



# Wealth Management Training Planning for Retirement



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## **I: Introduction to Cytonn Investments**

# What We Stand For



## Our Mission

We deliver innovative & differentiated financial solutions that speak to our clients' needs



## Our Vision

To be Africa's leading investment manager by consistently exceeding clients' expectations



## Our Values

### People

Passionate and self-driven people who thrive in a team context

### Excellence

Delivering the best at all times

### Client Focus

Putting clients' interest first at all times

### Entrepreneurship

Using innovation and creativity to deliver differentiated financial solutions

### Accountability

We take both corporate and personal responsibility for our actions

### Integrity

Doing the right things



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## Overview of the Firm

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**SECTION**

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# **Overview of The Firm**

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**Strategy is  
straightforward –  
just pick a general  
direction and  
implement like hell**

— Jack Welch

# About Us

Cytonn Investments is an alternative investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East Africa region. Our investors include global and local institutional investors, individual high net-worth investors and the diaspora. We also service retail investors through our Cytonn Co-operative

## FACT FILE

**74**

Over Kshs. 74 billion under mandate

**3**

Three offices across 2 continents

**150**

Over 150 staff members

**12**

12 investment ready projects

## A unique franchise differentiated by:

### Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

### Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

### Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

### Committed Partners

Strong global and local partnerships in financing, land and development affiliate



# Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

## WE SERVE FOUR MAIN CLIENTS SEGMENTS:

- Retail segment through Cytonn Co-operative membership
- High Net-worth Individuals through Cytonn Private Wealth
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional clients

## WE INVEST OUR CLIENT FUNDS IN:

- Real Estate
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions



# Our Business

## Where We Operate



## Our Business Lines

### Investments

Alternative investment manager focused on private equity and real estate

### Real Estate

We develop institutional grade real estate projects for investors

### Diaspora

We connect East Africans in the diaspora to attractive investment opportunities in the region

### Technology

We deliver world-class financial technology solutions

### Co-operative

Provides access to attractive alternative investment opportunities for members

# Our Solutions

To unearth the attractive opportunity that exists in alternative markets in Africa, we offer differentiated investment solutions in four main areas:

## HIGH YIELD SOLUTIONS

Our expertise in the alternative markets enables us to offer investors high yielding investments. Our robust credit analysis coupled with our quick dealing capabilities, our extensive research coverage and our innovative structuring helps to ensure consistent and above market returns to investors.

## REAL ESTATE INVESTMENT SOLUTIONS

Our comprehensive real estate capabilities enable us to find, evaluate, structure and deliver world-class real estate investment products to our investors in the East African region. Our capabilities include fundraising, market research and acquisition, concept design, project management and agency and facility management.

## PRIVATE REGULAR INVESTMENT SOLUTIONS









Attractive returns in the alternative segments have typically been accessible to institutional and high net-worth investors. Our regular investment solutions provide access to the alternative investments to members of the Cytonn Co-operative.

## PRIVATE EQUITY

We seek to unearth value by identifying potential companies and growing them through capital provision, partnering with management to drive strategy and institutionalizing their processes. Our areas of focus are Financial Services, Education, Renewable Energy and Technology Sectors.

# Our Products

We serve three main types of clients namely, high net-worth individuals, institutions and retail, each with diverse needs. Below are the suitability criteria for the various products.

	INSTITUTIONAL CLIENTS	HIGH NET WORTH INDIVIDUALS (HNWI)	RETAIL CLIENTS
<b>Cash Management Solutions</b>			
<b>Regular Investment Plan</b> <ul style="list-style-type: none"><li>• Education Investment Plan</li><li>• Regular Investment Solution</li><li>• Co-op Premier Investment Plan</li><li>• Land Investment Plan</li></ul>			
<b>Real Estate Development</b> <ul style="list-style-type: none"><li>• Real Estate Developments</li><li>• Sharpland</li></ul>			

# Our People



If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— Patrick Lencioni



We are focused on one agenda:  
**THE CLIENT**

# Board of Directors

To ensure that we remain focused on the clients' interests, we have put in place proper governance structures. We have a board of directors consisting of 10 members from diverse backgrounds, each bringing in unique skill-sets to the firm



**Non-Executive Director**  
Chairman

**Prof. Daniel Mugendi Njiru, PhD**



**Non-Executive Director**

**Madhav N. Bhalla, LLB**



**Non-Executive Director**

**Antti-Jussi Ahveninen, MSc**



**Non-Executive Director**

**Nasser J. Olwero, MPhil**

For bios, visit [www.cytonn.com](http://www.cytonn.com)





**Non-Executive Director**

**James M. Maina, MA**



**Non-Executive Director**

**Michael Bristow, MSc**



**Non-Executive Director**

**Rose Kimotho, M.B.S.**



**Executive Director**

Managing Partner

**Edwin H. Dande, CPA, MBA**



**Executive Director**

Senior Partner

**Elizabeth N. Nkukuu, CFA, MBA**



**Executive Director**

Partner

**Patricia N. Wanjama, CPS (K), MBA**

For bios, visit [www.cytonn.com](http://www.cytonn.com)

# Governance



If you have leadership without governance you risk tyranny, fraud and personal fiefdoms. If you have governance without leadership you risk atrophy, bureaucracy and indifference.

— **Mark Goyder**

## INVESTMENTS & STRATEGY COMMITTEE

The committee oversees and provides strategic investment direction, including the implementation and monitoring process.

The committee consists of five directors with three non-executive directors namely: James Maina (Chairman), Antti-Jussi Ahveninen, Madhav Bhalla, Edwin Dande and Elizabeth Nkukuu.

## AUDIT RISK & COMPLIANCE COMMITTEE

The committee establishes and oversees risk and compliance, including the implementation and monitoring process.

The committee consists of four directors with two non-executive directors namely: Madhav Bhalla (Chairman), Nasser Olwero, Edwin Dande and Patricia Wanjama.

## GOVERNANCE, HUMAN RESOURCES & COMPENSATION COMMITTEE

The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations.

The committee consists of four directors with three non-executive directors namely: Antti-Jussi Ahveninen (Chairman), Prof. Daniel Mugendi, Michael Bristow and Edwin Dande.

## TECHNOLOGY & INNOVATION COMMITTEE

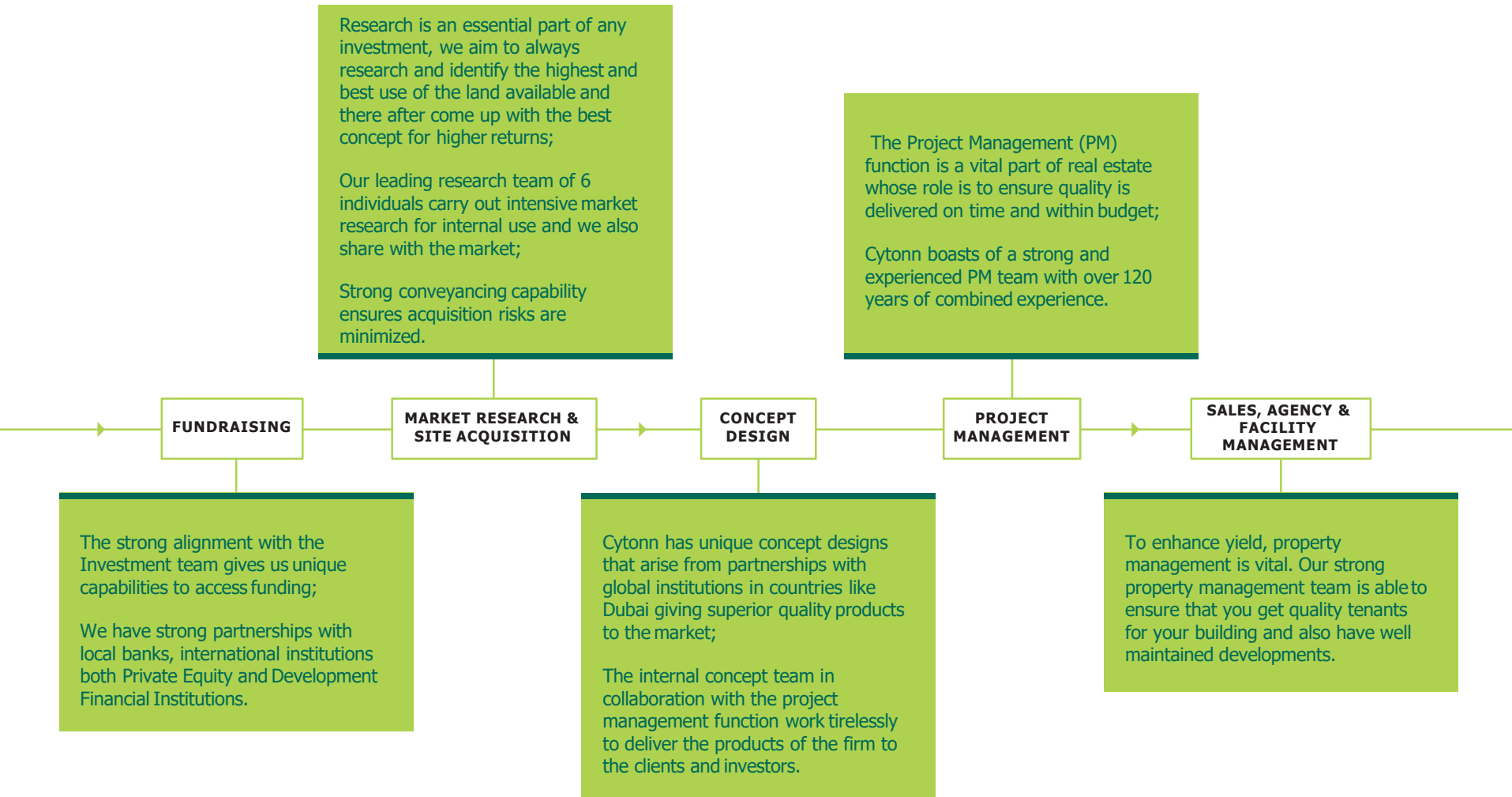
The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness.

The committee consists of three directors, with two non-executive directors namely: Nasser Olwero (Chairman), Michael Bristow and Patricia Wanjama.



# Cytonn Real Estate's Unique Capabilities

Cytonn has all the necessary capabilities to deliver the very best Real Estate for investors.



**AMARA RIDGE**



**SITU VILLAGE**



**THE ALMA**



**NEWTOWN**



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## **II. Personal Financial Planning**



# Introduction to Financial Planning

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## Sound financial planning is necessary for achieving financial independence

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- Sound financial planning is necessary for achieving financial objectives
- Planning what to do with one's money and spending and investing it wisely involves personal financial planning
- Financial goals help in achieving financial freedom
- Financial planning is the cornerstone of achieving financial freedom

### **Law of scarcity**

- Scarcity refers to the basic economic problem, the gap between limited, that is, scarce – resources and theoretically limitless wants
- This situation requires people to make decisions about how to allocate resources efficiently, in order to satisfy basic needs and as many additional wants at possible
- The highest-valued alternative that must be given up when a choice is made is the opportunity cost of the choice
- The choice of one item while giving up another is called a trade-off

# Factors Influencing Financial Planning

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Cytonn's Key objective is to first understand the needs of the client

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**Financial planning is influenced by many factors:**

## Values, Goals & Personal Choices

- Each Investor will have different goals they wish to achieve when it comes to Financial Planning, dependent on their individual choices

## Major Life Events

- Life events such as Marriage and Health Status can influence ones Financial Planning Goals

## Lifestyle Conditions

- Age, Income and Employment Status all influence an Investors Lifestyle, and hence their Financial Planning

## Life Cycle Needs

- As an Investor moves ahead in the Life Cycle from a Dependent to a Distributor of Income, their Financial Planning goals are influenced

# Determinants of Investors Investment Ability

Understanding what the client needs is key rather than giving them the right product

## **Marital status**

Single, married, divorced,  
widowed

## **Employment status**

Employed, unemployed,  
facing unemployment

## **Income**

Amount of income

## **Age**

Age of all family members

## **Number of dependents**

Children, spouse, parents,  
other family

## **Economic outlook**

Interest rates, employment  
level, salary rates

## **Education**

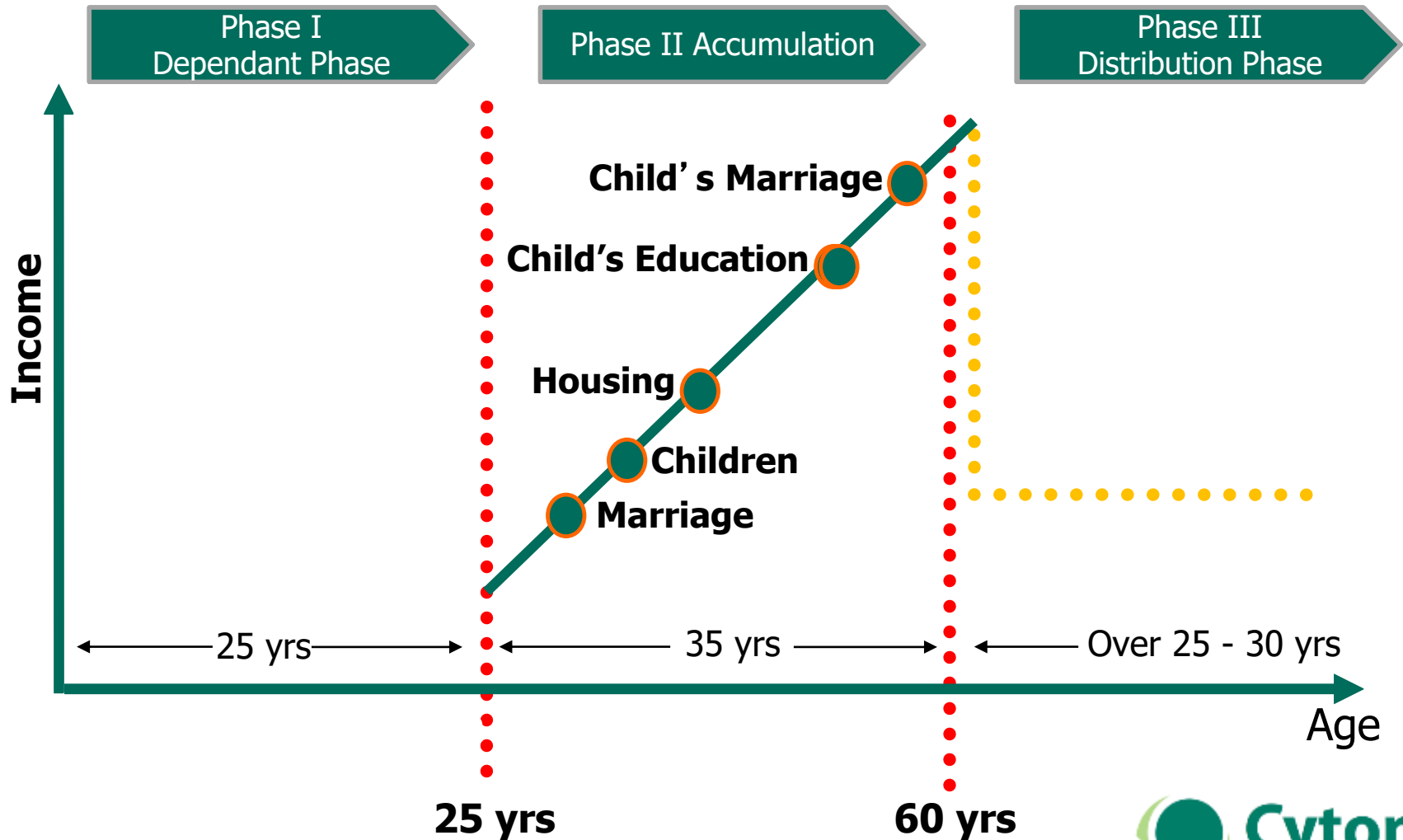
Education level of family  
members, tuition needs for  
children

## **Health status**

Health of all family members

# Determinants of Investors Investment Ability – Phase in life

The stage of the investor determines what he can invest in

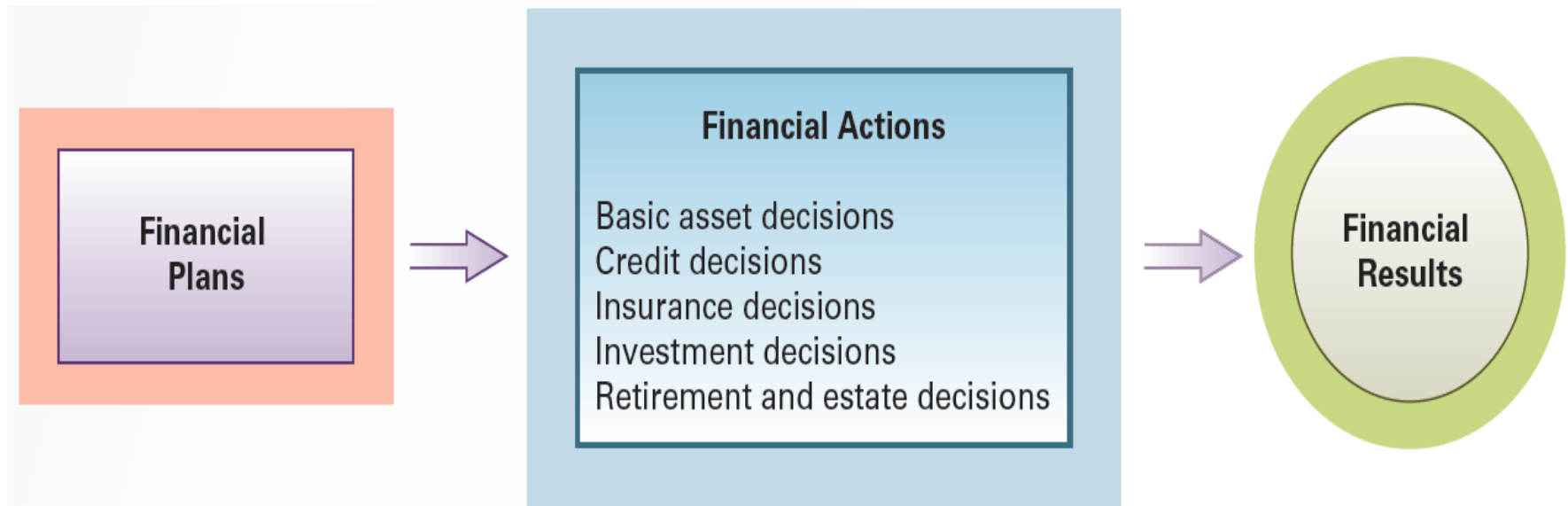


# Financial Decisions

Financial planning is important in achieving financial independence

## Personal Financial Planning

- It is a systematic process that considers important elements of an individual's financial affairs to fulfil financial goals
- The chart flow below outlines major financial decisions:





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### **III. Planning for Retirement**

# Planning for Retirement

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## Retirement is when an employee chooses to leave his or her employment permanently

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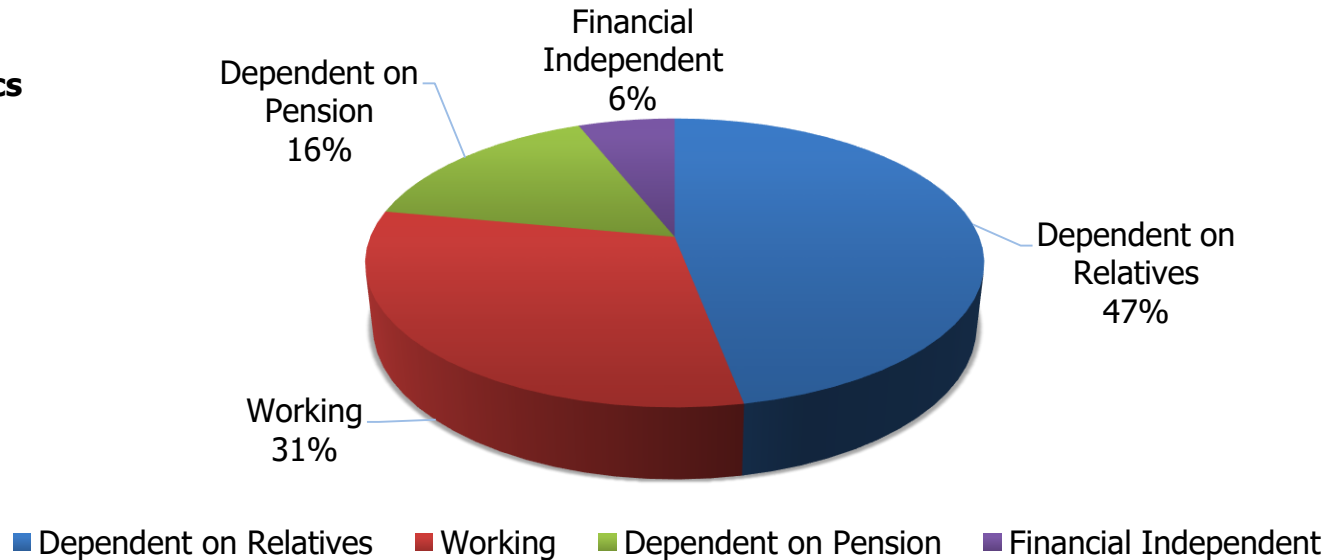
- Retirement is the point in time when an employee chooses to leave his or her employment permanently
- An employee may choose retirement for reasons other than the wish to stop working i.e an employees may suffer ill health or debilitating physical problems that require retirement because the employee is no longer able to perform his job
- The “average” person who retires at age 60 looks forward to another 16 to 20 years of life
- It is never too early to begin planning how you want to spend those years. When you think ahead to retirement, here are some questions to ponder:
  - What lifestyle will you want during retirement?
  - How much money will you need to do this?
  - What is your current financial situation?
  - What percentage of your final salary would you be comfortable earning in retirement?
  - How will your financial situation change at retirement?
  - How can you control your financial future to be able to retire with the resources needed to achieve your desired lifestyle?
  - Review financial plan periodically - Reality check, asset review and allocation based on changing risk profile

# Planning for Retirement

Retirement planning involves analysis of the various choices help provide for your financial future

- A report by Retirement Benefits Authority found out that more than 90 per cent of Kenyans are not planning sufficiently for retirement and those in pension plans make contributions too low to cover them in their sunset years, thus the need for financial planning early

## Sad Statistics



## Objective of Retirement Planning

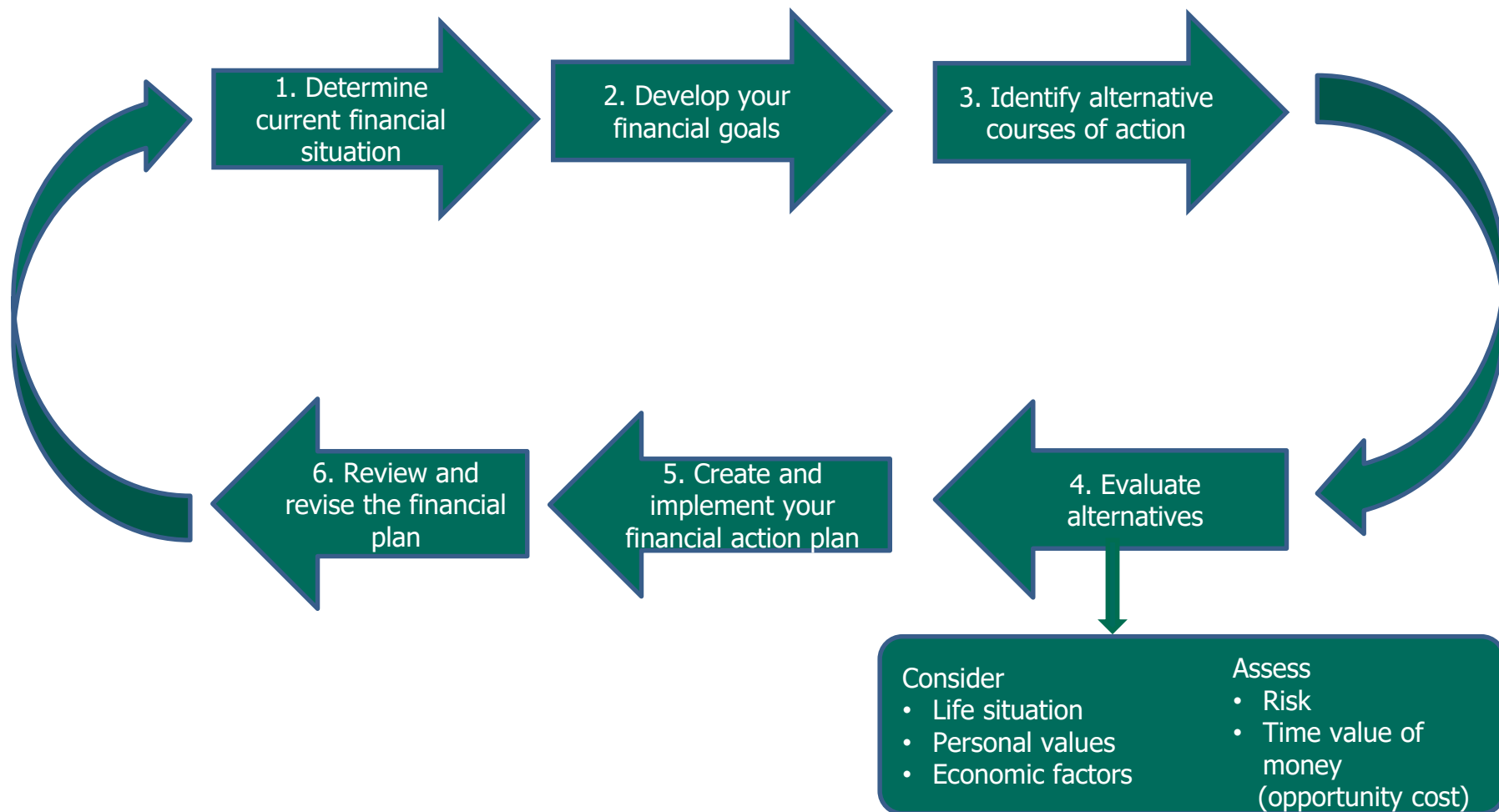
- To ensure you have a nest egg when out of a job/emergency
- To continue with the same standard of living before and during retirement
- Peace of mind
- Financial freedom - get out of the rat race

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## **IV. Steps in Financial Planning**

# Steps in Financial Planning

Personal Financial Planning is an ongoing process



# Steps followed in Financial Planning

The question is what do I have and what do I have access to

**1. Determine your current financial situation:** What is my current Net Worth? (If I sell all my investments and repay all my loans what will I be left with? What is my monthly income?)

Total Assets	Kshs	Total Liabilities	Kshs
Cash In Bank		Helb Loan	
Sacco Savings		Bank Loan	
Value of Real Estate		Sacco Loan	
Investments in bank Deposits		Credit card balance	
Value of Farming proceeds			
Total			

My Net Worth
Total Assets
Total Liabilities
Net Worth ( Assets - Liabilities)

- The aim is to have the highest net worth as possible. If you take a loan to buy an investment, the rule of thumb should be that the returns on the investments should be higher than the interest rates on the loan
- The other important thing to consider is the spare cash you have from your total income. Have a budget and save as much as you can

# Steps followed in Financial Planning, continued...

It starts with the investor writing down the expected goals they must achieve

## 2. Develop your financial goals: What do I want to achieve and by when?

- The financial goals should be SMART i.e. Very Specific, Measurable, Attainable, Realistic, and Time-based
- To remain motivated and on track the financial goals should be divided into Short term(e.g. buy phone), Medium term (pay school fees) and Long term (buy a house)
- As you set up the goals you need to review your financial health. Also it is good to review your cash flow position. And always treat savings as a necessary expense
- Prioritize the goals and come up with a schedule like the one below:

	Goal	Total Cost	Duration/By when	Monthly Cost	Target Completion Date
1					
2					
3					
4					
5					

# Steps followed in Financial Planning, continued...

## What will help me attain what I want to attain?

### **3. Identify and evaluate alternative courses of action** required for you to attain your goals all what you need is *resources*

- To get more resources there are two things you can do:
  - Reallocating existing resources from the current use to a better use
  - Generating new ones through either better prudent investments or getting a better Job
- To improve on your income you need a chart indicating the various types of investments, the possible returns and the time frame to generate returns. Below is a summary of the above:

	Investment	Return profile	Ease of Access	Suitable for what investment goal
1	Equities	Medium	Very easy ( 3 working day)	Medium to long term ( above 1 year)
2	Fixed Income (deposit)	Low to medium	Very easy	Short term to medium term below 1 year
3	Property	High	Very Illiquid	Long term goals( more than 3 years)



# Steps followed in Financial Planning

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Investor need to be discipline and true to their financial goals

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## **4. Implementation and review of the financial goals:**

- The next step is to sit down with the financial advisor and agree on how achieve what we have set out to achieve. The main issue is the portfolio construction and what proportion of money goes into which investments
- After a set period or after a certain change in life circumstance (e.g. the birth of a child or getting married) then how do you change the plan?

# Summary of Products Suitability for Clients

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Various factors determine what the client would need for their portfolios

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**There are general rules that determines the client risk levels and hence what they can invest in, namely:**

- 1. Age :** the younger one is the more risk they can take
- 2. Income level:** the higher the level of income the more risk a client can take
- 3. Level of Sophistication:** the more sophisticated and investor is the more investment products they can review
- 4. The amount of Net worth :** the higher the level of net worth the more investments an individual can undertake
- 5. Investment Knowledge:** People who have previously interacted with investment can make more and diverse investments

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## **V. Product Suitability**

# Suitable Investments for each Investor

Lifecycle plays a key role in the investors risk profile and determines what the investor can invest in

Investors Age	Expected Risk Profile	Income Level	Skew investments towards	Reasoning
Below 25	High	Starting up so not high	Real Estate and Equities	Has a long investment horizon to withstand volatility and get enhanced returns
25- 35	High	Medium to high	Real Estate, Equities	Few cash flow requirements. Still has time to withstand volatility
35-45	Medium	Medium to high	Real Estate, Equities and FI	There are constant cash flow obligations. Still has time to withstand medium volatility
45-60	medium	Medium to high (Generating income from prior investments)	Real Estate, Equities and FI	There are constant cash flow obligations. Still has time to withstand medium volatility
Above 60	Low	low or non existent	REITS and Fixed Income	Stability of income is key

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## **VI. Conclusion and Recommendation**

# Conclusion

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## You need to start planning early

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### 1. Save

- Start saving as soon as you can
- Treat your savings as a necessary expense e.g. rent
- Have a savings plan: 10-15% of salary
- Save as much as you can in your pension scheme - you save on taxes and can't access your benefits easily
- Build an emergency fund from your savings in a separate bank account worth 3-6 months worth of living expenses to cater for an emergency/out of job situation
- Have a good medical cover in case of large, unforeseen medical expenses

### 2. Budget

- Live within your means - don't spend more than you earn
- Make a list of all your income streams and daily expenses
- Expenses - group as necessary and discretionary
- Find ways to cut down your discretionary expenses
- Monthly budget - prepare and work with one that suits you
- Diversify: put some money into other investments apart from savings and pension plan
- Do you have dependents? - Get life insurance
- Write a will – keep your hard earned money within the family
- Periodically assess your portfolio - adjust for changes in income, expenses, responsibilities, risk profile, etc

# Conclusion cont...

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## Manage your debts

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### 3. Debt Management

#### ***Good Debt***

- Debt for investment, future financial gain e.g. business, education, property, etc

#### ***Bad Debt***

- Debt for consumables/expenses

#### ***Manage your debt***

- Plan before you borrow
- Maximum 1/3 of net pay in loan repayments
- Thou shalt not covet - don't borrow for things you desire but don't need
- Avoid borrowing on consumption items - car, holiday, furniture, etc
- Write a list of all your debts and prioritise payments - pay interest bearing debt first
- Pay your loans as fast as possible - the longer term the loan, the more you pay
- Avoid credit card debt - it is the most expensive

# Conclusion cont...

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## Invest for retirement

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- **4. Invest**

- You can invest in the following:
  - Equities
  - Fixed Income
  - Private Equity
  - Real Estate backed investments
  - Property
- Consider your risk profile, return expectations, and liquidity requirement

### **Formal Plans**

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

### **Informal Plans**

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



# Conclusion cont...

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## Consider the Impact of Inflation

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- You also need to consider the impact of inflation after you retire
- What is inflation? It's the rate of change in the prices of the goods and services we purchase
- This trend will likely continue after you retire. This means, each year you live in retirement, you will need more income to be able to buy the same goods and services you purchased the previous year

***~Inflation will continue after you retire~***

# Recommendation

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## Make your retirement savings your top goal

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- Your accumulated pension benefits are probably not sufficient. Therefore:
  - Make your retirement savings your top goal – put every available shilling away for your retirement
  - Start paying off your debts
  - Be very wary on taking on more debt than you can easily repay at this time in your life
- Know your retirement date, don't let HR surprise you
- Plan where you are going to live and the cost implications/savings.
- Include medical costs – medical insurance in your 60s is expensive, but a must.
- Draw up a retirement budget. Rule of thumb – you will need 70-80% of your pre-retirement income to live comfortably

***~Retirement Planning: It's Never Too Soon – or Too Late – to Start~***



# Q&A