



**MAKERERE UNIVERSITY**  
**RETIREMENT BENEFITS SCHEME**  
**PRESENTATION**

**BY :**

**OCTAGON UGANDA LIMITED**





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Pension | Insurance | Property | Training

**Best pension services provider in Kenya**

*Global Pension Funds Awards 2016, World Finance*

Let the winner lead you into a life of comfort in retirement

KENYA | UGANDA | ZAMBIA

## Introduction– Octagon Africa

- Founded in Kenya in 2007, currently with over 38 staff members spread in Kenya, Uganda and Zambia.
- Pension – administering assets in excess of USD400 million and membership of over 25,000 members
- Insurance Broking – underwriting USD24 Million premiums pa.
- Training – have trained 1300 Trustees and 14,200 Members
- Property – Scheme properties under management – USD45 Million
- Licensed by Uganda Retirement Benefits Authority, Kenya Retirement Benefits Authority and Insurance Regulatory Authority.



# FINANCIAL PLANNING



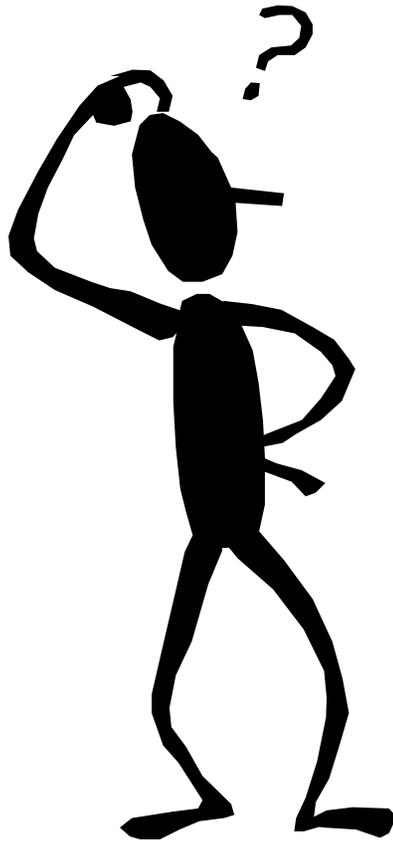
## Commandments of financial freedom

- Keep your mind off the things that you do not want
- Invest what you want to get back.
- Invest on the front end
- Be patient
- Don't be deterred by a crop failure
- Put your money where you want your heart to be
- Expect results





# Why plan your finances?





## **Why plan your finances?**

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



# Consider Budgeting

- ✓ **What is a budget?**
  - **A spending plan to help you forecast and control your expenses.**

# Making a budget

- ✓ **How do you make a budget?**
  - **You need to figure out how much you spend each month and compare that amount to your take-home pay.**
  - **Track your spending for a set period of time, like a month, in order to figure out how much money you spend.**

# Making your budget work

- ✓ **Does your income cover your expenses?**
- ✓ **If not, you need to figure out how to spend less or earn more.**



# Budget Exercise - Income vs Expenses

## INCOME

-  Salary.
-  Rental
-  Other

## EXPENSES

-  Household expenses
-  School fees.
-  Medical.
-  Mortgage/ Loan payments.





## 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 - 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.
- Pay your major periodic expenses on a monthly basis e.g. school fees.





Monthly AVC=UGX 60,000  
 Escalation Rate (p.a)= 10%



	Term (Years)					
	5	10	15	20	25	30
<b>Principal</b>	<b>4,395,672</b>	<b>11,474,946</b>	<b>22,876,187</b>	<b>41,238,000</b>	<b>70,809,883</b>	<b>118,435,696</b>
4.0%	4,915,337	13,896,457	29,656,282	56,613,983	101,947,493	177,290,939
5.0%	5,053,534	14,588,499	31,726,598	61,601,938	112,619,067	198,487,194
6.0%	5,195,187	15,319,232	33,975,565	67,168,554	124,837,296	223,348,784
7.0%	5,340,368	16,090,860	36,419,803	73,388,702	138,858,778	252,617,941
8.0%	5,489,153	16,905,703	39,077,474	80,347,184	154,984,651	287,196,660
9.0%	5,641,617	17,766,207	41,968,413	88,140,039	173,568,352	328,181,684
10.0%	5,797,836	18,674,946	45,114,283	96,876,007	195,024,728	376,907,138
11.0%	5,957,889	19,634,628	48,538,718	106,678,142	219,840,568	434,996,113
12.0%	6,121,853	20,648,104	52,267,525	117,685,740	248,587,253	504,424,160
13.0%	6,289,811	21,718,372	56,328,842	130,056,342	281,935,081	587,595,363
14.0%	6,461,842	22,848,586	60,753,355	143,968,113	320,670,347	687,435,520
15.0%	6,638,029	24,042,061	65,574,511	159,622,460	365,715,125	807,504,842
16.0%	6,818,457	25,302,281	70,828,756	177,246,972	418,150,367	952,134,607



# INVEST

What can you invest in?





All investments are undertaken towards achieving certain objectives.

Three forces are vital in investment decision making:

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



# What can you invest in?

- Shares - Quoted and unquoted
- Interest bearing assets e.g. bank deposits, treasury bonds
- Offshore investments – direct in currencies or hedge and mutual funds
- Unit trusts
- Pension schemes
- Property
- Agricultural
- Commercial Paper

Y Consider your **risk** profile, **return** expectations, and **liquidity** requirements





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**Prudent investment must always be guided by return, risk, and liquidity framework, as illustrated.**

<b>INVESTMENT</b>	<b>RETURN</b>	<b>RISK</b>	<b>LIQUIDITY</b>
1. UNDEVELOPED LAND	2% P.A.	VERY LOW	VERY LOW
2. PROPERTY	8% P.A.	LOW	LOW
3. FIXED DEPOSIT ACCOUNTS	5% P.A.	LOW	HIGH
4. TREASURY BILLS, BONDS	10% P.A.	VERY LOW	HIGH
5. STOCKS	15% P.A.	VERY HIGH	HIGH



# DEBT MANAGEMENT



## WHY DO WE GO INTO DEBT?

- We spend more than we earn
- We want to have what the neighbor /colleague/friend has
- We borrow to pay back other loans – top-ups

## GOOD DEBT

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

## BAD DEBT

- Debt for consumables/expenses



# Managing 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
- Avoid a 'saviour' mentality - you can't save everyone. Save yourself and your family first!!!
- Building vs. mortgage



## Managing Debt (cont.)

- Write a list of all your debts and prioritise payments - pay interest bearing debt first.
- Seek to restructure your debts
- Pay your loans as fast as possible - the longer term the loan, the more you pay.
- Family and friends - cheapest and most understanding of creditors but **DO NOT EXPLOIT THEM!**

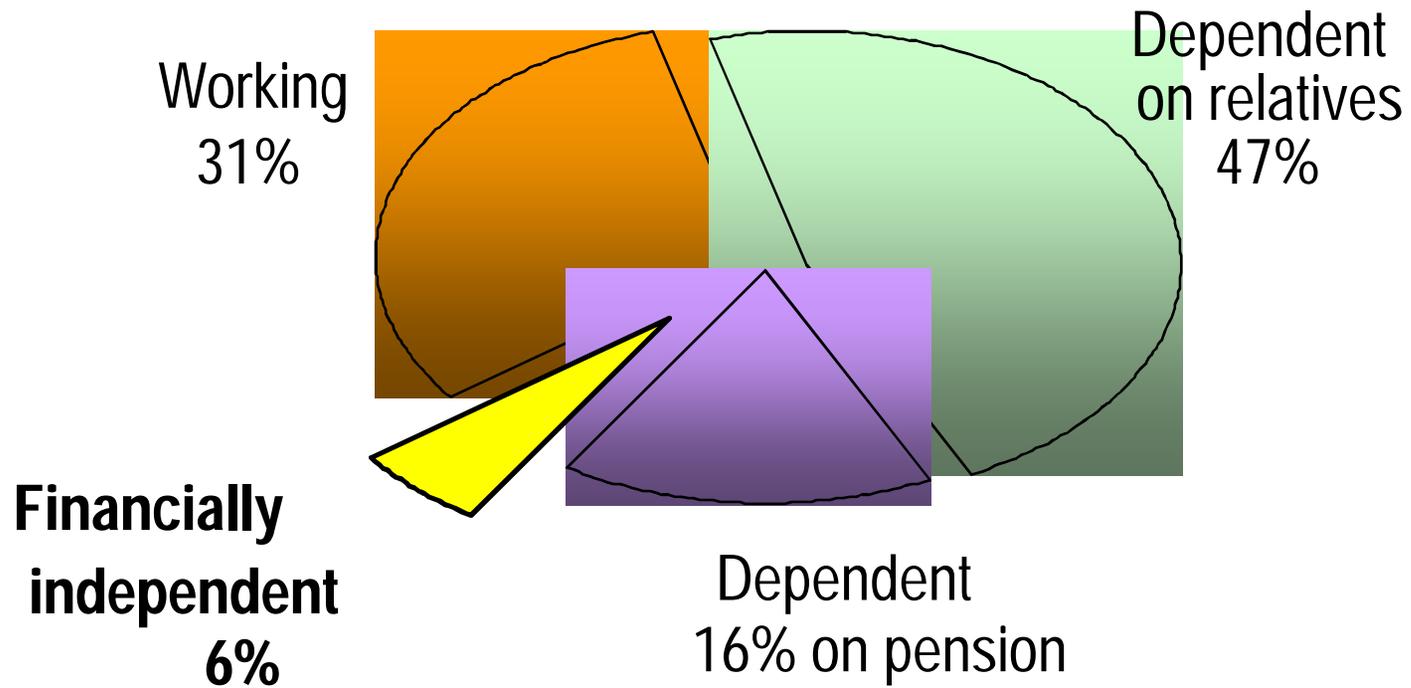


# RETIREMENT PLANNING

**What will I Do at 60yrs?**



## Life in retirement



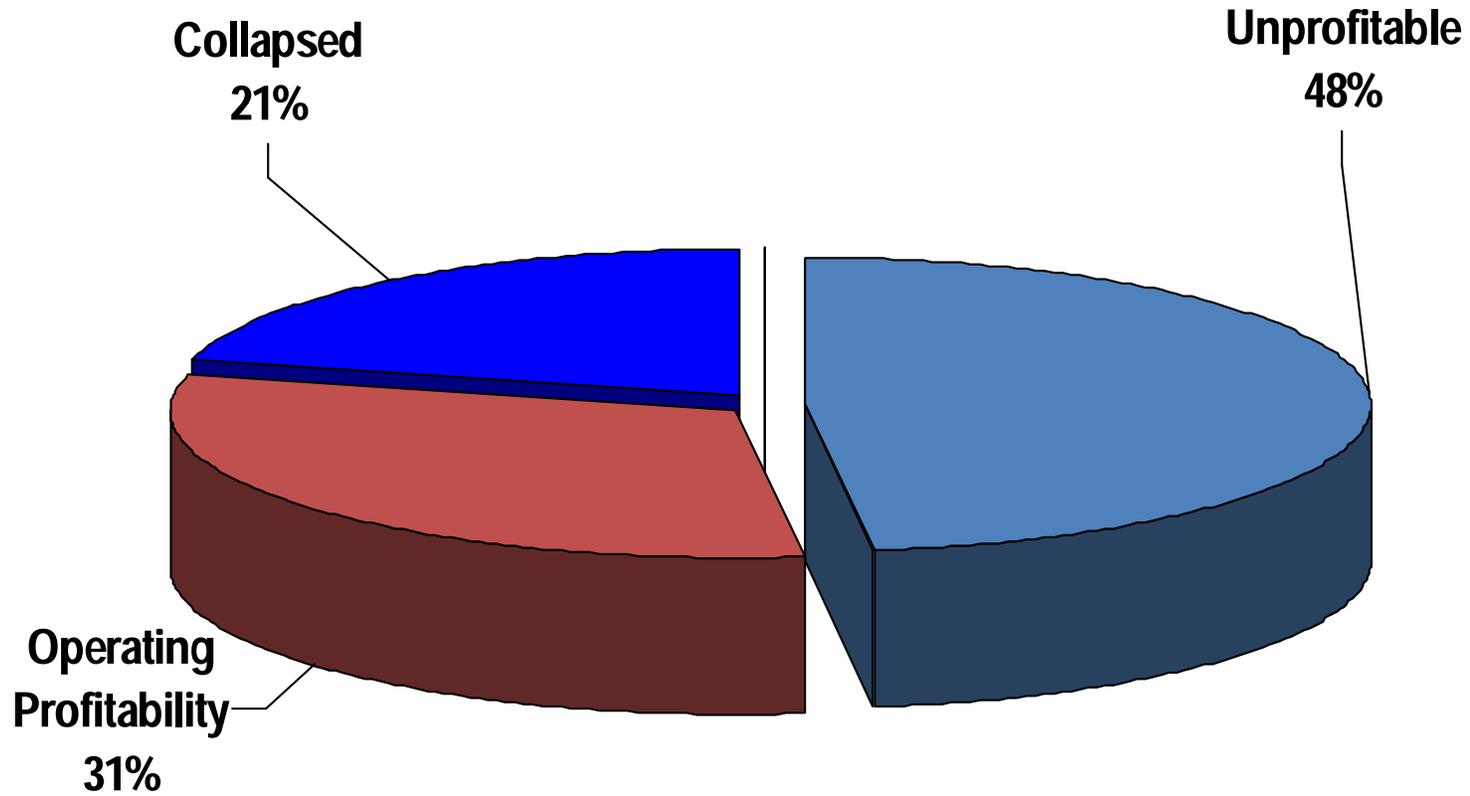
# Disadvantages of taking cash lump sum:

- Intended use of benefits at retirement not achieved
- High risks in self investment





## Lump sum benefits utilization - business



## Options available in retirement – Mix

- Access part of benefits as cash lump sum and purchase an Annuity
- Get an annuity with the balance.



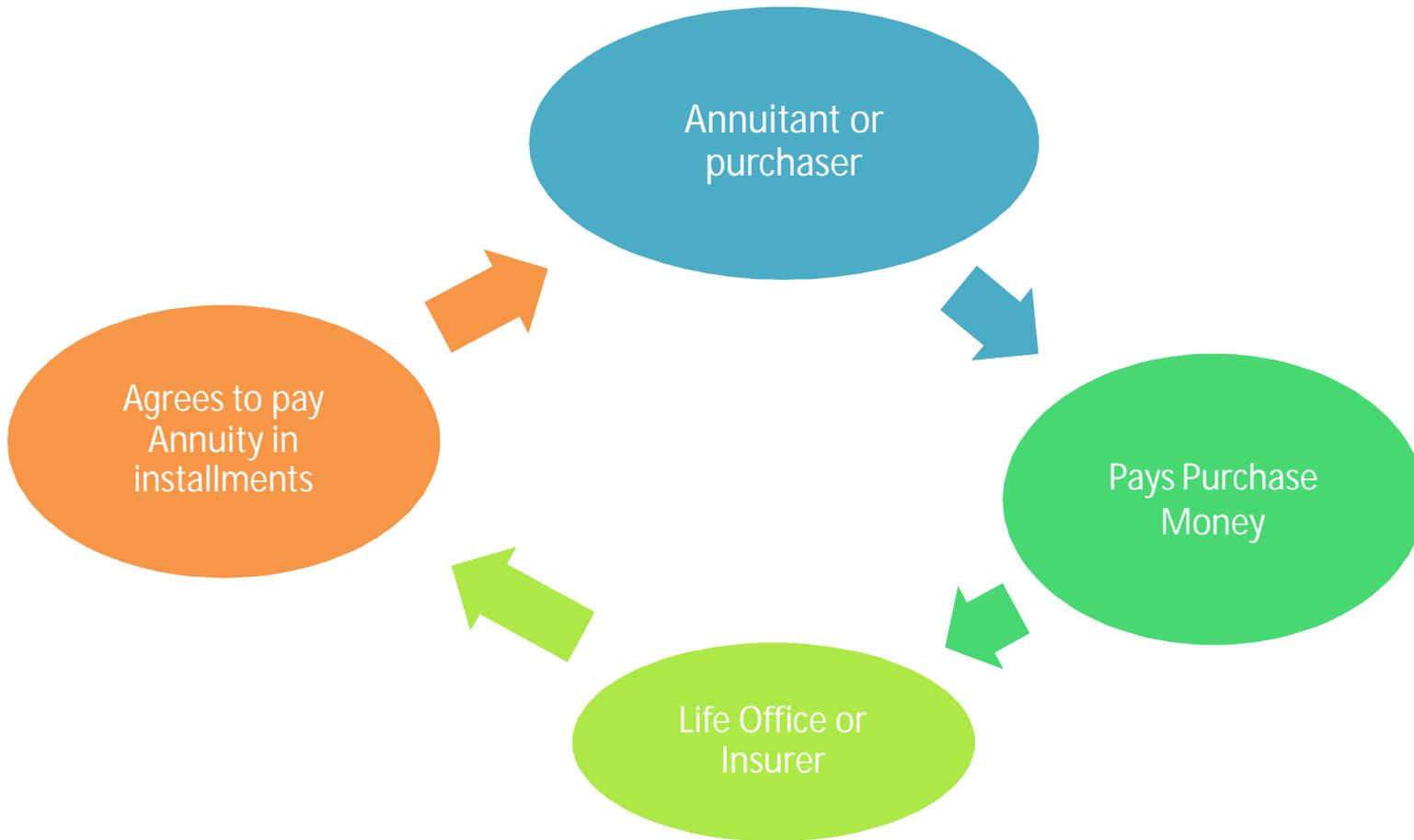
## ANNUITIES

### What's an Annuity?

A specified income payable at stated intervals for a fixed or a contingent period, often for the recipient's life, in consideration of a stipulated premium paid either in prior installment payments or in a single payment.



# What's an Annuity?





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# Characteristics of Annuities

- They can either be escalating or level depending on choice
- Escalating annuities usually starts on a lower rate than the level annuity
- They have different guarantee periods e.g. 5, 10, 15yrs.
- Are issued by life insurance companies
- Provide income you can not outlive





## How much do I get?

SINGLE ANNUITY EXAMPLE				
NAME	MALE			
AGE	55			
		GUARANTEE YEARS		
	ANNUITY PRICE	0 years	5 years	10 years
	50,000,000	475,625	471,708	461,042
	100,000,000	951,250	943,416	922,083
	200,000,000	1,902,500	1,886,833	1,844,166
	300,000,000	2,853,751	2,830,249	2,766,249





# Planning for Retirement is more than saving?





👉 Seek for professional advice.?

👉 What Next?

# I'm Retired

Not Expired





# Thank You



**QUESTIONS AND ANSWERS**

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