanda's budding pensions industry

Stakeholders in the country's pension industry, however, say a lot of sensitisation needs to be done

The pension sector is still in its infancy in Rwanda, as the first law on pension schemes was enacted in 2015.

However, the National Bank of Rwanda which is the industry's regulator, reported in 2018 that the number of contributors increased from 465,579 in June 2017 to 539,441 in June 2018.

This was reflected in the increase in the growth of pension fund assets, from FRW628.8 billion in June 2017 to FRW749.2 billion in June 2018. This was a 19.2 per cent increase, which was up from the 7.6 per cent growth registered in the previous year.

Despite this, says Richard Tusabe, the Director-General of the Rwanda Social Security Board (RSSB), there is a need for improvement.

"Under the current circumstances," he says, "retirement benefit schemes, especially defined benefits schemes, will not fare well in the future. Investment performance will have to be improved to ensure a high enough return to keep up with the pressure of increases in benefits pay-outs."

RSSB registers and collects contributions from employers on behalf of their employees. It is compulsory for all salaried workers, both public and private to contribute.

539,441

Number of pension contributors in Rwanda as at June 2018

It will require sensitisation for people to understand that the world over, pension is the best savings vehicle - Benjamin Rudasingwa, a Pension Consultant at Liaison Services, Rwanda

The enactment of the law on pension schemes in 2015 opened the way for the establishment of firms such as Liaison Financial Services Rwanda, which is part of the Liaison Group. The group also has businesses in Kenya, Uganda, South Sudan and Tanzania Group.

RSSB currently manages six schemes; Old Age Pension, Occupational Hazards, Workers Medical insurance, Maternity leave insurance, Community Based Health Insurance (CBHI) and Long-Term Saving Scheme (LTSS).

RSSB also serves as the government's adviser on matters to do with social security.

Self-employed people can join the pension scheme on voluntary basis. The contribution rate is 6 percent - 3 percent by the employer and 3 percent by the employee. In 2018, RSSB increased all pensions in payment amounts for its retirees.

"This exercise is done on an ad-hoc basis to ensure that the amounts paid move with the times," says Richard.

Benjamin Rudasingwa, a Pension Consultant and Investment manager at Liaison Financial Services, Rwanda Limited says for now, the sector is at the stage where the laws are being reviewed and tuned to suit the growing pensions sector.

At the RSSB, says Richard, the focus now is on modernising its Information Technology infrastructure, which will result in the automation of most of its processes, and hopefully increase efficiency.

Like elsewhere in the region, one of the most nagging challenges for the pension sector in Rwanda is the poor savings culture.

"It will require sensitisation for people to understand that the world over, pension is the best savings vehicle" says Benjamin,

"You're looking at saving money for quite a long period of time. You can take for example someone who starts saving when they are 20, and retirement is at 60 years. That will be a long time," he says.

Benjamin says that if the savings culture improves and stand-alone pension schemes are pushed to seek the services of professional service providers, there will be more money that can then be locked in asset classes that guarantee payment, such as government bonds, and that will spur economic development.

From the inside, says Richard, a pension scheme's biggest challenge is usually how to ensure long-term financial sustainability because of the long-term liability associated with the work they do.

"To overcome this challenge, one has to first understand the magnitude of the liability through regular actuarial valuations conducted by professionals. Most of the recommendations given are then implemented to ensure sustainability," he says.

That the majority of the population is not covered, mainly because of the large informal sector, also means that there is room for improvement in savings if those people can be reached. Rwanda is currently working on a Long Term Savings scheme with incentives to attract the informal sector.

Pension schemes also often find that their options for investment are limited because they are often the largest institutional investors.

Liaison, for example, invests in long-term assets such as government bonds, which are bound to give good returns, while RSSB has been keen on real estate. All this is done with the objective of generating stable income, solving the housing problem in Rwanda while at the same time putting money in a low-risk area.

The sector is also looking forward to the implementation of pension benefits portability in East Africa under the Common Market Protocol, which would enable Rwandans to transfer their pension proceeds back home when they return.

"There are ongoing discussions at the EAC level as well as between institutions to make portability a reality. This is already happening between Rwanda and Burundi," says Richard.

Benjamin reckons that if Rwanda's pension sector learns from the countries with a well-established pensions sector and adopts best practices, and a savings culture is developed, the future will be good.

"In the short term, a lot of work has to be done by all the involved stakeholders – the custodians, regulators, service providers, investment managers and administrators – and the future looks very good for the whole sector," he says.

Under the current circumstances, retirement benefit schemes, especially defined benefits schemes, will not fare well in the future. Investment performance will have to be improved to ensure a high enough return to keep up with the pressure of increases in benefits payout - Richard Tusabe, the Director- General of the Rwanda Social Security Board

Aeko Ongodia (c), CEO of Xeno Investment Management, a Ugandan investment firm, with colleagues at their offices.

Making your money last in retirement

Employed people have lofty ideas of what they want to do once they retire. Some hope to travel the world, pursue investment dreams, or simply wake up late. To many, retirement is a time to reward themselves. But reality hits home once employment ends.

For one, they no longer have a monthly income, or employer-sponsored insurance cover. On top of that, one has to deal with the psychological effects of transitioning into retirement.

During retirement, one of the biggest worries for retirees is running out of money.

Those worries are valid; healthcare is expensive, there are things you can't do without like food and shelter and utilities that have to be paid for. What if you outlive your money?

Aeko Ongodia, who is the CEO of Xeno Investment Management, a Ugandan investment firm that offers financial advisory and management, says many retirees don't know how or what to spend their pension on long enough to last them in retirement.

"If you have retired and haven't built a house yet, you probably can't afford to, and it's not the time to start because you will still need food, airtime, transportation and money for medical bills. Retirement money should be spent on everyday needs over time not for a car or a house," he says.

Xeno partners with NSSF-Uganda on a financial literacy programme called Financial Intelligence Programme to educate different age groups.

For one year, NSSF had paid out money in lumpsum to people who were retiring. Just before they collected their retirement benefits they were asked 'are you ready for retirement?' 83 per cent said yes. One year later only two per cent had cash left.

The rest could not account how they had spent their money, but when pushed they revealed

100+

it went to real estate; they were either completing building a house, had put it in a business or paid school fees.

"It is an unfortunate situation", Aeko says, "because no one should be educating people on what they should spend their retirement benefits on".

While transitioning into retirement there are two things he says are vital.

First, are you retiring because you have reached 55 or 60 or secondly, because you have accumulated enough resources to actually sustain you for the next several years making working optional.

"People save for retirement but they have no clue on whether the savings will be enough to finance their 20 or 30 years of retirement. We have observed that their quality of life goes down after retirement because they cannot sustain their lifestyles since they didn't know what resources they needed to sustain it," he says.

Licensed by the Ugandan Capital Markets Authority, Xeno helps clients manage their money and has 3,300 accounts with assets under management of UGX7 billion.

The company runs four unit trust funds - a money market fund, bond fund, domestic equity fund and regional equity fund.

At Xeno, the idea is to ensure every client/investor has a diversified portfolio.

"We don't popularise individual asset classes because you need all of them in a certain proportion customised to your circumstances. For example, if you want to finance your child's four-year university education five years from now, you should have an investment portfolio with 10 per cent in the money market, 60 per cent in bonds, 10 per cent in domestic equity and 20 per cent in regional equities," Aeko says.

Although this investment strategy may not be cast in stone in terms of the prescribed percentages, it nevertheless gives a perfect mix that caters for volatility in the specific investment buckets.

If you have retired and haven't built a house yet, you probably can't afford to, and it's not the time to start because you will still need food, airtime, transportation and medical bills - Mr. Aeko of Xeno Investment Management

Common mistakes in investing

Ideally, the general rule of thumb when it comes to saving for retirement, is to start early because the sooner you start the more time your money has to grow. However, delaying to start is one of the most common mistakes Aeko has seen people make. And that means by the time one hits retirement age, they are in bad shape financially.

The second mistake, he says, is chasing high returns without taking a substantial amount of risk. "Many a times, people don't know how to benchmark a good return from a bad one and end up expecting to earn astronomical returns," he says.

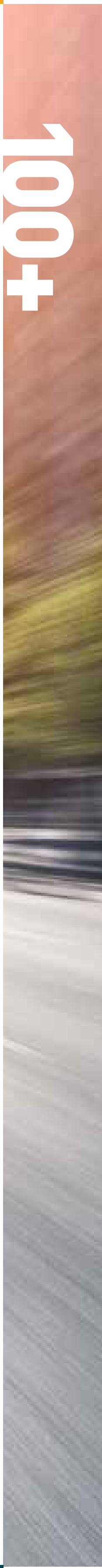
The third mistake is relying on relatives and friends for investment advice. "They probably have good intentions but they are not the best source of guidance," he says.

"We take deliberate steps to help the client articulate what their goal is, after that we profile their financial circumstances, their investment knowledge, risk appetite and patience levels. At the end of that process it tells us what type of investor you are, conservative, moderate or aggressive," Aeko says.

Fred Nyayieka, regional consultant at Liaison Financial Services Uganda says retirees need a lot more than pension savings to live a comfortable life in retirement. With life expectancy increasing, he says that a retiree needs multiple sources of income to maintain the same standard of living during retirement.

"Even if you were to save 30 per cent of your salary today, and it is the only savings you have, then you are unlikely to live a comfortable life. Pension is just one pillar of savings and you have a responsibility to make other investments," he says.

Even if you were to save 30 per cent of your salary today, and it is the only savings you have, then you are unlikely to live a comfortable life. Pension is just one pillar of savings and you have a responsibility to make other investments - Mr Nyayieka, consultant, Liaision Financial Services, Uganda



The business of ageing

Fadhili Retirement Village is a high-end housing projects that is purpose built for the elderly

Fadhili isn't your ordinary village. Here there are no cows mooing, no food crops growing at the shamba behind the homestead. Instead, Fadhili is a serene and peaceful estate that features a clean concrete footpath from the parking lot up to the entrance of each house.

The lawn is neatly manicured and there are a few trees scattered along the sidewalk. To top it off, there's a fountain that sits in the middle of the compound with benches around it should you need to bask in the afternoon sun.

The weather here is nice, and it's not just today. Weather in Athi-River, where the village is located, is generally mild and warm. It's a beautiful residential area, the kind of place you would want to live in if you don't care much for the crazy city life. But there are restrictions to living here: for you to call this place home, you must be a retiree.

New concept

The 12 housing units at Fadhili have been built to accommodate elderly people, some of whom need walking aids to help them in their mobility. It's the perfect place to live after you retire.

For a long time, people went back to their rural homes after retiring. Back home, where life is slow paced, they would either take up farming or livestock keeping. For some, it took time to adjust to rural lives, make new connections but for others, it led to depression and even early death.

12

Number of two and three bedroom homes at Fadhili Retirement Village at Greenpark Estate

However, there is a crop of men and women who are retiring and who do not know life outside of the cities. Most of them were born and bred in Nairobi and other urban towns and have no connection with their rural homes. Their children, friends, church-mates are in big towns. There are even those who cannot speak their mother tongue fluently.

Then there are also those couples who suffer from empty-nest syndrome. After raising their children, they are left at their expansive homes which is usually too big for them. With nothing to keep them busy, they often suffer from loneliness.

These two scenarios are what inspired Superior Homes Kenya to put up Fadhili Retirement Village at Greenpark Estate.

Paul Adede, Head of Digital Marketing at

> **Design of the houses target maneuverability and easy access. As such, the houses address many of the challenges the ageing population faces -** Paul Adede, Head of Digital Marketing at Superior Homes

Superior Homes, who developed Greenpark Estate, says the 12 homes have been built with the senior citizen in mind.

Right from the choice of flooring material, large sliding window panes for ease in opening and closing, grab bars in the toilet and bathroom for extra stability and low kitchen cabinets to ensure everything is at arms length.

"We target independent and active older people. Design of the houses targets maneuverability and easy access. As such, the houses address many of the challenges the ageing population faces," he says.

According to Adede a two bedroom is going for KShs.9.9 million while a three bedroom house is going for KShs.11.9 million. KCB Bank is their mortgage partner.

The concept of living in a retirement village or community is slowly catching on in Kenya because as our African traditions would have it, our culture expects that your children will care for you when you become elderly. This is changing rapidly.

With an improved quality of life, and rapid growth of urban lifestyle, a growing number of older persons can now afford to plan for a quiet old age in the confines of retirement homes.

Anthony Ndirangu is a businessman in his late 40's. Even with the turbulent nature of business, planning for retirement is as important to him as meeting the current needs of his family.

Retirement planning

"When I retire I don't want my children to take care of me. As I plan for my retirement I think of several things; I need to ensure that my children are well educated, and generally I have created a good foundation for them. I am also thinking about medical care for me and my wife because healthcare takes up a huge portion of your expenses."

"After working and living in the city all my career, I wouldn't mind retiring to a quiet and nice gated community where I can hang out with my age mates as we reminisce on the good old days of our youth," Anthony says.

However, for others, retirement villages or homes are still a foreign concept that they are yet to understand.

Jesus Waweru, a Professor of Physics at Kenyatta University, says he started planning for retirement when he got his first born child.

"I've lived in my house since 1968. Even though most people my age move upcountry when they retire, I don't think my lifestyle would fit upcountry. I couldn't for example substitute gas for firewood. It's just out. I am now 75 years old and I am not going to start anything new at this age" says Waweru.

"When I retire, even though the kids will have moved out, I will stay in my house with my wife. Why would I want to try new company and that's the best company I have,? Waweru asks.

The concept of retirement villages isn't new to those who have lived in the western world. And as this concept slowly creeps into the Kenyan market, the only question we can ask is, will it catch on in the Kenyan society?

"Maybe my children will feel fine doing it but in my case, I would have to have a paradigm shift to get me to live that sort of life," says Waweru.

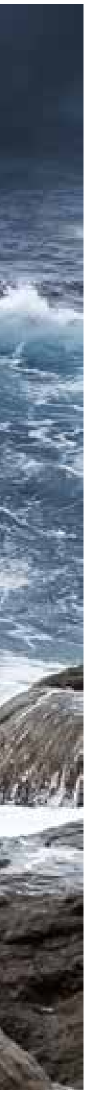
How inflation affects savings and investments

The number of goods you can purchase with a thousand shillings in a supermarket today is way less than a few years ago. To illustrate this, a half-litre packet of processed milk cost KShs.23 in 2007 for the plastic pouch and KShs.28 for the Tetra Pak. Currently, the milk pouch costs an average of KShs.50 depending on the brand while the Tetra Pak retails at KShs.55.

Economists refer to this decrease in the purchasing power of currency due to a rise in prices across the economy as inflation.

When the price of goods that are non-discretionary and impossible to substitute – food and fuel – rise, they can affect inflation by themselves. For this reason, economists often analyse food and fuel to look at “core” inflation, a less volatile measure of price changes.

Another key impact of rising inflation is that it reduces the value of savings. It follows then that people who rely on their savings to build capital to invest – as



opposed to using debt – will be most affected by the rise in inflation.

A key goal of saving and investing therefore, is to grow savings fast enough to overcome inflation and invest in instruments such as stocks and gold, which have historically proved to be among the best hedges against inflation by providing returns above the prevailing annual inflation rate.

Kenya's inflation rate rose slightly to 5.70 per cent year-on-year in June 2019 from 5.49 per cent in the previous month. Using this as a guide, any investment that provides a return above this figure would grow and preserve your wealth.

Main influences

Various factors influence inflation in Kenya including rainfall patterns and fuel prices. Poor rainfall leads to drought, which in turn drives up the cost of food. Good rainfall leads to abundant harvests, which brings down the cost of food.

Increase in pump prices for petrol, diesel and kerosene tend to drive up the costs of many goods in the economy because fuel is a key component in the manufacture and distribution (transport) of products. Corruption and dirty money increases aggregate demand and leads to inflation. Foreign remittances increase money supply in the economy and this leads to inflation.

The economy goes through different cycles and these affect the volatility and risk of investing. Currently, the stock market in Kenya is going through a lean period, which has reduced earnings in this asset class.

"The risk appetite in stocks for some of the pension funds has reduced," says Nicholas Malaki, Chief Investment Officer at Sanlam Investments East Africa.

"Over the years, general allocation to equities has reduced because of the volatility around it. We also deal in the alternatives so even when we reduce our exposure in the listed stocks at the securities exchange we invest in other companies directly through private equity. Overall, our investment in stocks hovers around 30 per cent- listed stocks 25 per cent and five per cent in private equity."

A key goal of saving and investing therefore, is to grow savings fast enough to overcome inflation and invest in instruments such as stocks and gold, which have historically proved to be among the best hedges against inflation.

5.7%

Kenya's inflation rate rose slightly to 5.70 per cent year-on-year in June 2019 from 5.49 per cent in the previous month.

Real estate, another star performer for many years, has experienced a slowdown over the last three or four years. Mr Malaki says this adversely affected the performance of Real Estate Investment Trusts (REITs) that were introduced in the Kenyan market in 2015.

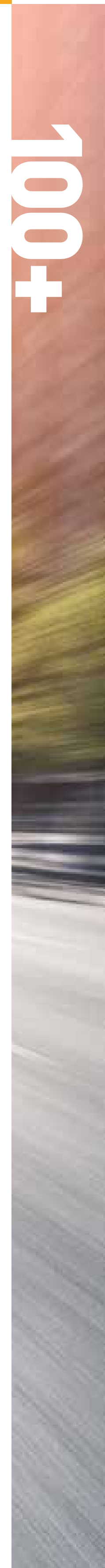
Real estate

"On the sales side it's been very slow. On the income side and especially commercial office space there's been a glut so yields are low except for Q1 this year and Q4 last year," says Mr Malaki.

Stanlib's Fahari i-Reit, the only listed REIT in Kenya, left investors with losses while the second REIT attempt, Fusion D-Reit, failed. Lack of consumer education also affected the uptake of the REITs. "People have got a sentimental attachment to land and property that they can see and touch so when you tell them to own a share of a building they ask what happens if I die, I can't leave it to my children. Aggressive investor education driven by market players and intermediaries will help people understand that you will own shares that you can transfer to your dependants," says Mr Malaki.

Although the numbers of Kenyans engaged in the informal sector is expected to increase over the coming years, Mr Malaki believes that formal employment will still dominate as a percentage of people contributing to pensions in the future.

"We encourage people to voluntarily plan for their social security whether in formal or informal employment. Products targeting those who are not in formal employment exist for instance the Mbao product and Individual Pension Plans," says Malaki.



Highly paid but poor

The HENRYs, as they are referred to, have high incomes but have little to no savings, live paycheck to paycheck and are ill-prepared for retirement

Do you earn a high salary, but somehow your savings never seem to grow? You have an attractive career and hefty income yet may have a negative net worth? If you are, there's a good chance you might be a HENRY.

HENRY is an acronym that stands for High-Earner-Not-Rich-Yet.

The term HENRY was coined in an article by Fortune Magazine in 2003 to refer to families in the US that earn $250,000 and $500,000 "but not having much left after paying taxes, school fees,

housing and family costs - not to mention saving for an affluent retirement."

In the Kenyan context, a HENRY is someone earning more than KShs.800,000 and who has very high expenses. This is according to investment banker, author and financial coach Rina Karina Hicks.

The core characteristics of HENRYs, she explains, is they drive posh cars, live in upmarket neighbourhoods, and their children attend the most sought after international schools and generally have very high expenses.

Financial experts have dubbed HENRYs as the "working rich" because they are only rich as long as they are working.

"After they've paid rent, school, fees and other family costs, they don't have much left in terms of savings. Once you take their current assets and deduct their liabilities, what is left is less than KShs.100,000. Sometimes their net worth is negative meaning they owe more than they own," says Rina.

"I remember talking to some bankers about being in a difficult financial situation because of bad decisions, and having to move to say less affluent neighbourhood. They said 'it's not allowed. If you work for the bank you have to drive a certain type of car and live in a certain type of neighborhood otherwise you destroy the brand of the bank.' That's the problem with high earners, there's a certain expectation not just from society but from employers as well," Rina says.

All is not lost. There is a way out. All a HENRY needs is a smarter approach to money management

- Rina Hicks, investment banker, author and financial coach

According to a LinkedIn article titled Meet the HENRYs: Gatekeepers to the New Luxury Market & Prime Target for Mass-Market Brands, they are targeted by marketers of luxury products;

"For marketers targeting the high-end market, the HENRYs are gatekeepers, since ultra-affluent and wealthy customers typically start out as HENRYs on their road to affluence," the article reads.

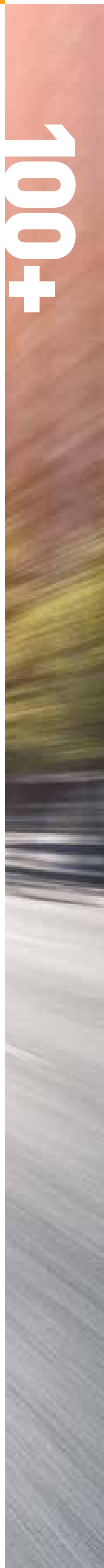
With this kind of expectations, HENRYs continue to work longer hours and earn excellent salaries. However, they are heavily taxed, are left with little to no savings and are vulnerable to layoffs, health risks and other financial disasters.

So how can they get out of this rut and start their journey to affluence? Simple. With these four strategies, Rina believes there is a way out.

"First, save at least 20 per cent of your income. Second, contribute towards a pension scheme. Third, find an alternative income stream and lastly invest wisely to grow your money," she says.

Over and above these, Rina says that HENRYs need a smart approach to money management.

"Wealth comes through hard work, yes you might have a high income but you have to be frugal and save consistently. You can't just rely on your salary, something could happen and you could be unable to perform your duties, or who knows if you will be working in the next 10 years?" she says.



OUR STORY

Getting our footing in real estate investing

Two investors take us on a journey of how they bought their first parcel of land, grew their investment portfolio and the lessons learned

Investing in real estate property can be a great way to build wealth and many people, at some point in their lives, dream of buying land and building as a way to financially secure their future.

Solomon Wangwe, a real estate investor realised this dream seven years ago. At the time, Solomon and his wife had just returned from the US where they had been for over a decade. They were also newly married and after paying for their wedding expenses and their first year's rent, they only had KShs.150,000 left in their bank.

Solomon, unemployed then, and his wife who was employed, began looking for investment options for their savings. Putting it in a fixed deposit account wasn't an option for them because as Solomon recalls, banks were offering about six or seven percent interest rate, which they thought, was too low a return rate for them.

"We had heard from friends and family about their experience buying land and selling, so we figured why not do the same. That is how we started," he says.

They shared their dream with their friends and relatives. We pooled resources and were able to make our first purchase.

Solomon later founded Goshen Acquisitions Limited, a land trading agency. The company buys tracts of land, subdivides them, makes a few interventions like fencing and any other value addition fit for the particular area and then sells it.

"Land is a fixed commodity but human beings are

I once made a bad investment when I invested in a friend. I didn't look at their investment background because it was a friend. Never invest in a person who doesn't have an investment history
- Rose Munyiva

Solomon Wangwe, founder of Goshen Acquisitions Limited.

increasing. Basic economics dictates that it's going to be a valuable commodity over time," Solomon says.

Another reason is because of its passive value addition and cost of entry.

"Even if you don't develop the land but sit on it for years, its value goes up over time, and that was the whole idea. We also focused on land specifically because of cost of entry; it's cheaper to buy land than an already developed property. However, this is subjective to specific areas; for example in Kileleshwa an acre of land can cost you upwards of KShs.100 million and you could buy an apartment in Westlands for KShs.30 to KShs.40 million. It depends on where you want to make your investments and for that reason we deal with rural or frontier parts of the country because it's affordable," Solomon says.

Like with most investments, there are risks associated and possibilities of losing money to bad deals, and with buying land, the most popular is land fraud. For this reason, Solomon advises buyers to do due diligence by first confirming the validity of the documents related to the piece of property at the Ministry of Lands.

In this process, he says, you have to work with licensed advocates who specialise in conveyance because they will know how to look for potential pitfalls.

"People don't do due diligence. Dubious sellers and companies take advantage of this ignorance. You need to ask for all the necessary documents that the seller acquired in the process of procuring the land. The title deed is useless if some of those documents are missing or were produced irregularly," he says.

Unlike Solomon's investment journey, Rose Munyiva, founder of Real Stars, a religious non-governmental organisation, began hers while she was 18-years-old. Living with her grandmother taught her financial and investment lessons that she still holds dear.

Rose would soon realise the importance of financial stability when her parents could not afford to buy her school uniform after she got admitted to Pangani Girls High School. But her grandmother, who owned rental houses in Korogocho and owned plots in Kayole, Kamulu, and Maili Saba, stepped in and bought all that she needed.

"After high school, I joined Bible college where I started selling jackets. My grandmother encouraged me to save and buy land. I had watched and learnt how she saved and invested, and she even used to give 10 per cent to her church," she recalls.

You need to ask for all the necessary documents that the seller acquired in the process of procuring the land - Mr Wangwe, real estate investor

Rose bought her first house in Korogocho where today, her nephew lives. She renovated it two years ago. When she later joined university to study Business Administration, her goal was to own two houses, one to live in, the other to rent out.

So she began buying land, some for as little as KShs.18,000. She used the profits she got from the sale of jackets, salary she earned as an untrained teacher and pocket money from a scholarship she won to study in Germany.

"I realised banks wouldn't give me a loan if I wanted to build on one of the plots of land because I didn't have a good job. So I would sell one then start construction," she says.

Over the years, she has managed to buy parcels of land in Ruai, Kamulu, Jamuhuri, Kiserian, Ole Kasasi (Rongai) and Machakos and build rental houses, invest in bonds and fixed deposits.

She credits her resilience to two things; financial literacy, which she got from her grandmother and reading widely which has broadened her world view.

But that journey has also been peppered with lessons and cautionary tales when it comes down to making investment decisions; always use a lawyer and never invest in friends.

"I once made a bad investment when I invested in a friend. I didn't look at their investment background because it was a friend. Never invest in a person who doesn't have an investment history," she cautions.

She also appreciates the value of delayed gratification. "I have learnt to wait, I don't have to have everything now," she says.

Rose is passionate about mentoring and she actually mentored Solomon and got him started in his land investment journey.

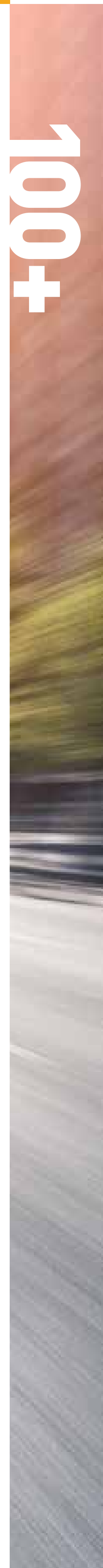
W

When you retire before 40

Allan Wanga, former Harambee Stars player.

Footballers typically have short careers. If they are lucky, they catch the eye of a scout while in their teens, are recruited to a bigger team and then go on to make an impact in their twenties. By the time a footballer turns 35, they are considered too old for the game, with the vagaries of the game having affected their legs and the toll of injuries adding up to render them ready for retirement.

For Allan Wanga, who burst into the football scene in Kenya in 2007 when he joined the Kenya Premier



> **The reality is I will soon stop playing actively. That will not be the end of life but the beginning of a new phase**

2007

Year when Wanga joined the Kenya Premier League

League side Tusker FC from Kisumu-based Lolwe FC, that reality was always at the back of his mind as he played.

He has seen a fair share of the world. From Tusker, he moved to Angola to play for Petro Atletico to replace Manucho, and he would become a football journeyman, playing in Azerbaijan, Vietnam, Sudan and then Tanzania before he returned to settle in Kenya.

"I was lucky to move out of Kenya after just one season with Tusker FC and that opened very many doors for me as a professional footballer," says Wanga. "I was also very lucky to marry when I was still young and starting to make a name for myself in football as that helped me settle down and plan for the future of my family. My wife has been very instrumental in all this."

He is married to Brenda Mulinya Wanga, a senior reporter at NTV.

Wanga is now an employee of the Kakamega County Government, where he works as a Sports Officer, and also plays for Kenya Premier League side Kakamega Homeboyz.

He has announced his retirement from playing for Harambee Stars, the Kenya national football team, as he works towards eventually retiring from playing.

Wanga has also set in motion plans for the next phase of his life.

"When I was playing abroad, I used to read negative stories of how former footballers were struggling to make ends meet after retiring from football and it really pained me. There is also the very bad perspective in Kenya where most people believe sportsmen are useless beyond playing the games they do. I wanted to change this narrative and vowed to work hard and secure my future in order to be a living example," says Wanga.

In terms of investment, Wanga owns a bar and restaurant and a gym in Rongai, next to his house and has two cars operating under taxi-hailing apps Uber and Taxify. He also rears chicken for sale.

He says he had to plan his retirement from football early enough since it is a very short career and has had to sacrifice a lot, especially when he was abroad, in order to get to where he is now.

"Many people see the success at face value but they do not understand what I have had to go through and what I still go through in order to achieve whatever I have so far. Apart from the usual working hard in training and maintaining a healthy lifestyle, I had to save a lot and avoid partying despite the fact that I was young and had money," says Wanga.

He also credits the older people he consulted, and his wife, who he says guided him to make some of the major financial and investment decisions.

"No man is an island, you have to visualise success and also talk to people who have successfully done whatever you wish to do," he says.

Wanga also advises sportsmen to embrace unity among themselves and form investment groups.

He tried it once, he says, shortly after he moved to Angola, when he formed a group with 14 other players with whom they opened a bank account where they would deposit KShs.5,000 every month.

"The aim was to save for five years and get a substantial amount of money to open a business," he says.

"We were young players with big dreams who wanted to change the narrative that Kenyan sportsmen cannot be successful off the pitch. Some dropped out along the way but we remained strong and saved for nearly four years," he recalls.

"With many players dropping off, though, the plan did not succeed despite the readiness of the bank to offer a loan of nearly KShs.40 million.

Still, Wanga believes that such investment groups, more popularly known as chamas, can change the lives of sportsmen, whose short careers demand that they make investment and retirement plans earlier than people in other careers.

Wanga recently graduated with a Degree in Human Resource Management from the University of Nairobi.

"The reality is I will soon stop playing actively. That will not be the end of life but a beginning of a new phase. I have learnt a lot in my work station at Kakamega County as a Sports Officer and I would like to be involved in Sports Management after I retire. I am planning to study Sports Science and Business Management as well. Life is a continuous learning process and we have to be equipped for the future. That is an aspect most sportsmen in Kenya miss," he concludes.

Where the super-wealthy INVEST

In 2018, there were 9,482 high-net-worth individuals (HNWIs) and 125 Ultra-High-Net-Worth Individuals (UHNWIs) in Kenya. This is according to the 13th edition of the 2019 Knight Frank Wealth Report released in March this year. The report defines a UHNWI as a person with a net worth of over US$30 million minus their primary residence while a HNWI is somebody with a net worth of over US$1 million excluding their primary residence.

Of the 125 UHNWIs, 82 are based in Nairobi.

But have you ever wondered where these privileged few invest their money?

According to Britam Asset Managers CEO Kenneth Kaniu, where and how these super-wealthy individuals invest depends on their risk appetite. For instance, those with conservative risk appetites are likely to invest primarily in asset classes like government securities and bank deposits. They ideally go for a capital protection strategy; while it does not offer so much growth, it generates a constant income.

On the other end of the spectrum, he says, are individuals with a high risk appetite who focus on capital growth and accumulation of assets. They invest in listed equities, real estate or property and private equities. These individuals don't shy away from funding private businesses as well.

"Through their investment journeys, the high and ultra-high net worth individuals follow two methodologies when it comes to investing their money," Kenneth, says.

The first method is using a financial advisor who advises according to their risk appetite and in respect to various asset classes like bonds, equities, property and private equity.

In the second one, they choose to forgo the services of a financial advisor.

"Others choose to go it alone and invest in alternative assets. They buy into businesses at various stages, either at the startup stage where they become a venture capital investor or when it has matured and shows a level of profitability hence investing as a growth private equity investor," he says.

However, Kenneth says that many billionaires look for opportunities in businesses that are about to take off because they want to participate in their growth.

"That's primarily because if you look at the stock exchange where there are slightly over 60 listed companies, perhaps its only 20 that have strong liquidity and strong corporate governance. However, there are about 10,000 or 20,000 companies that are not listed which are very profitable, have good business models, good management and good track records which are never going to list on the Exchange," he says.

This, he says, is a trend that every investor should consider because when you only invest in listed companies, you miss out on opportunities of participating in the growth of unlisted and new businesses.

This, he says, is an emerging trend in addition to investments in real estate which have been made for quite some time.

As an investment business, Britam Asset Managers invests funds for institutions such as pension funds, insurance companies, individuals, parastatals and saccos.

Some of the asset classes it invests clients' funds in include listed equities, listed debt, property, infrastructure investments, private equity, and deposits.

The company has assets under management of KShs.170 billion which is a reflection of the growth of the business and sign of trust from investors.

Where to invest

According to Kenneth, listed equities and real estate are some of the two best bets currently.

"Land prices have been fluctuating, and in some cases even going down, so this is the right time to invest in real estate," he says.

"In the next three to five years, these two assets classes will generate value relative to other classes of investments that are out there," he adds.

For an "average" person looking to invest, Kenneth advises that you really don't need to have a lot of money to start.

In fact, he says various asset classes are designed to accommodate investors both in the mass market all the way up to the UHNWI.

For someone who is beginning their investment journey, the advise is usually to consider investing in a Mutual Fund or a Unit Trust. A Unit Trust allows investors to pool their money which is invested based on a set investment strategy by an investment manager. (Variants of a unit trust are money market fund, equity fund, and balanced fund).

Therefore one can invest in a unit trust which has the benefits of professional management and better investment returns and flexibility to switch in and out of the investment.

Financial habits

For those on an investment journey, who are looking to build wealth but aren't necessarily raking in millions, there are some financial habits of the super-rich they can emulate.

One of them, according to Kenneth, is that the wealthy are very future-oriented.

"They don't live for today; they live for the future. When they get an income, they pay themselves first. This means that they set something aside before they pay their expenses or consume. But what many people tend to do is they first pay expenses, consume and then hope there is something left over to save," he says.

Secondly, they ensure they stay informed. They are always aware of what's new and trending. They keep up with new investment opportunities, new innovations and technologies and laws.

Third, they look beyond their current geographies - they look outside their country and into offshore investment opportunities because "truly, money doesn't know geography, it only knows a safety or a return."

But even as people look to build and grow their wealth, Kenneth advises them to plan for investment.

"Ensure you have a pension and that you put in additional voluntary contributions, so that you can be guaranteed that you maintain your lifestyle after you retire," says Kenneth.

He continues: "The good thing about lifestyle and finances is that it is possible to calculate upfront how much money you will require per month, per quarter or per annum to maintain the same lifestyle."

"If you work backwards today, to figure out how much time you have left relative to how much you will require when you retire, it then tells you how much you should be saving per month. This also forces you to look more critically into investments and investment returns to sustain you into retirement."

125

Number of ultra-high net worth individuals in Kenya

According to Britam Asset Managers CEO Kenneth Kaniu, where and how these super-wealthy individuals invest depends on their risk appetite.

Good governance has allowed Schemes to deliver returns

KCB Pensioners Association Chairman Wilson Macharia gives insights on the pension industry in Kenya and advises new employees on the value of saving from a young age

Q: What is the state of the pension industry in Kenya?

A: There has been tremendous growth in the industry. Membership has increased from 13% in 2001 to 20% in 2018. More people are consistently putting money in pension schemes and most schemes have returned +11% p.a over the last ten years. In addition, assets under management have grown from KShs.130 billion in 2001 to KShs.1.2 trillion in 2018.

Improved governance and oversight by the Retirement Benefits Authority (RBA) has reduced mismanagement of pension schemes leading to improved confidence. Trustees are also better equipped through training to manage schemes.

What are the latest trends in investment for pension funds?

There are investment instruments available to schemes; it depends on their risk appetite.

For example, in Real Estate Investment Trusts, instead of owning stand-alone properties, investors own units in a Fund and are able to spread their risk and also enhance returns.

In infrastructure, schemes can partner with government and other agencies to put up, say toll roads, power plants, and water and sewerage plats e.t.c and earn a return.

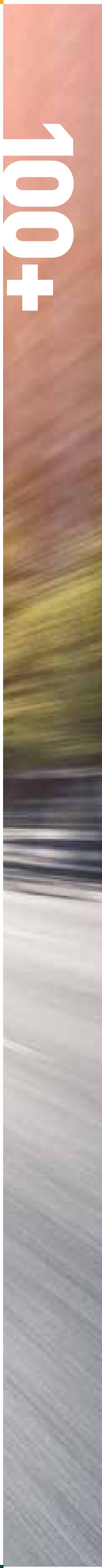
When it comes to private equity and venture capital, schemes are allowed to invest in young companies that are fast growing but are not listed on the Nairobi Securities Exchange.

There is a proposal for Private Public Partnership (PPP) investments to be distinct and allowable assets under the Retirement Benefits Investment Guidelines. The Kenya Pension Funds Investment Consortium (KEPFIC) has been spearheading this.

Are there any new regulations that are affecting pension funds?

Yes there are numerous changes. The latest touches on members' contribution. When a member of a Defined Contribution Scheme leaves employment before attaining retirement age, he/she may opt for payment of his/her own contributions and interest earned, but cannot access the employer's portion of contribution before attaining retirement age.

Previously, an employee was entitled to his contribution in full plus 50% of the employer's contribution plus interest accrued. Members are allowed to make additional voluntary



> Starting your retirement preparation when you are as young as 25 years means you have time to start building good financial habits and enjoy benefits of compounding savings.

contributions in respect to funding for a medical fund to be accessed at retirement, provided that, the funds shall be segregated and invested as per the investment policy of the Fund for this purpose.

How big is the KCB Pension Fund and what strategic measures have you put in place to ensure that the Fund is managed professionally?

KCB has two pension funds; a contributory and non-contributory scheme.

The two Funds have competent service providers, from the administrator, fund manager to the custodian.

Trustees must be conversant with investments and other aspects of the scheme and they must successfully undertake certification.

Why is it important for employees to start saving early?

If you start saving late, you may not save enough. For example, take two people who are employed at the same time; assuming they save the same amount, KShs.10,000 per month and the rate of return is 12%. The first saves for 15 years and the other for 25 years. The first saver ends up with KShs.5,000,000 and the second saver ends up with KShs.18 000,000.

There is a Chinese proverb that says "The best time to plant a tree was 20 years ago. The second best time is now." The same is true about retirement planning.

Starting your retirement preparation when you are as young as 25 years means you have time to start building good financial habits and enjoy benefits of compounding savings. Starting early means one has more years to make savings and those savings have more years to be invested and re-invested.

Building a home with KShs.200

Every week, the women of Bidii Self-Help Group lay the foundation for their future homes by making regular savings

A dream to buy land and build their homes is what brought together 15 women from Dagoretti South, Nairobi, who formed a self-help group to pursue that dream.

Some of the women found themselves in Mutuini area after they fled from their rural homes following the violence that broke out after the disputed 2007/08 presidential election.

Before the violence, they led comfortable lives raising their families and tending to their farms. But the unfortunate circumstances left the former home owners paying rent in cramped quarters. Starting off again was not easy, but they say hard work is paying off.

Individually, they knew it would take years to save enough to buy land, which is how the idea to form a chama (micro-savings group) was born.

Armed with a dream and sheer determination, the women decided to come together and mobilise their meagre resources to finance their dream. This gave birth to Bidii Self-Help Group in 2015.

Since most of them own small businesses, they decided to start by contributing KShs.50. To regularise the group's affairs, the members also set up rules and regulations.

"A successful chama needs rules, which is why we drafted a constitution to govern us, ensure our money is safe and ensure we achieve our goal of buying land," says Joyce Njeri Macharia, the group's chairlady.

Rehema Wambui, the Treasurer, says members would meet every Monday to socialise and contribute their KShs.50. "Initially, the chama operated as a 'merry-go-round', where members' contribution would be collected and the full sum paid out to one of the members on a rotational basis," she says.

After a while, the members decided to dig deeper and increase the savings. They started contributing KShs.100 every Monday and opened a bank account. Minimum contribution has since increased to KShs.200 per member. Every month, the group saves more than KShs.10,000.

15
Membership of Bidii Self-Help Group

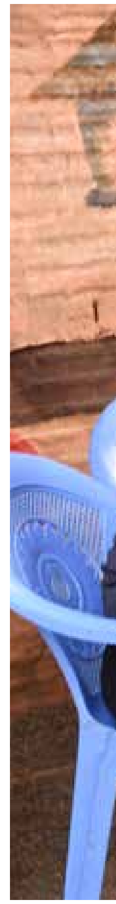
Bidii Self-Help Group treasurer Rehema Wambui.

The group also gives small loans to members which they repay with interest. This, together with the late contribution fines and missed meeting fines, has enabled them grow their savings faster.

"We could not keep the money with the treasurer. We decided to open a bank account. We also decided to join a sacco and channel some of our savings there towards the purchase of land. However, after we got wind of the financial impropriety at that sacco, we decided to withdraw our membership from the troubled sacco. We were thereafter introduced to the Nation Sacco in 2017, which is where we took our savings," says Joyce.

In early 2019, their sacco savings were well over KShs.400,000. Since the sacco allowed them to borrow five times their savings, the women were able to achieve the first part of their dream.

"We bought $3^{1/2}$ acres of land in Mananja in Masinga Constituency," says Joyce.



This, she says, has been the best decision ever. “Nation Sacco is stable and every year, we get dividends and interest from our savings,” she says.

Other than financial solutions, Nation Sacco also gives investment advisory to members of investment groups.

“Chamas form part of our membership. We have savings and credit products. We offer loans up to five times of their deposits,” says Nation Sacco Credit Manager Paul Mwita.

“If a chama is desirous of joining Nation Sacco is not registered,” he adds, “we help them register because we prefer working with a formally registered group. When a chama wants to borrow money to finance a project, we give them the pros and cons of the said project and expected overheads and cash flows. We take them through the entire project cycle and expected business financing and repayment schedule.”

Commercial banks too have a suite of solutions for investment groups.

A successful chama needs rules, which is why we drafted a constitution to govern us, ensure our money is safe and ensure we achieve our goal of buying land”
Joyce Macharia, the chairlady

For example, KCB Bank has Tuungane Chama Account, a product that caters for both registered and non-registered groups and allows members to save consistently.

The account has a very competitive interest rate on savings, and a chama can borrow eight times against the saved amount.

KCB Mobi Chama also offers a solution that allows members of a chama to transact using their mobile phones.

By aggregating their individual savings into a single deposit, self-help groups minimise the bank transaction costs and generate an attractive volume of deposits.

A dream doesn’t become reality through magic; it takes sweat, determination and hard work. Also a little goes a long way. The women of Bidii Self-Help Group are a testament to this saying for they are well on course to becoming home owners again.

PLACES TO VISIT

Jamaica

Tiny island with bountiful to offer

"Why Jamaica?" people asked when it was announced that President Uhuru Kenyatta would be making a three-day state visit to the Caribbean island in August. It was for many good reasons, but it sparked an interest in the land associated with reggae and its legend Bob Marley and the interesting Jamaican Patois. The social media-savvy would also have seen the wave of interest generated by a prominent lawyer's visit to that country. Our correspondent was in that country recently and came back with insights, and breathtaking photographs

Getting there

The easiest route is through the US but getting an American visa is infamously difficult so it is important to have an alternative route into the Caribbean island. The next best alternative is to get a transit visa for Canada, which is easier. Budget up to KShs.250,000 for the airfare, but this can go as low as KShs.120,000 depending on the airline.

Using the normal routes out of Kenya, you may land in Toronto, where you get the opportunity to do a tour for a day or two, and this can include the Niagara Falls, viewed from the Ontario side, an hour's drive from Toronto. If you wish to drive, get an International Driving Licence, which enables you to hire a vehicle and drive yourself around.

You will need to be confident about driving in a foreign country, especially since the driving there is on the right hand side of the road. The good thing is the roads are well-marked and navigation by satellite is easy – offline maps work in case the traveller does not have a local line.

You can also land at Kingston or Montego Bay. If you happen to be travelling during Kingston's carnival period, airfare is more expensive than usual and so landing at Montego Bay would work better. The beauty about Jamaica is that no matter where you land in Jamaica, you will be within a comfortable distance of the attractions offered by the tropical island – waterfalls, hills, and beaches.

The warm weather makes it a destination you can visit all year round. It is possible to book tours that take tourists to key sites or to hire a vehicle for self-driving. A Kenyan would find that the drivers in Jamaica are not very different from those here. Entry fees range between $15 and $40

Montego Bay

Montego Bay is famous for an expansive beach – Jamaican beaches are not as expansive as those along the East African coast - and the Luminous Lagoon. The lagoon is best toured at dusk as the blue phosphorescent glow will shine brightest at night when the water is disturbed.

The locals have their own version of why the organisms glow in the dark but scientists have established that the glow comes from micro-organisms that emit light when disturbed, creating the bio-luminescence that makes this a tourist attraction. The water is between three to eight feet deep, which makes it ideal for wading and swimming in, and for great photographs.

Another key attraction in Montego Bay is rafting in Martha Brae River. This is done on a scenic bamboo raft and $25 gets you an hour in the water.

Also located in Montego Bay is Tracks and Records, the restaurant co-owned by Usain Bolt, the Olympian with eight gold medals under his belt. It boasts of an offering of the best that Jamaica has to offer in terms of food, music and sports. The food is a mix of the traditional Jamaican food, jerk chicken, and the usual fare of burgers and chips.

Ocho Rios

Ocho Rios' main attraction is Dunn's River Falls, which is considered one of Jamaica's national treasures and historical sites, having been the site of a famous battle between Spain and Britain. The Spanish called the area "Las Chorerras" which means "the waterfalls" and there are four rivers in the area, all characterised by fast-flowing water all-year round. The main activity at the falls is usually climbing them.

Blue Hole is higher up than Dunn's River Falls, and much less crowded with tourists, and the reward is cool blue natural pools that you can dive into off the water falls or diving boards.

Konoko Falls and Park

With gorgeous gardens with flowers and a small waterfall, Konoko Falls and Park is a good place to relax, take in the sun and enjoy the peace and quiet.

Spanish Bridge

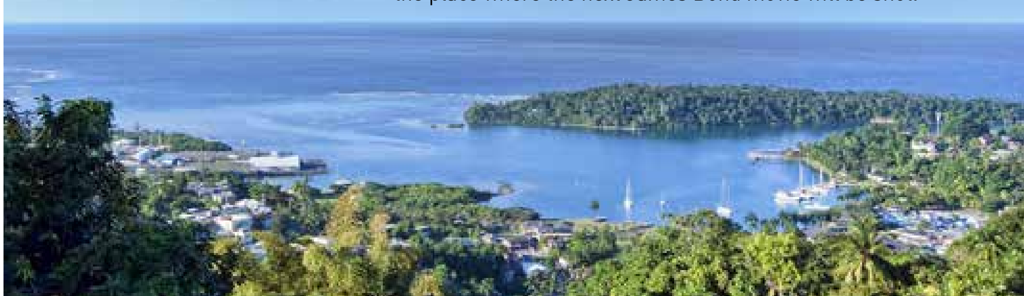
The main feature here is swinging off the bridge and diving into the water. With good upper body strength, you can hold onto the rope and swing back onto terra firma. The other alternative is to fall into the cool waters.

Margaritaville

After you are done with touring all the wonderful sites, you can travel to Margaritaville to kick back over cocktails at the beach. Here, you are likely to mingle with tourists coming off the cruise ships that dock at the port here. One can also go on boat rides and engage in water sports.

4. Port Antonio

Described as the place to go when you retire, this town is also the place where the next James Bond movie will be shot.



TRAVEL

Highlight of my 'Big Apple' trip

> Museums have never been my thing, but the Camp exhibition was worth it.

Four days in New York is not enough to fully experience the city. But four days is all I had to soak in all that the Big Apple had to offer. And I knew, just from all I had read and seen from the moment the plane touched down, that I had to make these the most memorable ninety-six hours of my life.

I had a checklist of some of the obvious sites I had to visit. These included Central Park, the Brooklyn Bridge and Soho. The Metropolitan Museum of Art (Met) was not anywhere in my radar as it would be for many others.

However, my friend floated the idea of going to the Met. She mentioned the Camp: Notes on Fashion exhibition that had been running and said it was a must visit. I didn't know anything about Camp, and would have been forgiven to think of tents, the outdoors and roasted marshmallows.

On the second day of our stay, we headed out for what we hoped would be an enjoyable afternoon walk through Central Park before we headed to the Met for the annual Met Gala fashion exhibition that seeks to raise money for the Met's Costume Institute.

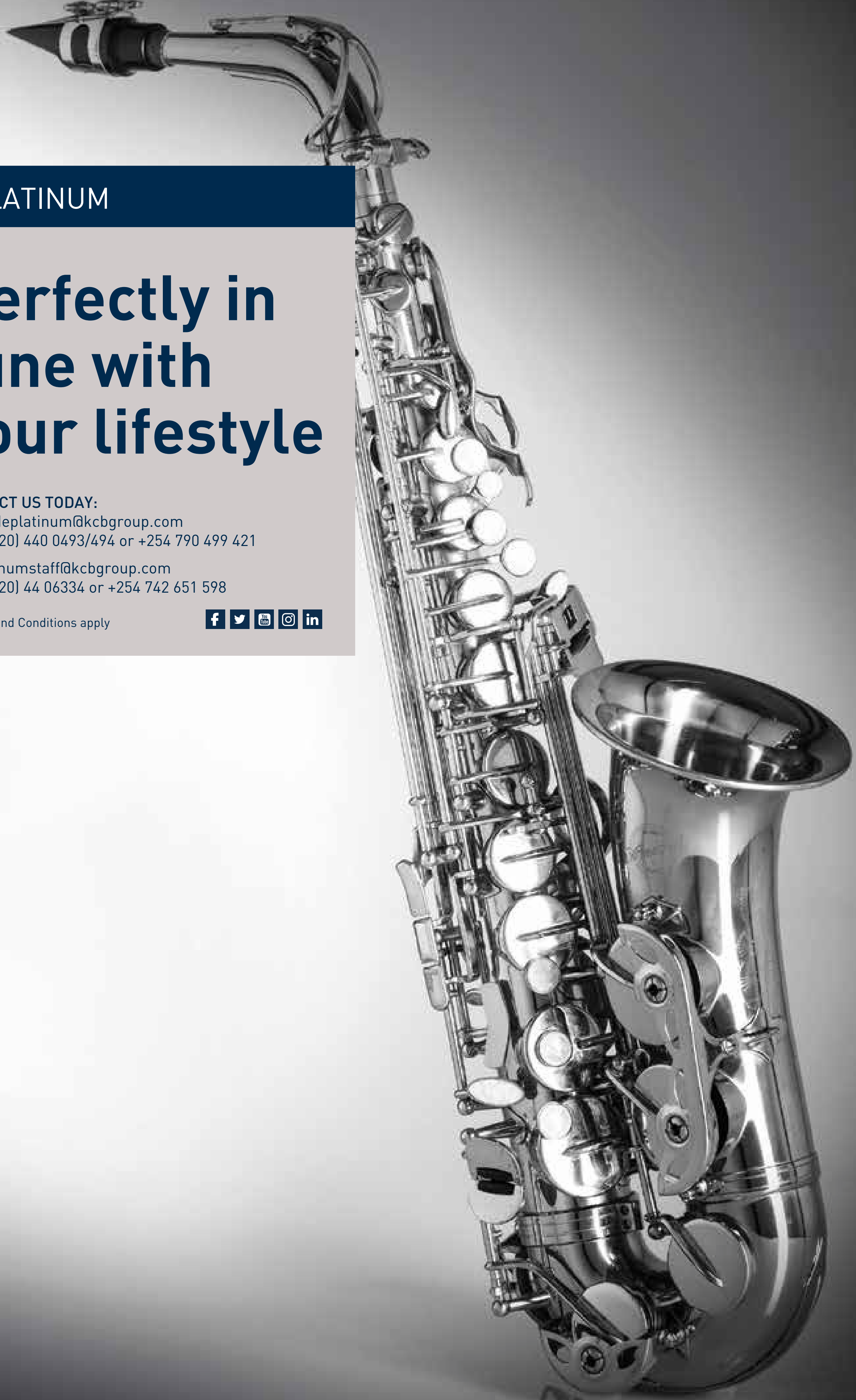
The theme of this year's exhibition was inspired by Susan Sontag's 1964 essay titled "Notes on Camp". Each year, celebrities and designers are required to dress the to the theme. Sontag's thought-provoking essay attempted to explain the camp phenomena. She used words such as surreal, a free-form concept, love of the exaggerated, playful, anti-serious.

From the moment we got to the entrance, I could already see why my friend was enthusiastic about the visit. The walls at the exhibition boasted of a soft pink hue with writings and explanations of what Camp meant. There was an audio running in the background to the same tune and participants had the option of reading or listening in.

It wouldn't be a fashion exhibition without a display of the fashion ensembles. Spread out across the halls were different pieces of clothing draped on mannequins. After enjoying all the exhibition had to offer, I was intent of understanding what Camp meant to me.

Camp is something that is accepted and understood only by a small number of people, something that many others looking in would think is abstract, puzzling and even hard to understand. This is exactly how Sontag summarised her essay in her 58th point, "the ultimate camp statement: it's good because it's awful…"!

Museums have never been my thing, but the Camp exhibition was worth it.



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