

# THE PRIVATE SECTOR ANALYSIS REPORT

Prepared by Consumer Options Ltd

For

**RETIREMENT BENEFITS AUTHORITY**



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## 1.0 EXECUTIVE SUMMARY

### Understanding consumers

The private sector market is a niche market in terms of business practices and saving culture. With the diversification of the saving industry, most of the professionals are spoilt for choice in saving methods.

The professionals have an intrinsic drive to build their careers and they are willing to take the risk to achieve their goals.

Their businesses generate a lot of income which is normally channeled back into the business for growth and expansion. These businesses do not have financial controllers due to the fact that the professionals want to be the ones in control of the company's finances to ensure high return of investments through choice of saving/investment products.

Professionals do not look at retirement as a career option; they want to work out throughout their lives with the hope of passing on the mantle to the young generation.

Retirement is looked at as a product for the low income earners. There is lack of education and awareness on the pension schemes and who the providers are. There is high association of corruption within pension scheme industry. This has been brought about by the National Social Security Fund's scandal.

The NSSF has negatively impacted on the perception towards pension schemes hence business men/women prefer to save in products which are able to be accounted for.

When it comes to RBA, there are low awareness levels on what or who they are. This can be attributed to the low awareness levels which can easily be addressed by extensive, constant and effective communication.

## 2.0 INTRODUCTION

The Retirement Benefits Authority aims to ensure that all people in their working life get access to retirement benefits facilities and that those who have retired get their correct retirement benefits on timely basis.

The Authority was established with dual objectives of first, protecting the interests of members and sponsors of retirement schemes and second, to spur Kenya's economic growth through mobilization of domestic savings and capital formation, as well as deepening the money and capital markets.

Retirement Benefits Authority objectives include:

- Regulate and supervise the establishment and management of retirement Benefits schemes
- Protect the interest of members and sponsors of retirement Benefits schemes
- Promote the development of the retirement Benefits industry
- Advise the Minister for Finance on the national policy to be followed with regard to the retirement Benefits industry & Implement all government policies relating thereto

RBA's mission

- ***Safeguarding and developing the Kenyan retirement benefits sector by creating and maintaining a conducive environment and fostering professionalism and efficiency***

One objective of the Authority is to develop the retirement benefit sector and one single reason for doing this is measure the sector's penetration and coverage.

The total coverage of the retirement sector is estimated at 15% per to total working population.

- This dismal coverage is majorly contributed by the **absence** of the participation of professional's workforce in private practice like:-
  - Lawyers
  - Doctors
  - Engineers
  - Consultants
  - Wider informal sector

Therefore the research was necessary to explore reasons why professional groups though well endowed with funds and know-how are not saving for retirement in existing formal retirement benefits arrangements despite the visible retirement benefits

### 3.0 RESEARCH OBJECTIVES

#### Key/overall research objective:

- Establish the underlying factors at play to the extent that self employed (private practice )and their employees do not participate in saving for retirement in existing formal saving arrangements

#### Specific research objective:

- To identify the perceptions and attitude towards retirement in general and saving for retirement by the players in those professional groups
- To find out whether these professional groups are involved in any retirement benefits saving plan.
- To find out about their financial management
- To identify the current knowledge levels the professional players have about their retirement benefits schemes, systems
- Determine the impact of the Retirement Benefits publicity campaigns among the professionals

### 4.0 RESEARCH DESIGN

#### Methodology

In order to cover all aspects of the study, we conducted the study using two approaches: Qualitative approach and Quantitative approach

#### 4.1 Qualitative Phase

This methodology was used to extract attitudes, beliefs, values, assumptions and motivations that are not easily accessed with quantitative research. The Key methodology used was **focus group discussions**

##### Focus Group Discussions

- Respondents were recruited over the phone using customer lists provided by RBA, and invited to attend the discussions in Mombasa and Nairobi.
- Trained and experienced Consumer Options moderators conducted the focus groups. The discussions were transcribed, and the transcripts used for analyzing the data and preparing the report

#### 4.2 Quantitative Phase

The Quantitative phase was advantageous as it allowed for the comprehensive accumulation and aggregation of statistical data to meet the research objectives as well as quantify and validate the qualitative findings. For this approach we enlisted the use of:

##### Face to Face Interviews

- The quantitative methodology encompassed Customer satisfaction Index
- All interviews were conducted using a semi structured questionnaire and facilitated by trained / experienced interviewers.
- Respondents were identified using customer lists provided by RBA, as well as members who were identified by trustees/ employers of the schemes.

### 4.3 Survey Tools

To facilitate the interviews we used the following:

- Focus group discussion guide
- Semi-structured questionnaire

### 4.4 Sample Breakdown and Target Respondents

#### Qualitative Phase

8 focus groups were conducted in Nairobi, Mombasa, Nakuru, Eldoret & Kisumu

Area	Venue	Date	Age
Nairobi	The Stanley Hotel	15TH June 2010	25-35
Nairobi	The Stanley Hotel	15th June 2010	25-35
Kisumu	Imperial Hotel	16th June 2010	25-35
Kisumu	Imperial Hotel	16th June 2010	35-40
Nakuru	Midland Hotel	21st June 2010	25-35
Mombasa	Royal Castle Hotel	18th June 2010	25-35
Mombasa	Royal Castle Hotel	18th June 2010	35-40
Eldoret	Asis Hotel	22nd June 2010	25-35

#### Quantitative Phase

Areas	Contact sample	Achieved sample
Nairobi	1275	450
Coast	630	143
Eastern	405	49
Central	405	87
Rift Valley	510	102
Nyanza	405	76
Western	338	82
North Eastern	102	11
<b>Total</b>	<b>4070</b>	<b>1000</b>

## 5.0 MAIN FINDINGS

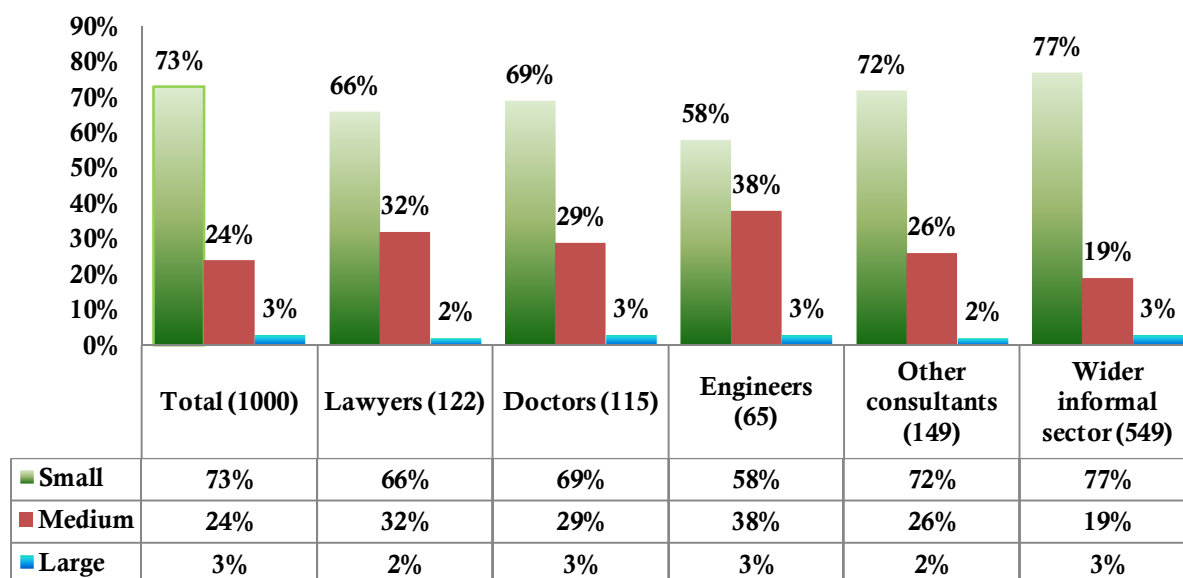
### 5.1 Profile

#### 5.1.1 Quantitative Profile of the Professionals

Occupation		Age	
Lawyers	12%	25 - 29 years	7%
Doctors	12%	30 - 34 years	17%
Engineers	7%	35 - 39 years	27%
Other consultants	15%	40 - 44 years	26%
Wider informal sector	55%	45 - 49 years	14%
		50+ years	8%
Gender		Employment status	
Male	75%	Self employed	77%
Female	25%	Employed but own a Business	23%
Marital status		Education Level	
Married	87%	Primary	0%
Single	12%	Secondary	7%
Separated / divorced	1%	College Diploma	39%
Widow/ Widower	0%	University	55%

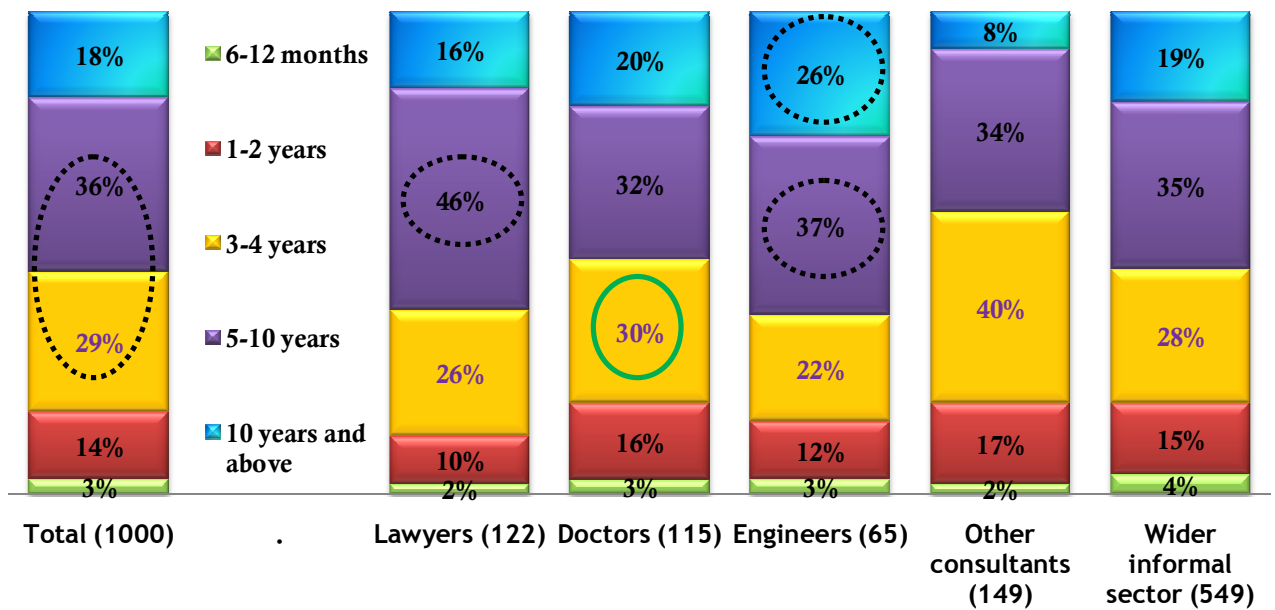
- Most of the respondents we interviewed are between 35-44 years of age
- Males dominated the sample

#### 5.1.2 Size of the Company



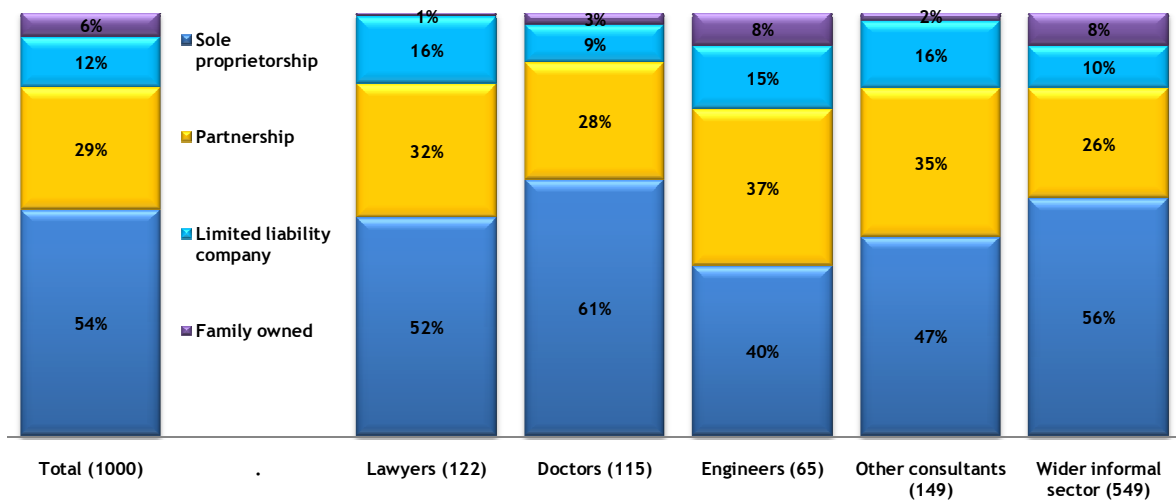
- Our sample was skewed towards the small and medium sectors

### 5.1.3 Duration of Business Operation



- Most of the businesses are 3-10 years old
- Doctors have been in business longer than the other professionals

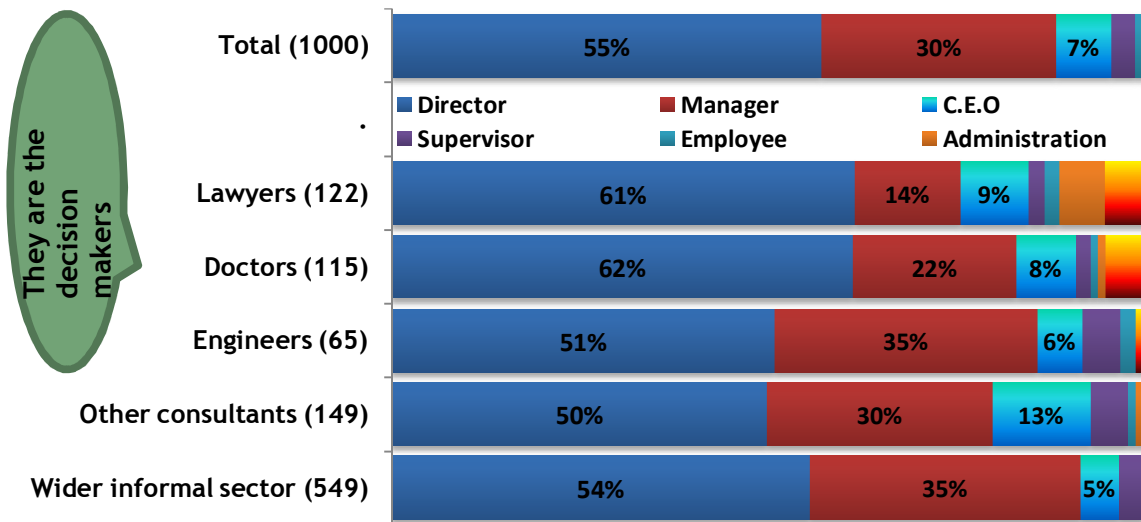
### 5.1.4 Organization Ownership



- Most of the respondents claim to be the sole owners of their businesses
- A good number are in partnership though



### 5.1.5 Position in the Organization



The professionals have taken key positions in their companies as Directors and Managers of their businesses

### 5.1.6 Professionals/ Business Profile

- Male dominated the sample- A significant number of the professional we spoke to are males
- Majority (73%) of the professionals categorize their businesses as small
- Most of them have up to 6 employees
- Notable 24% believe their businesses are of medium size
- Most of them have been in business for more than three years
- 54% of the professionals are sole owners of their businesses
- However A good number of engineers and lawyers are in partnership
- They take Key positions as directors and managers of their Organizations

The professionals are accessible and only need convincing to make choices. They are the decision makers. Barriers may be limited to those who partners/limited because it takes time for consultation before decisions are made

## 5.2 Financial Management

### 5.2.1 What is saving?

- Saving is largely associated with protecting the future
- With savings market dynamisms, the public has been exposed to numerous options
- There is a developing habit of investing in different areas in order to maximize on profits and to ensure security in one area in case one option fails
- The most popular methods include banks, stocks, chamas among others
- The public is aware of saving for the future through pension schemes, however, they are not motivated to use them due to various reasons

- ❖ **Securing their future**
  - ❖ Taking steps to ensure the future is secure
    - ❖ *'planning for future by making an extra coin'*
- ❖ **Preparedness towards unforeseen events/emergencies**
  - ❖ *'putting money aside to help in the dark period'*
- ❖ **Investing in Insurance policies**
  - ❖ Medical cover
  - ❖ Life cover
  - ❖ Education policy
- ❖ **Investing through real estate**
  - ❖ *Buying land for future investment, 'real estate never depreciates, it's one of the best ways to save for your future'*
- ❖ **Wise spending**
  - ❖ *'living within one's means to ensure a certain future'*

There is general knowledge that there is a need to save for the future and there are different methods by which people save their money

## 5.2.2 Changes in the Savings Industry

### Positive

- **Increase in stock market investments**
  - *‘Kenyans have realized can work for you’*
- **Increase in ‘chama’ memberships**
  - Due to easy accessibility and flexibility in their loaning practices
- **Increase in remittances from the diaspora**
  - Kenyans abroad are more interested in saving back home by investing in real estate or business
- **Increase in real estate investment**
  - A lot of speculation through buying land and selling it at a profit
- **Wide variety of investments/savings options**
  - Kenyans are spoilt for choice when it comes to saving money

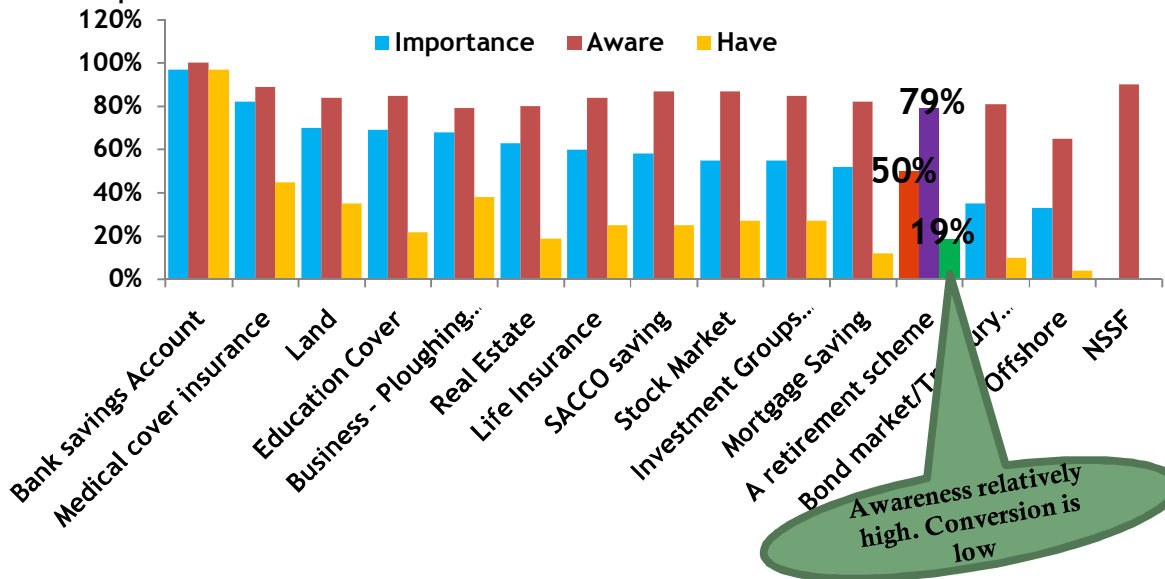
### Negative

- **Poor return of investments**
  - Especially within the stock market e.g. Safaricom shares
- **Perception that most of the products are tailor made for the ‘elite’**
- **High charges in banking rates**
  - *‘the loans are very expensive at the end of the day’*
- **Indiscipline in financial management**
  - *‘especially with Mpesa, in as much you save through it, you have access to it anytime hence you keep withdrawing’*
  - *‘ATM s also make it hard to have money in the accounts’*
- **Decrease in buying of land**
  - Land owners are finding it hard to dispose off their land due to political uncertainty- Eldoret

High awareness on saving industry due to need to identify perfect method. However, lack of knowledge on the positive changes in the pension industry leading to lack of interest. **AWARESS** activities need to be stepped up!

### 5.2.3 Awareness on Forms of Savings

Base: All Respondents 1000

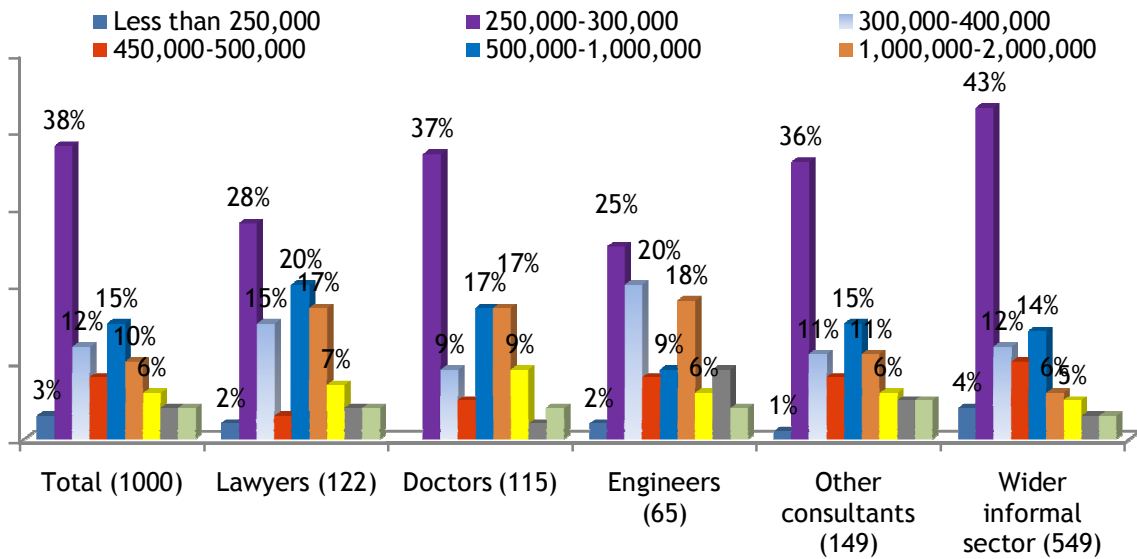


- Bank Savings and medical cover insurance are considered most important to the other forms of savings
- They have the highest scores when we look at awareness and usage

### 5.2.4 Perceptions on the Different Methods-1

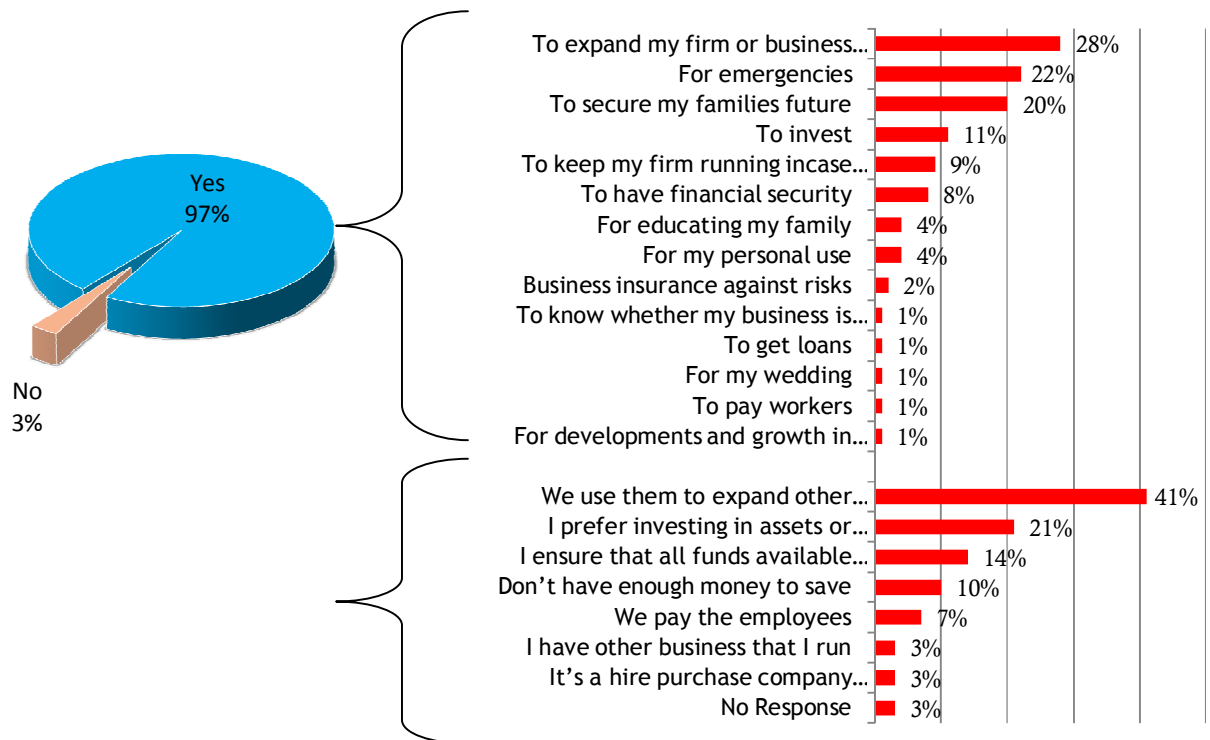
Method	Likes	Dislikes
Banking	<ul style="list-style-type: none"> <li>• Has interest</li> <li>• Safe and convenient</li> <li>• Handled by professionals</li> <li>• Quick processing</li> <li>• Access to loan facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Not disciplined because of easy accessibility-ATMs</li> <li>• Interest earned is too little</li> <li>• No minimum amount anymore hence "false perception that you are rich when you aren't"</li> </ul>
Shares	<ul style="list-style-type: none"> <li>• Cheap to buy</li> <li>• Can sell them and make quick profits</li> <li>• Gives peace of mind as it's handled by professionals</li> <li>• Information on it is available</li> </ul>	<ul style="list-style-type: none"> <li>• Can't help with emergency</li> <li>• Predictability is minimal-might depreciate and make a loss</li> </ul>
Chamaas	<ul style="list-style-type: none"> <li>• Encourages discipline</li> <li>• Can plan in advance</li> <li>• It fosters togetherness</li> </ul>	<ul style="list-style-type: none"> <li>• Stiff penalties on defaulting</li> </ul>
Insurance policies	<ul style="list-style-type: none"> <li>• Offers choices in maturity periods</li> <li>• It can cushion one when they become incapacitated</li> <li>• Ability to maintain lifestyle</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of proper education on them</li> <li>• Stringent qualification rules e.g. 'health status'</li> <li>• No guarantees</li> </ul>
Pension schemes	<ul style="list-style-type: none"> <li>• Can receive a loan</li> <li>• Procedure is minimal</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of information on what they are</li> <li>• Takes long to access your money <ul style="list-style-type: none"> <li>• <i>When one dies, it's hard to retrieve the money</i></li> </ul> </li> </ul>
Assets	<ul style="list-style-type: none"> <li>• They appreciate in value</li> <li>• Gives security even for the future</li> </ul>	<ul style="list-style-type: none"> <li>• Very expensive &amp; hard to dispose</li> <li>• It is highly dependent on type of asset <ul style="list-style-type: none"> <li>• <i>"Land is not being bought in Eldoret because of Post Election Violence(PEV)"</i></li> </ul> </li> </ul>

### 5.2.5 Revenue per Month



- Majority claim to have a revenue of Kshs 250000 to 300000
- Though minimal, there are businesses that make more than Kshs 5,000,000

### 5.2.6 Whether Keep Savings



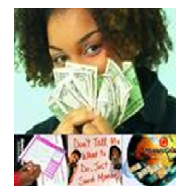
- 97% of the respondents confirm that they do keep savings. 28% do it for business expansion while 22% do it for emergencies
- The few who do not save claim the savings are directly used for business expansion

### 5.2.7 Types of Saving Methods

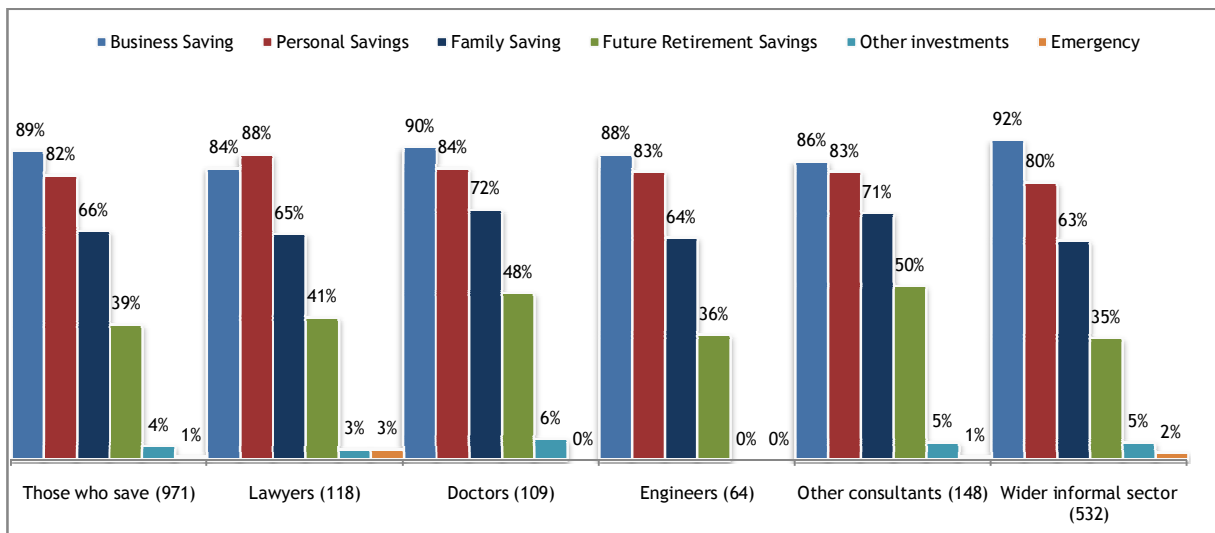
Kenyans have come up with different financial coping mechanisms. In as much as the methods are many, there is need to encourage them to use the more secure way to save for their future: PENSION SCHEMES

Due to markets dynamism, Kenyans have a variety of avenues by which they use to save monies.....

- **Real estate**
  - High purchase of land for speculation
    - 'I am in real estate, I buy land then sell it at a higher price'
    - 'we buy land as a chama for speculation'
  - More people are building/buying houses for leasing or business
- **Insurance policies**
  - Medical cover
  - Life cover
  - Education policy
    - Mostly for their children to ensure no interruption in their education, 'education is the best inheritance you can leave to your children!'
- **Money markets**
  - Unit trusts
  - Shares
    - 'They are a quick way of making profits'
- **Opening savings accounts with various banks**
- **Chamas**
  - Very popular due to the ease in accessibility of funds and loans



### 5.2.8 Type of Savings Kept



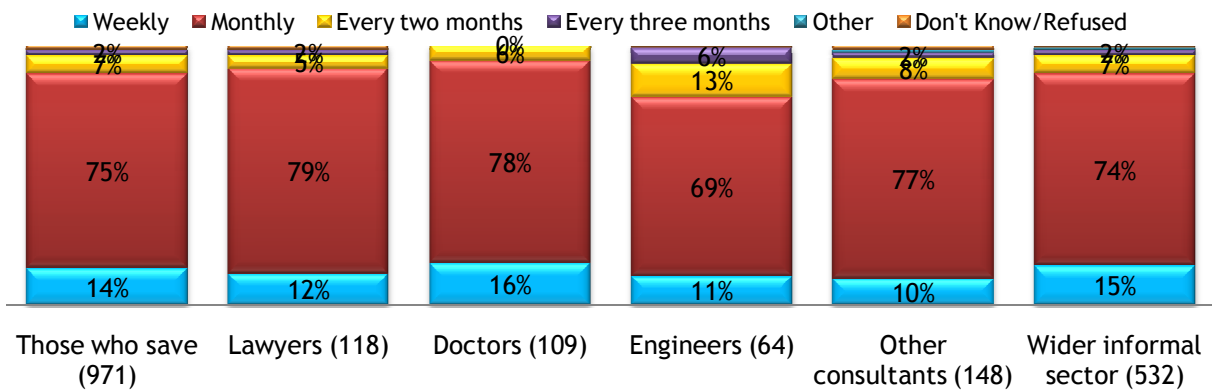
- Business savings got the highest scores as a type of savings kept
- In the second and third place is personal and family savings
- It's good to note that 39% of those who save, do so for future retirement

### 5.2.9 Savings Range (Kshs)

	Those who save (971)	Lawyers (118)	Doctors (109)	Engineers (64)	Other consultants (148)	Wider informal sector
Less than 5,000	3%	1%	0%	0%	3%	5%
5,000-10,000	13%	8%	12%	16%	16%	13%
10,000-15,000	6%	4%	4%	6%	5%	8%
15,000-20,000	8%	9%	9%	5%	3%	10%
20,000-25,000	8%	10%	6%	2%	9%	8%
25,000-30,000	10%	11%	10%	16%	13%	8%
30,000-40,000	9%	7%	9%	9%	13%	9%
45,000-50,000	14%	20%	20%	11%	11%	13%
50,000-100,000	12%	11%	14%	11%	9%	12%
100,000-200,000	6%	7%	5%	5%	8%	7%
200,000-300,000	4%	5%	6%	5%	3%	4%
300,000-500,000	4%	5%	5%	11%	4%	2%
Over 300000	2%	2%	1%	5%	4%	2%

- Of the respondents we spoke to, majority claim to save between 25000-50000.

### 5.2.10 Frequency of Saving

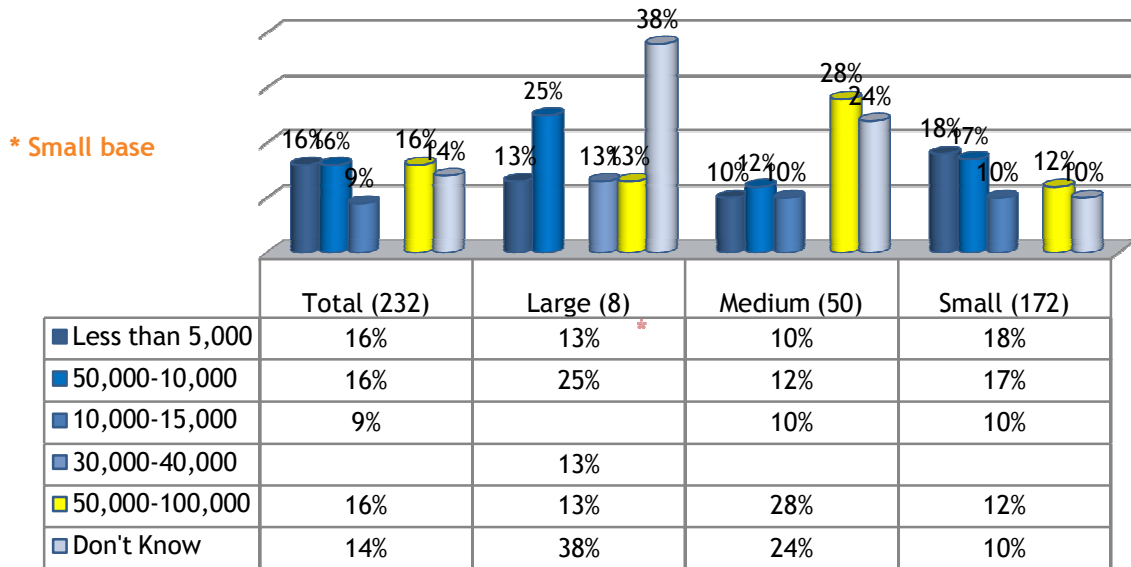


75 % do save monthly however a noticeable number save weekly

Weekly saving is unique: out of the norm (monthly)



### 5.2.11 Monthly Savings



- Majority save less than Kshs 10,000 and equally between 50,000 - 100,000.

### 5.2.12 Summary: Qualitative Profile/financial Management

#### Carol

- Very enterprising and ambitious
- Owns an advertising agency which started out as a small construction company
  - ▶ Passionate about her business
    - *'To be one of the most innovative provider of advertising services'*
  - ▶ Partners with a Chinese company and plans to go to Zambia, Uganda through sister company
- Saving culture
  - ▶ Invests in policies and real estate
- Does not envision herself retiring
  - ▶ *'I will hand over the business but I will be in the board as part of the decision making team'*
  - ▶ Views pension schemes as a reserve for the low income earners



## David

- His work life: He runs three businesses, Management Consultancy, Insurance Brokerage and waste management services. He desires for his firms to be the leading SME regionally and has several ways of doing it including partnering with other countries (Italy, Belgium)
- His Professional background is business with a master in management. He is more passionate about opportunities to manage than the line of business that he enters into
- He has received a number of awards and is happy about the recognition but says that awards don't earn him money.
- His businesses are his source of income
- **Saving culture.** He spreads his money everywhere in which the returns are worthwhile and there is accessibility of the money. He saves in banks, Insurance Policy and Unit Trusts with his business partners
- **Retirement:** *Considers retirement as an ideal situation in this country. Doesn't see himself retiring at all. He will continue to work as he has to make ends meet. Retiring in Kenya is ideal to him as the money given after retirement cannot sustain him even for 3 months and hence why he is not in a pension scheme. They don't consider inflation and that value of money depreciates with time. Has no trust on pension schemes after NSSF.*



**Key attributes: ambitions/ industrious, culture to work, mergers, futuristic; what options do we have for these characteristics**

- **Private sector players want to be in control of their finances**
  - ▶ They want high returns of their investment
- **Key life and business drivers include:**
  - ▶ Building their careers
    - Their businesses are looked at as long term investments and are willing to take risks to develop them
    - Defined by their profession hence do not envision retirement as part of their career and/or life goal
  - ▶ Long term financial independence
  - ▶ Need basis i.e. education funds, medical covers, insurance policies etc
- **They look at retirement as being designed for the low income earners**
  - ▶ They believe in working throughout their lives
- **Their businesses have high turnover which they expect to receive towards the sunset of their careers**
  - ▶ Hence pension schemes do not provide them with the option of getting high amounts in gratuity

### 5.2.13 Summary: Quantitative Financial Management

- Most of the professionals generate a monthly revenue of between Kshs 250,000-300,000
  - ▶ Lawyers and doctors have a significant score on a revenue generations of up to 2 million per month
- When it comes to saving ,aboutt10-20% (25000-50000) of the revenue is kept
- 97% of the professionals keep savings mainly to expand business (21% the highest rated reason)
- Business and personal savings are types of savings kept by the majority
  - ▶ Future retirement savings comes 4th with 39%

The professionals have ambitions and continuity. They are very industrious. Savings improve business as opposed to keeping it

A product that supports and improve business may be well received

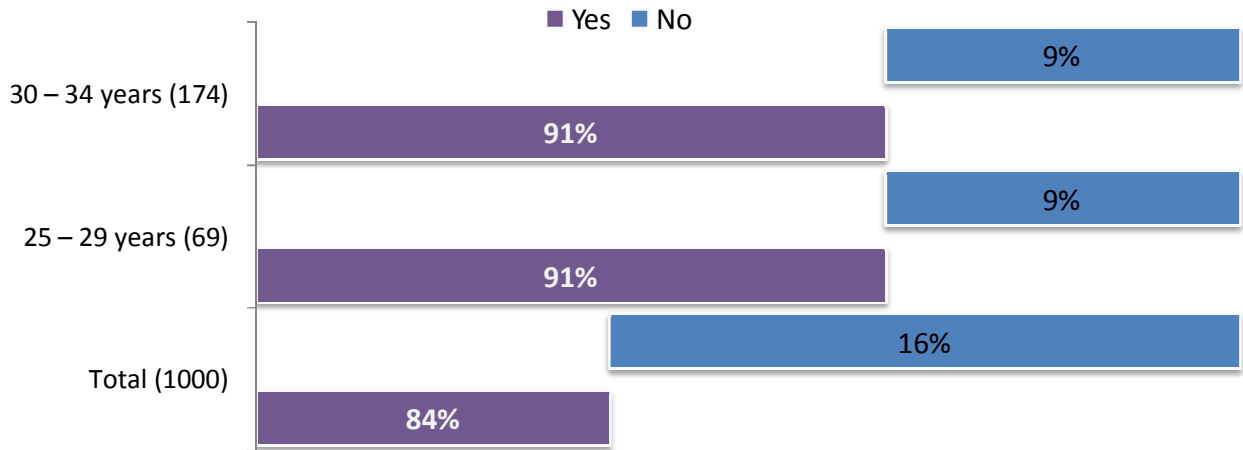
## 5.3 Perception on Retirement

### 5.3.1 Meaning of Retirement

	Total (1000)
Resting from active work when the body can no longer work	41%
Withdrawing from job due to age factor	19%
To stop working in a company or any institution	13%
It's the expiry days for the employed people	6%
To stop working for someone	4%
To end your professional or specialization	3%
Going home to manager farm or business	3%
Others meanings (below 2%)	13%

- 84% of all the professionals say retirement is important
- Interestingly, 25-34 years old have a high level of retirement importance than all the age groups captured
- Resting from active work cuts across as the best definition of retirement
- Age comes in the second place

### 5.3.2 Importance of Retirement- Reasons



	Think retirement is important (839)
To give the young generation time to prove themselves	24%
Gives people time to focus on themselves and families	20%
For relaxation in old age	16%
One cannot deliver better services in old age	14%
One needs to rest in lifetime after working for long	13%
To enjoy its pension	10%
Others importance of retirement	10%

	Think Retirement is not important (116)
Everyone needs an income to go on with life or to survive	28%
So long as am physically fit, I can always work even in my	26%
One needs to exercise his/her ability to the fullest	10%
The old can work and deliver too	9%

- Majority of Professionals claim retirement is important because it gives young generation time to prove themselves
- Survival is key to those who do not see retirement as important
- Health assurance is also another factor preferred to retirement

### 5.3.3 Preparation for Retirement

	Total (1000)
Investing in new ventures	54%
Through saving	44%
By joining retirement Benefit Schemes	20%
By saving in assets	19%
By working hard while they are still young and relax with time	4%
By investing in their children education	4%
Join investment groups (Chama)	3%
Should start long term business	3%
Expand their businesses	3%
Others	11%

	preparation for retirement (203)
Helps to save for future use	50%
One is able to get money after retiring	11%
It's the most reliable scheme	9%
It's the easiest way to save	8%
They enjoy benefit after retiring	7%
Money has high interest rates	5%
Don't Know/Can't Remember	5%
You can use their saving to secure loan	4%
Encourages hardworking to get money to save	2%

- Investing in new ventures is significant to preparing for retirement
- The second position is taken by saving.
- 20% singled joining retirement benefit schemes as preparation for retirement

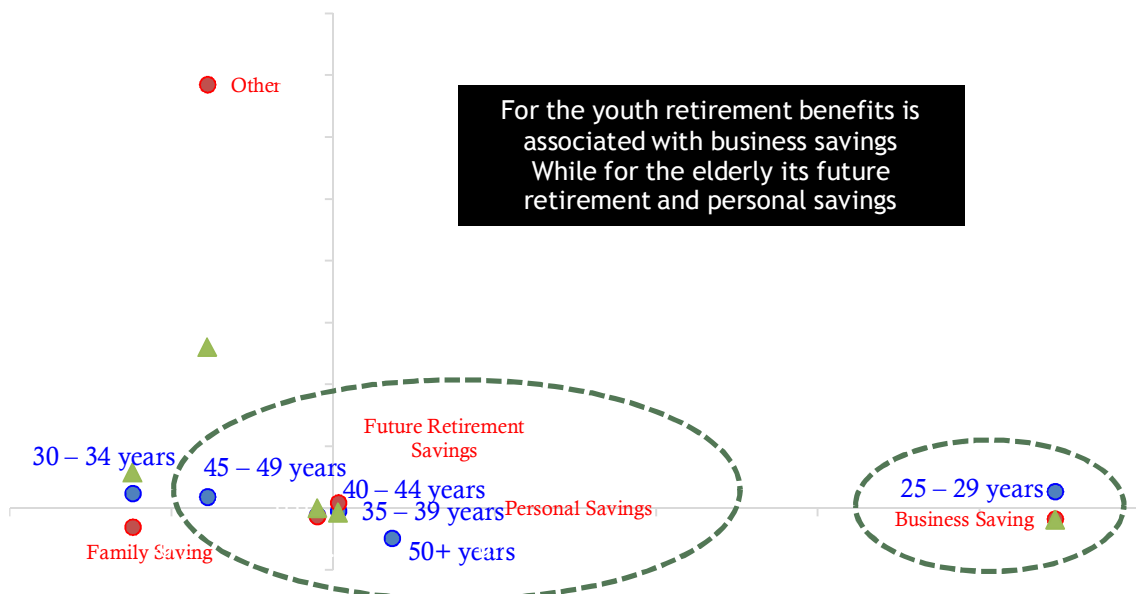
### 5.3.4 Retirement Vs. other Forms of Savings

Other forms of savings	Total (1000)
You are free to withdrawal at anytime	61%
One can deposit any amount	8%
Interest is gained on your contributions	8%
Amount varies according to ability	8%
It's a personal oriented organized by individuals	6%
One can monitors funds	5%
Accommodate all ages even unemployed people/ for everybody	4%
Early investment	3%
One can easily access money before retiring	2%
Savings for other personal needs i.e. business	2%
Other reasons	10%

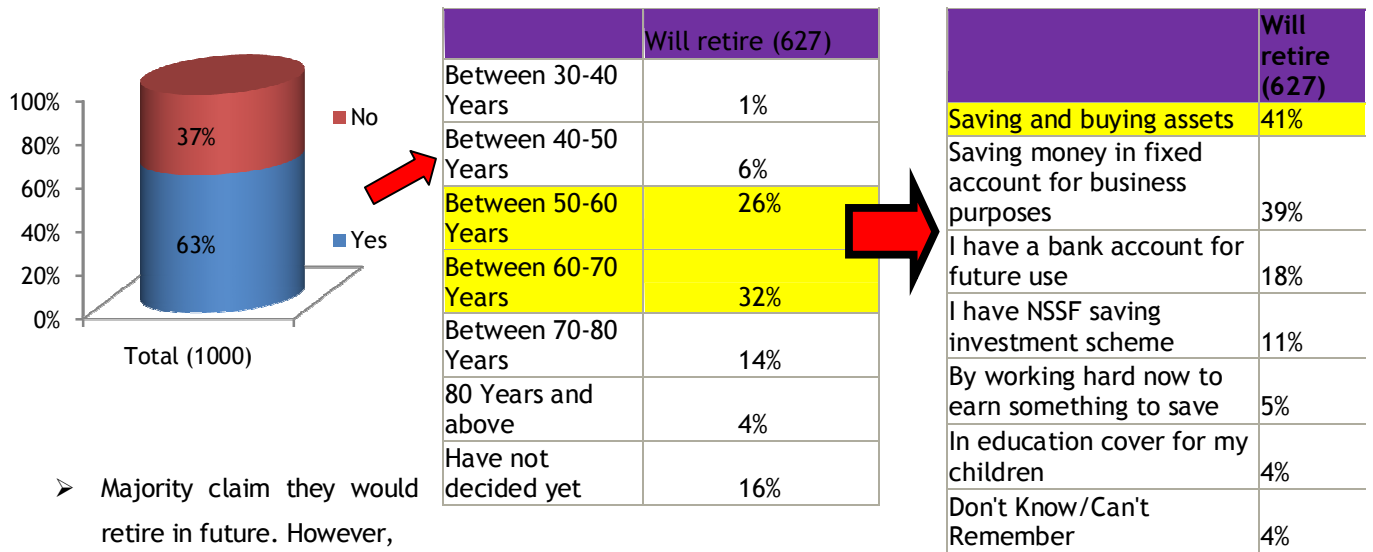
	Total (1000)
Not free to withdrawals anytime you wish until you retire	59%
Fixed amount to deposit	8%
There is no interest gained on contribution	7%
People contribute specific amount of money	7%
One cannot monitor funds	5%
Institutional oriented organized by companies	5%
Accommodates age of 18 employed people/ for employed people	4%
Late investment	3%
Saving for retirement only	2%
Interest rates are not competitive	2%
Others	8%

- 61% claim other savings method is different because one can withdraw money anytime
- 59% say there is no withdrawal fee in pension schemes as opposed to other saving methods

### 5.3.5 Age association with Types of Savings:- Retirement Benefit

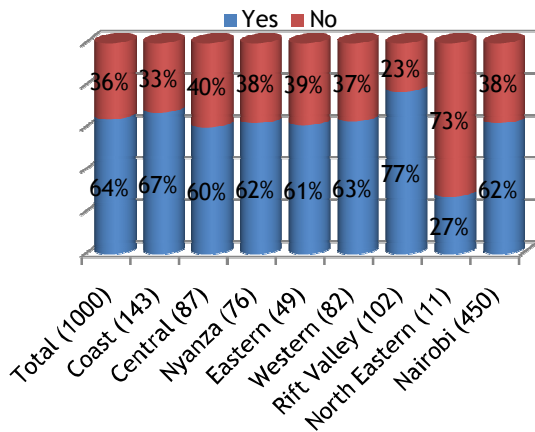


### 5.3.6 Whether Thought of Retiring



- Majority claim they would retire in future. However,
- A significant proposition (slightly over one third of the professionals) claim they have not considered retirement
- 36% of the professionals feel that the best age for retirement is between 60-70 years old
- 26% feel 50-60years is the ideal age for retirement

### 5.3.7 Consideration for Saving for Retirement



	Never considered saving for retirement (361)
I save in business	39%
I will not retire from my work	18%
I think my investments cover my retirement plans easily	9%
The will drug my mind from growing financially	6%
Because am not employed by anyone	5%
I am still young and flexible	4%
Don't Know/Can't Remember	4%
I have many financial obligations	3%
Other reasons below 3%	15%

- Only North eastern have a low consideration for saving for retirement
- Business savings take the lead as reasons for not considering saving for retirement
- 18% claim they will not retire from work

### 5.3.8 Appropriate age to Access Retirement Money

Total (1000)		Retirement age (840)	Between 35-45 Years (95)	Between 45-55 Years (235)	Between 55-65 Years (269)	After 45 years (44)	
Below 25 Years	1%	One has energy he can open a project	23%	43%	32%	18%	16%
Between 25-35 Years	3%	This is the maximum years of work (I will be retiring)	16%	2%	5%	19%	36%
Between 35-45 Years	10%	To have a plenty of time to enjoy investment income	12%	19%	16%	10%	0%
Between 45-55 Years	24%	I would be able mentally and physically to work to make my	6%	7%	9%	6%	0%
Between 55-65 Years	27%	You will need the money because you cannot work anymore	6%	1%	1%	8%	5%
Between 65-75 Years	16%	The body has started wearing and its time for the youth to take over	6%	0%	3%	8%	9%
After 45 years	4%	This is the time children are in school and need money	4%	3%	6%	6%	0%
Don't Know	16%	It's the recommended age for retiring	4%	0%	2%	10%	2%
		Don't Know/Can't Remember	4%	6%	5%	3%	11%
		Other Reasons (below 4%)	21%	14%	15%	4%	16%

- Majority feel 45-65 is the best age to access retirement money
- Aside from being energetic to invest on retirement firms 25-35 years old feel that the ideal retirement age allows them to enjoy their investments

### 5.3.9 Summary: Perception on Retirement

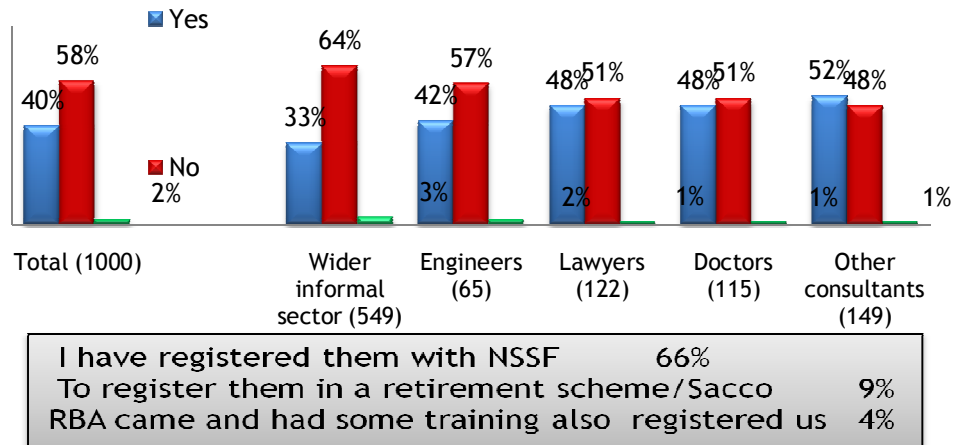
- 41% define retirement as resting from active work and they would only retire to give the youth a chance (24%); 20% claim it gives one time to family
- 54% of the professionals think investment in new ventures is the best preparation for retirement
  - ▶ joining retirement scheme score 20% as a preparation to retirement (this helps to save for the future) is the reason given
  - ▶ Preparation to retirement is however characterized with: buying assets (41%) and Saving in a fixed account
- Consequently, 61% of the professionals also point out that other forms of savings give you access to your money anytime (free withdrawal anytime) unlike pension scheme
- Even though 63% claim they will retire at 60Yrs
- Access to retirement money is most preferred between 45-65 Years old
- 23% claim this early access to retirement enables one to start a project

Key differentiators required if we are to convince the professionals to save for retirement communicate the benefits of saving for retirement through existing schemes. One that meets the need (can they invest this money in future? Can access to these be made earlier?)



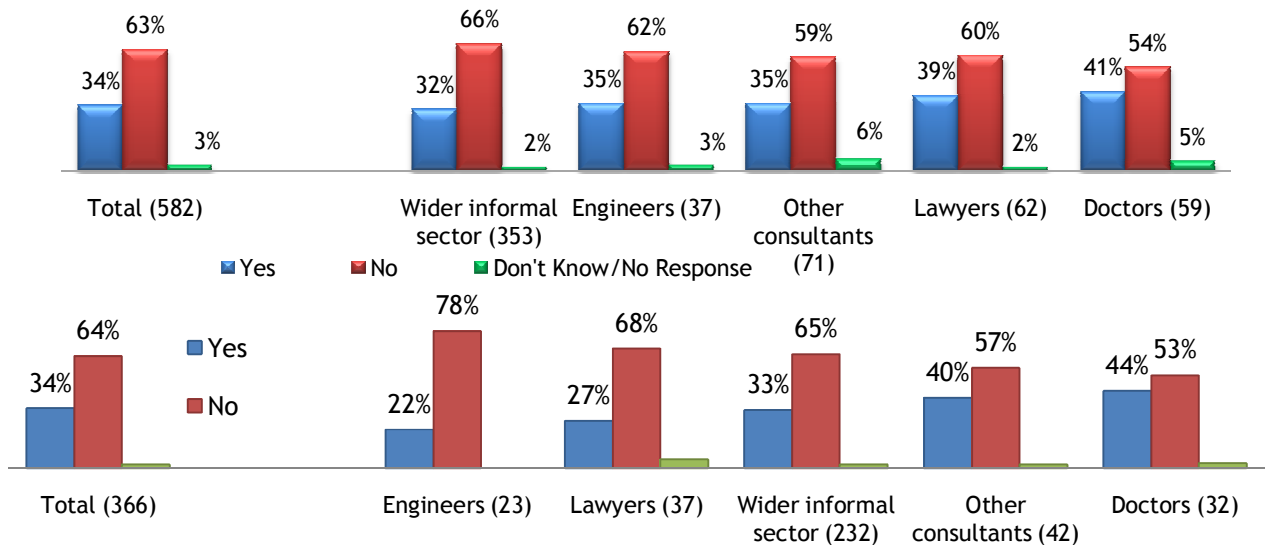
## 5.4 Employee Retirement

### 5.4.1 Consideration for Employee's Retirement



- ▶ Most are on contract basis 21%
  - ▶ Each individual knows how to save for the future plan retirement 13%
  - ▶ My employees make their own arrangements 12%
  - ▶ Don't know the legal requirements needed 6%
  - ▶ The company is new, we are taking care of every important i5%
  - ▶ The company is small and the salaries are also small 4%
  - ▶ Employees do not stay in one place for long making 4%
- 
- A great number of respondents (58%) have not considered a retirement plan for their employees
  - The formal sector (doctors, lawyers, engineers & other consultants) has a high prevalence for employees' retirement programs than the wider informal sector.
  - NSSF fund is the ultimate scheme that most employers opt for (66%)
  - Majority of employers (21%) employ on contract basis thus don't have a retirement plan for employees.

### 5.4.2 Consideration for Employee's Retirement



- Majority of employers (63%) don't consider starting a retirement scheme for their employees with the wider informal sector topping the list
- Doctors have the highest consideration for enjoining to other retirement scheme of all professionals.
- On the other hand, 78% of engineers have no consideration.

### 5.4.3 Consideration for Other Retirement Schemes (cont...)

	Total	Lawyers	Doctors	Engineers	Other consultants	Wider informal
<b>Bases</b>	<b>235</b>	<b>25</b>	<b>17</b>	<b>18</b>	<b>24</b>	<b>151</b>
We work on contract basis	20%	20%	6%	22%	13%	23%
They have freedom for each employee to decide on its own	15%	16%	24%	11%	21%	13%
Everyone has their own plans for the future	9%	12%	12%	11%	4%	9%
A lot of retirement scheme require a lot if money	2%	4%	6%	0%	0%	1%
A lot of paper work is done	6%	0%	18%	17%	8%	4%
Low interest on your contribution	6%	4%	6%	0%	13%	7%
Long queues making them inaccessible	3%	4%	0%	0%	4%	3%
I prefer to save on assets land	4%	8%	12%	0%	8%	2%
Schemes have poor rates	2%	0%	12%	6%	0%	1%
Have poor service delivery	2%	0%	0%	6%	0%	3%
I am not sure about the integrity of the fund's managers (s	9%	12%	0%	6%	17%	9%
Returns are not worth saving as they talk nicely when taking	3%	0%	6%	6%	4%	3%
The scheme has not given the people knowledge on their services	3%	0%	0%	6%	0%	3%

20% of these professionals consider employing on contract basis as their major reason for not considering other retirement schemes

#### 5.4.4 Associations of Pension Schemes

**NSSF**

*'Our money which is misused by the people in power'*

**For employed individuals**

*'there is no need for us who are self employed to use them because we will work forever'*

*'it is for the salaried people'*

*'you have to be employed for you to be a member of a scheme'*

**Old people/old age**

*'it is a package for old retired people'*

*'it is the golden handshake that an old person is given after retirement'*

- An extra form of taxation
  - *'it's just an extra taxation from our salaries'*
  - *'if I had a choice, I wouldn't contribute monthly but since it is automatic I have no choice'*
  - *'It is just money that is taken from us to line the pockets of the rich'*
- Corruption
  - *'they use the money to build huge buildings and then us the members get very little interest compared to the people who run them'*
  - *'they are always scandals within NSSF....the suspension of board because of misappropriation of funds'*
- Inaccessibility of the funds when needed most

"We will work forever, we will never retire"

"Its too early to be in a pension scheme"

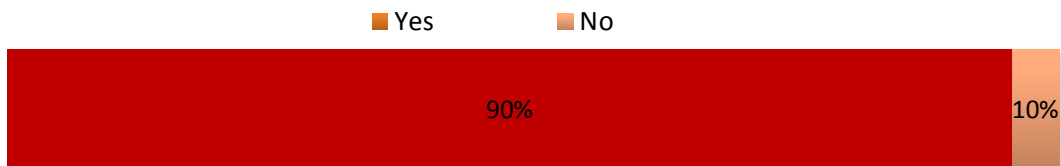
Pension schemes have a very negative perception due to NSSF. There is an urgent need to allay these fears by ensuring their funds' safety through RBA's regulatory role in the market

#### 5.4.5 Employee Retirement Summary



## 5.5 Awareness/Perceptions on Retirement schemes

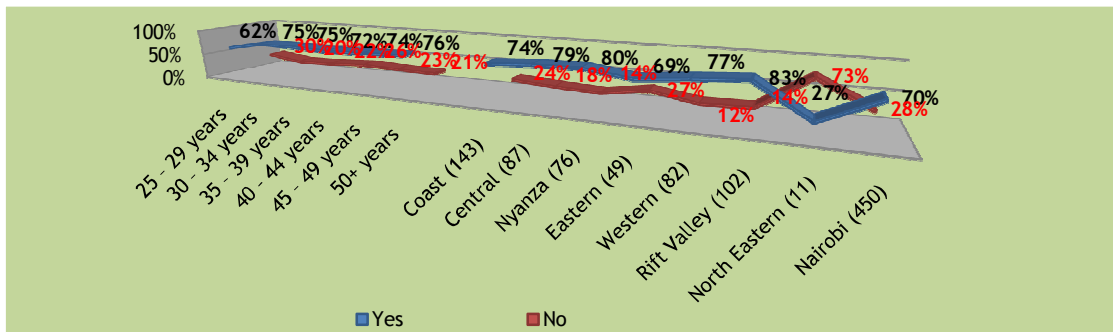
### 5.5.1 Awareness Levels



	Total	Coast	Central	Nyanza	Eastern	Western	Rift Valley	North Eastern	Nairobi
<b>Bases</b>	<b>896</b>	<b>131</b>	<b>82</b>	<b>70</b>	<b>46</b>	<b>61</b>	<b>97</b>	<b>4</b>	<b>405</b>
From an advertisement	51%	45%	57%	63%	61%	49%	48%	50%	50%
From a friend	32%	46%	33%	16%	28%	38%	47%	25%	26%
From retirement schemes' sales people	14%	15%	13%	3%	15%	3%	15%	25%	16%
Posters	9%	8%	7%	17%	4%	15%	8%	25%	8%

- 90% of all re
- Advertisement and word of mouth are the most reliable modes of awareness creation
- Trainings from retirement schemes and efforts by sales people have been unreliable

### 5.5.2 Opinion on Retirement Scheme: is it Good or Bad



- Positive attitude towards retirement schemes progresses with advancement in age whereas doubts & ignorance is highest in early adulthood (25-29 yrs)
- North Eastern has the highest number of respondents who think retirement scheme is not a good thing of all regions, 73%

### 5.5.3 Reasons for a Retirement Scheme

	Total (735)	Lawyers (92)	Doctors (91)	Engineers (50)	Other consultants (111)	Wider informal sector (391)
Helps in future use when one has retired	43%	43%	40%	46%	47%	42%
It's a fixed deposit account	12%	12%	16%	10%	16%	9%
For those who misuse their salaries and low earns	6%	10%	11%	4%	5%	5%
One has assured of getting his money	6%	8%	8%	6%	6%	6%
One is able to get money even after retiring	5%	5%	3%	8%	3%	5%
Give people chance to work hard to have something to contribute	5%	5%	1%	8%	2%	6%
For security in old age and loans	8%	4%	5%	6%	6%	10%

	Total (234)	Lawyers (28)	Doctors (23)	Engineers (13)	Other consultants (35)	Wider informal sector (135)
Most people don't enjoy their benefits	14%	25%	26%	15%	14%	9%
People prefer to control their money by doing business	20%	18%	4%	31%	23%	21%
No interest on my contribution made	7%	4%	4%	8%	9%	7%
Has a lot of corruption	6%	0%	9%	8%	9%	6%
Interest is small	6%	11%	4%	8%	0%	7%
A lot of follow ups	7%	7%	13%	0%	14%	5%

- A secured future, fixed deposit attribute, helps in saving, assurance of returns and motivation to work harder are key reasons for having a retirement benefit scheme
- The wider informal sector has an interest in security in old age as well as loans
- Lawyers and doctors strongly believe that most people don't enjoy their benefits
- Engineers, other consultants and the wider informal sector prefer to control their money by doing business

### 5.5.4 Pension Schemes

Reasons for the perceptions of pension schemes

Perception	Reasons
For employed people	<ul style="list-style-type: none"> <li>• The conditions of pension Schemes are not suitable for everyone</li> <li>• It is for those who work for Parastatals and Government Institutions</li> <li>• There are no Individual Pension Schemes</li> </ul>
Awareness	<ul style="list-style-type: none"> <li>• They haven't come out actively to do something about it</li> <li>• The benefits of it are not known</li> <li>• There is no information on the importance of it</li> <li>• What are their objectives?</li> <li>• Where do you find them?</li> <li>• How do they deal? What's the process of joining one?</li> <li>• Who offers them?</li> </ul>
Lack of Urgency	<ul style="list-style-type: none"> <li>• It is too early to be in a pension scheme in terms of age</li> <li>• There are other things to think about first like owning a house and a car</li> <li>• It is not an urgent need. "Saw it on my pay slip but I wont actively go out of my way and save pension"</li> </ul>
Certain Age	<ul style="list-style-type: none"> <li>• They belong to the old age</li> </ul>
Corruption	<ul style="list-style-type: none"> <li>• This mainly due to the past scandal of NSSF(National Social Security Fund)</li> <li>• The money is Invested wrongly</li> <li>• We do not know or trust those who are given this money to invest and keep</li> </ul>

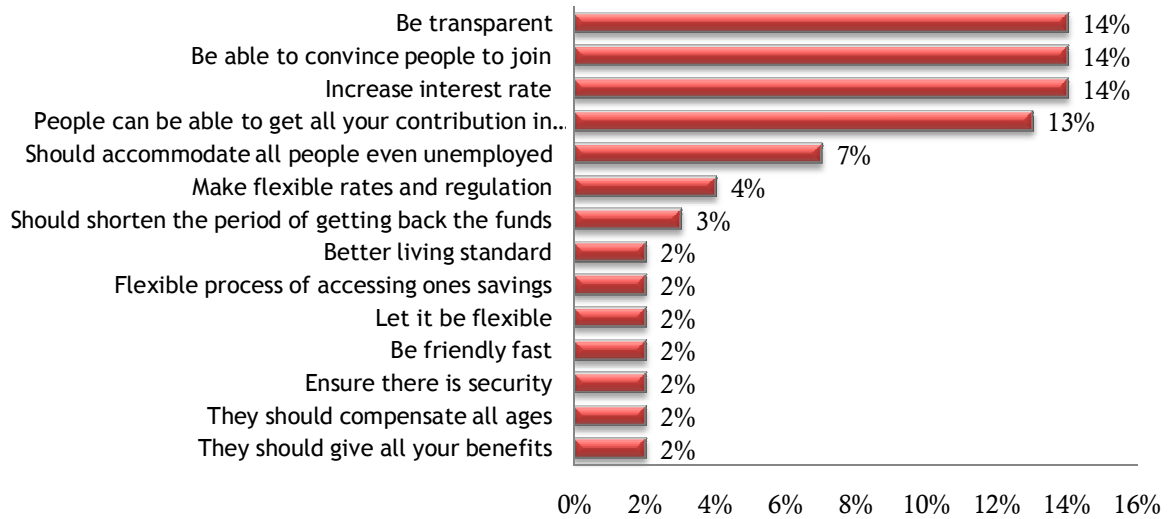
Perception	Reasons
Self-Employed	<ul style="list-style-type: none"> <li>• There is no need for pension as we own businesses and have the option of working as long as we like even possibly forever</li> <li>• Even if we hand over to our children, we will still receive some form of dividends or money from the businesses</li> <li>• The companies belong to them regardless</li> </ul>
Deduction from Salary	<ul style="list-style-type: none"> <li>• It is a deduction that has no consultation</li> <li>• It is another deduction like tax</li> </ul>

There is a very high level of lack of information on pension schemes and this could be the driving force behind the rejection of pension schemes as a form of saving for the future. Rigorous efforts need to be employed to drive aspiration in saving through pension schemes

### 5.5.5 What Barriers do they Face.....

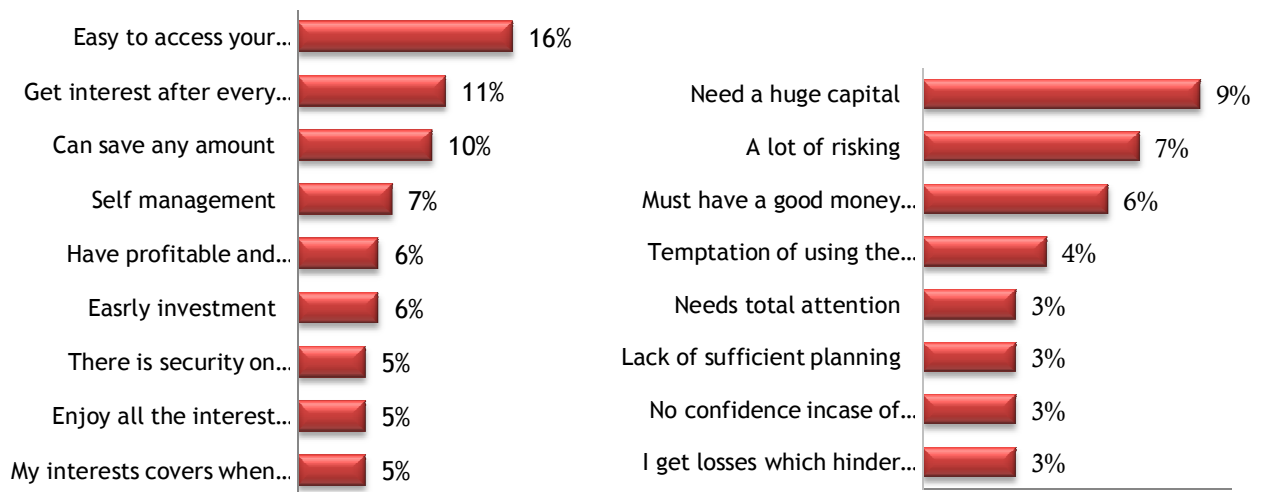
- **Cultural barriers**
  - ▶ Kenyans are ‘working’ people and find it hard to change
    - Working throughout life is entrenched in us hence retirement is not part of the culture
- **Fear of being rendered redundant**
  - ▶ Professionals defined by their careers need to feel needed hence view retirement as being ‘written off’
- **Perceived lack of security of their contributions**
  - ▶ This is greatly driven by the NSSF scandal
- **Lack of trust in the pension schemes**
  - ▶ Driven by the difficulties pensioners go through before accessing their annuities
- **Lack of financial control**
  - ▶ The professionals are into making their money work for them, *‘we want money that is going to work for us’*
    - Pension schemes are inaccessible hence not appealing and take long to mature
    - Investments are preferred because they are **short term, easy to access** and provide **quick returns**
    - They would rather invest in products that have interest, regardless of the rates, and can be tracked in terms of financial performance
  - Fear of them not ‘enjoying’ their money is also a deterrent , *‘why should my money benefits someone who didn’t work hard for it?’*
- **Lack of information**
  - ▶ There is a gap of information on who the providers are and who the target market is
  - ▶ Lack of information on RBA and its function in the industry

### 5.5.6 Motivation of Retirement Schemes



The key things that motivate consideration for retirement schemes are transparency, convincing power, interest rates and ease of redemption of funds. These should be taken as the key drivers.

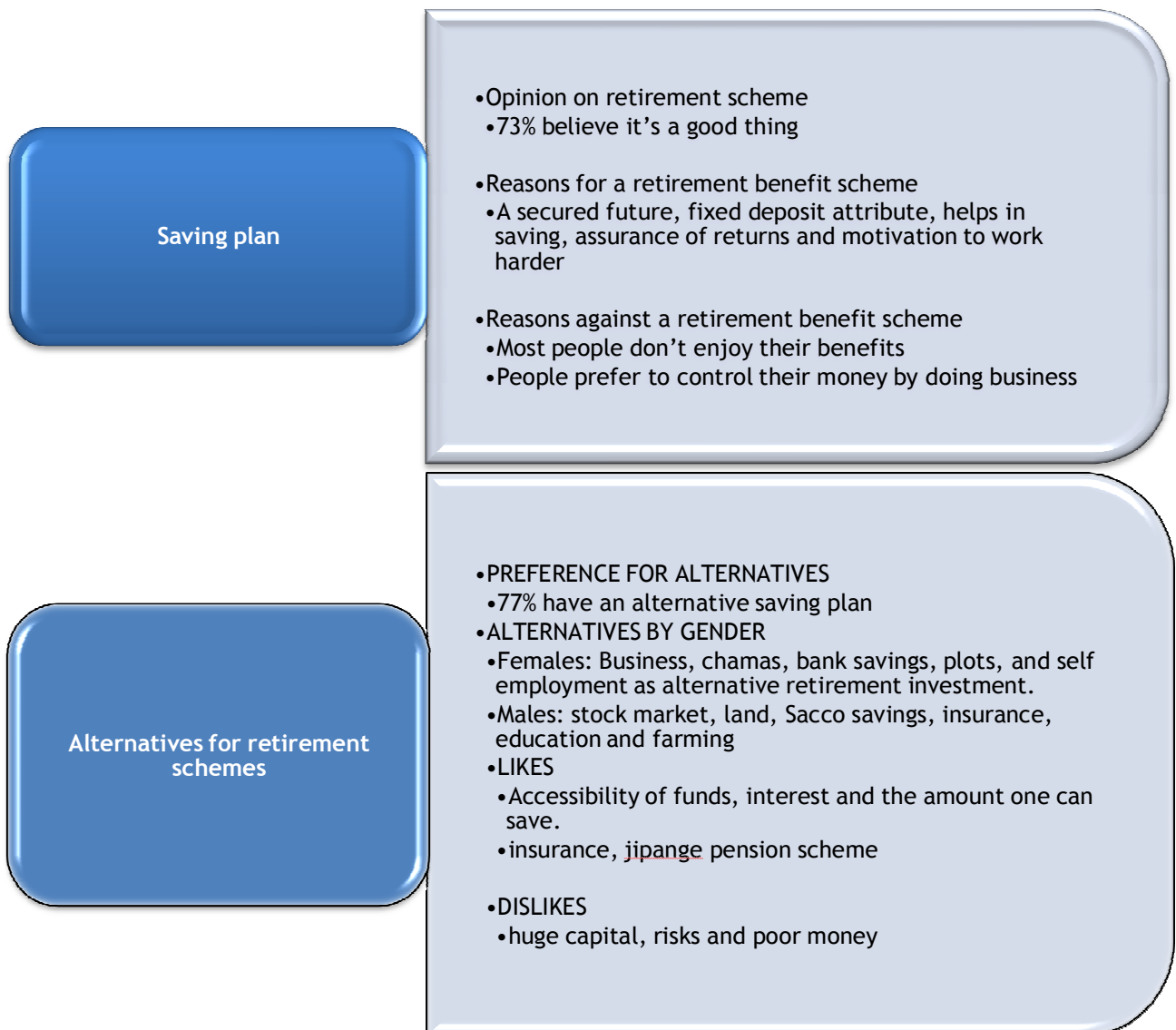
### 5.5.7 Likes/dislikes for Alternatives Saving Modes



- The most important elements on what respondents like are accessibility of funds, interest and the amount they can save.
- The least elements are profit, flexibility and service.
- Half of the respondents don't know/can't remember why they dislike alternative retirement plans
- The most important elements on what respondents dislike are the huge capital, risks and money flows
- The least elements are interest on savings and unreliability.

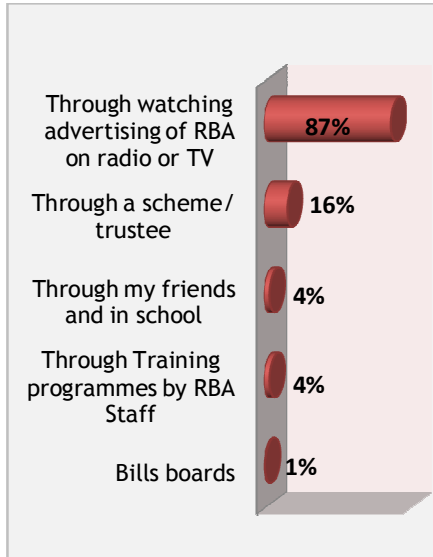


### 5.5.8 Perception on Retirement Schemes-- Summary



## 5.6 Who is RBA

### 5.6.1 Awareness of RBA



	Occupation						Age of Respondent					
	Total (1000)	Lawyers (122)	Doctors (115)	Engineers (65)	Other consultants (149)	Wider informal sector (549)	25 - 29 yrs (69)	30 - 34 yrs (174)	35 - 39 yrs (274)	40 - 44 yrs (257)	45 - 49 yrs (142)	50+ yrs (84)
Yes	72%	92%	82%	71%	81%	63%	52%	72%	70%	73%	81%	75%
No	28%	8%	18%	29%	19%	37%	48%	28%	30%	27%	19%	25%

- Lawyers have the highest awareness level (92%) while the wider informal sector has the least (63%)
- 81% of Respondents aged 45-49 are aware of RBA whereas 48% of those aged 25-29 yrs don't know
- TV and radio advertising has been the most effective mode for creating awareness (87%)

### 5.6.2 What is RBA?

RBA's role is not clearly defined. There are varying beliefs on what it is and what its role is...

#### Pension scheme

*A pension scheme for the rich*  
*A form of pension scheme*  
*NSSF's competitor.....an improved NSSF*  
*Another NSSF*

#### Custodians of pension schemes

Perceived as custodians of all pension scheme funds  
*'custodians of the money because it is a lot'*

#### Retirement advisors

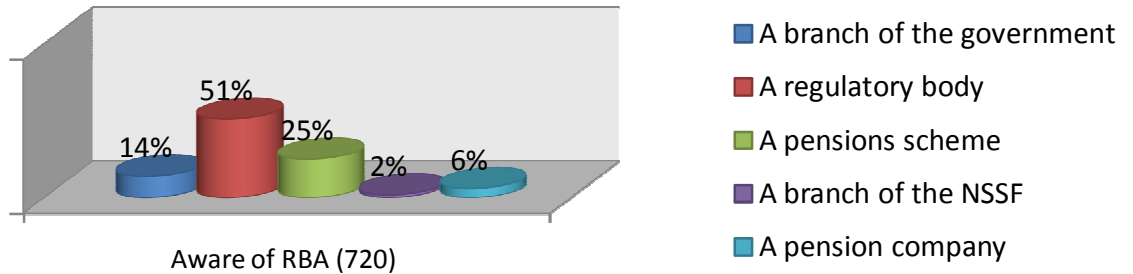
*'they help plan your money and how to use it after retirement'*  
*'they guide on what to expect at retirement'*

Very few people could tell who and what RBA is.....

- Regulatory body
  - *RBA is a regulatory body that regulates pension industry*
- An institution formed through an Act of Parliament
  - *'a government project that is there to take care of retirees'*

Lack of extensive awareness strategies has led to lack of clear definition on RBA's role in the market hence losing out on recruiting new members due to fear of mismanagement of pension funds

### 5.6.3 Perception on the Role of RBA



They are performing well	18%
Safe guarding members money appropriately	14%
Poorly	4%
They ensure that all retirement schemes works according to	4%
Offering training/seminars	5%
They don't tackle complains from client properly	1%
They delay paying the pensioner their dues	2%

- Majority of the respondents perceive RBA to be a regulatory body
- A large number (43%) don't know the duties that RBA performs
- 18% are pleased with its performance while 14% feel it appropriately safeguards members money.

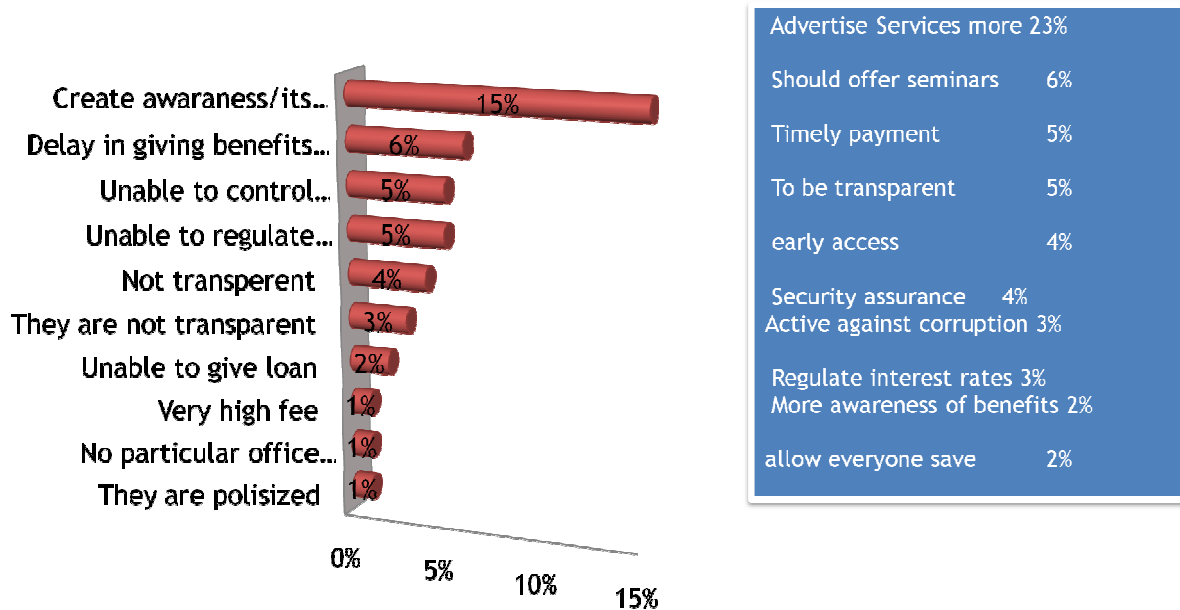
### 5.6.4 Perception on RBA

Once informed on what RBA does, the following were the perceptions towards the authority.....

Likes	Dislikes
<b>Regulates pension schemes</b> <i>'through registering pension schemes and keeping track of them'</i> <i>'they are the watchdog'</i>	<b>Poor in awareness drives</b> <ul style="list-style-type: none"> <li>◦ <i>'I give them a zero in conveying information'</i></li> </ul>
<b>Stable</b> <i>'since it is an Act of Parliament, it is not going to collapse'</i>	<b>Not well known</b> <ul style="list-style-type: none"> <li>◦ <i>'they need to come out strongly so that we can know they exist'</i></li> </ul>
<b>Caring</b> <i>'they advise retirees on how to spend their pension wisely'</i>	<b>Lack of clarity on what they do</b> <ul style="list-style-type: none"> <li>◦ <i>'RBA is not telling us what they do. As far as I know, it is a pension scheme'</i></li> </ul>
<b>Custodians</b> <i>'they protect the pension money because it is a lot'</i>	<b>Lack of wide network coverage</b> <ul style="list-style-type: none"> <li>◦ <b>There is a plea from the public to RBA to open up branches countrywide</b> <ul style="list-style-type: none"> <li>◦ <i>'They should have branches all over the country'</i></li> <li>◦ <i>'it is very expensive for people especially the old to keep making trips to Nairobi'</i></li> </ul> </li> </ul>

RBA has very positive associations. We can capitalize on this to drive public confidence in pension schemes

### 5.6.5 RBA's Shortcomings/ Improvement suggestions



- Key issues include awareness creation, delays, corruption and irregularities, unregulated interest rate and lack of transparency
- RBA should increase on advertising, trainings/seminars, improve on transparency, timely payments, security and ease in redemption of funds.

### 5.6.6 Suggested Improvements

- **Involvement in corporate social responsibility**
  - ▶ *'they should come up with schools or medical institutions'*
- **Set the record straight on NSSF**
- **Do follow up on all retirees to ensure they have been properly paid their dues**
- **Carry out wide covering awareness campaigns**
  - ▶ *'they should advertise more on the products they have for different people'*
  - ▶ *'in adverts, they should have testimonials in order to encourage people'*
- **Encourage saving for retirement by showing how the schemes are performing**
  - ▶ This creates confidence in this form of investment for the future through transparency
- **Diversify products offerings**
  - ▶ *'come up with packages that can compete with the competing markets'*
  - ▶ *'create schemes for unemployed people'*

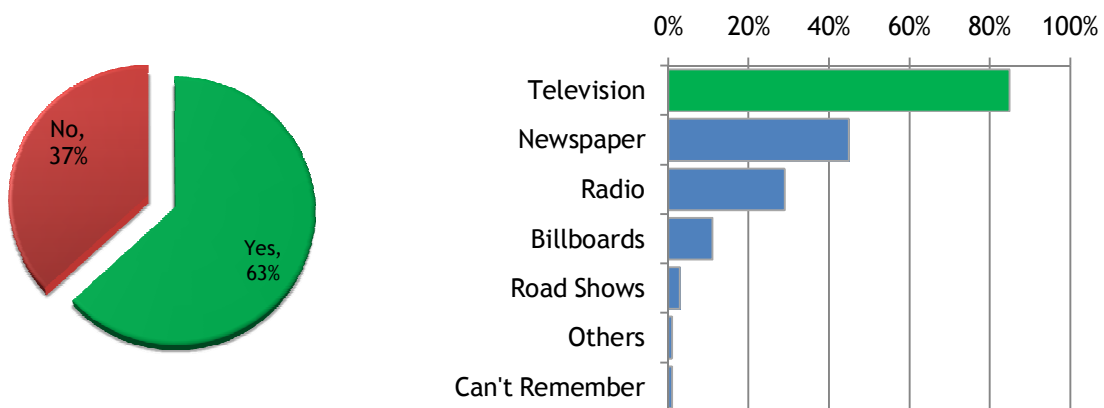
From the above, it is clear RBA needs to:

- Get involved in CSR as this how they are perceived
- Disengage pension schemes from NSSF
- Ensure transparency in running of the schemes
- Educate the public on the availability of different affordable products for everyone

### 5.6.7 Expectations from RBA

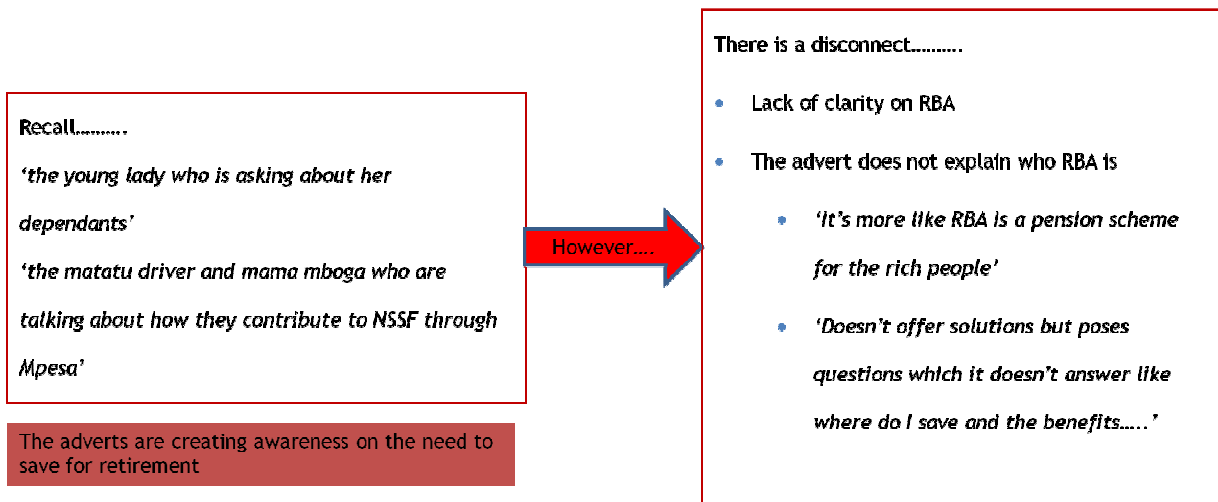
- **Conduct awareness and education drives**
  - ▶ *'they need to come out and tell people what they are all about'*
- **Update members on their schemes' performances**
  - ▶ *'ensure that members get statements of how their accounts are performing in the funds'*
- **Promote pension schemes and their benefits**
  - ▶ *'they need to encourage people to join pension schemes and their benefits'*
  - ▶ *'have to tell us what schemes are and where to find them i.e. who is offering these products'*
- **Spread out to the grass root levels**
  - ▶ *'most people are in the rural areas....RBA should stop focusing on Nrb alone and come to the grass roots level'*
- **Conduct seminars for everyone including non-members of pension schemes**
  - ▶ *Conduct training sessions for retirees*
  - ▶ *Train people on saving for retirement*
- **Participate in corporate social responsibility**
  - ▶ *'they should show that they care about the society'*
- **Rebrand themselves to attract new members**
  - ▶ *'the RBA people should make themselves appealing to us in order for us to join pension schemes'*

### 5.6.8 RBA's Advertisements



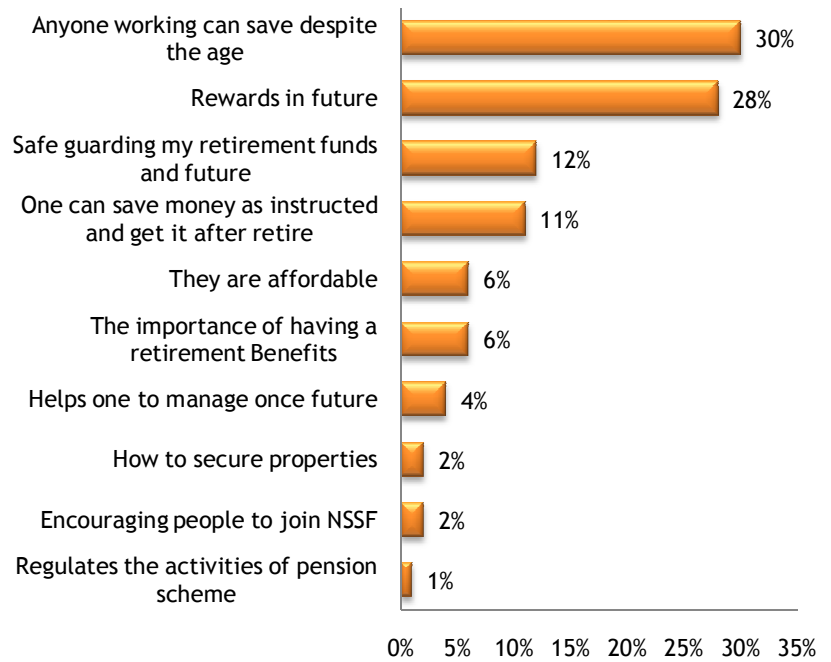
- Of the 63% who have seen/heard RBA's advert, television, newspaper and radio are their major modes.
- Billboards, road shows and other mediums influence a small population of respondents

### 5.6.9 Communication recall



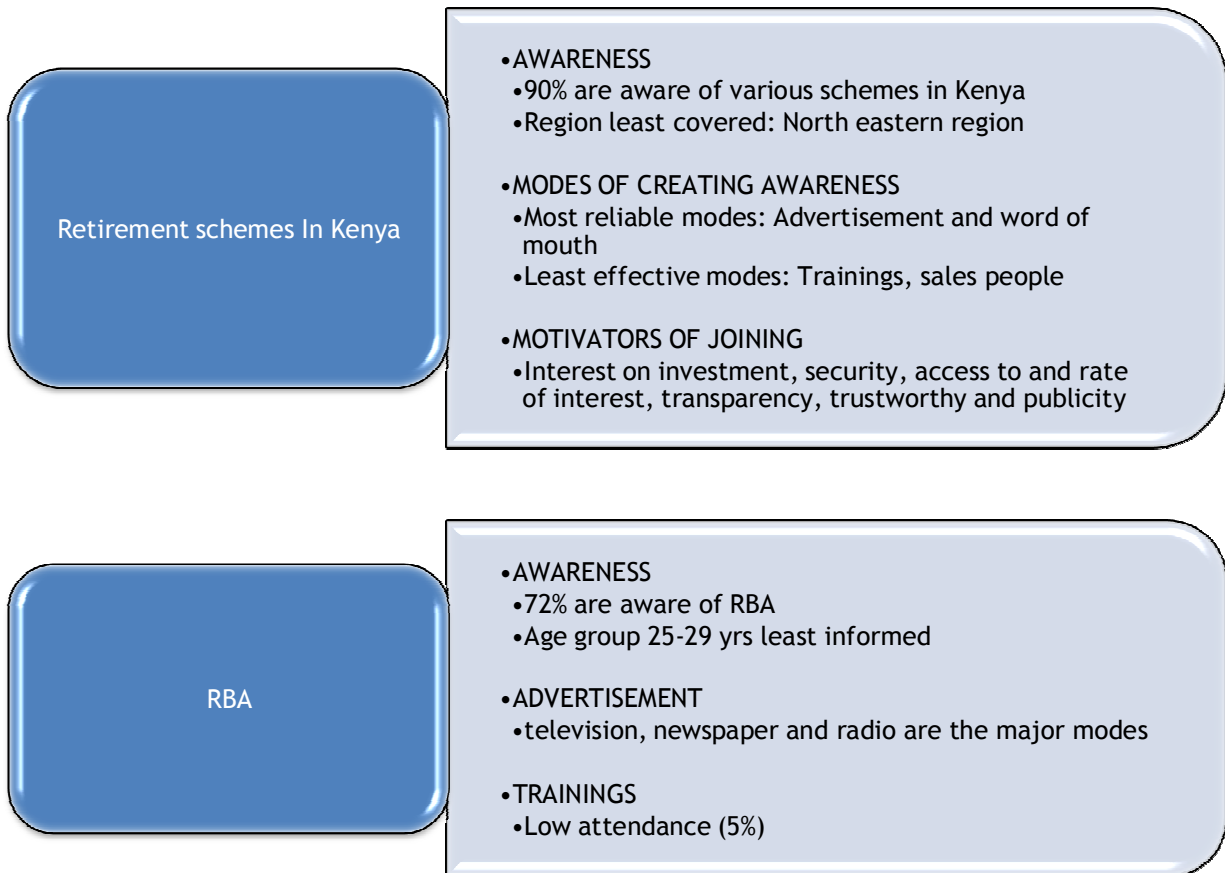
The communication has created awareness however, it is not communicating the benefits if saving for retirement and the channels through which can save for retirement

5.6.10 RBA's Trainings



- Only 5% have attended RBA's trainings.
- Major lessons from the training are on ability to save despite age, rewards in the future, safeguarding one's future, affordability and importance of retirement benefits

### 5.6.11 Summary on RBA Awareness and Functions





## 5.7 Recommendations and way forward

### 5.7.1 Way Forward

#### Define retirement in a positive way

- Communicate retirement as the beginning of a new chapter in their lives as opposed to the end of one's active life

#### Conduct education drive

- Educate the private sector on what retirement is through positive associations
- Educate them on the benefits of pure saving culture to address their need to access pension funds for business purposes before retirement age
- Educate the employers on the advantages of setting up schemes for their staff
  - ▶ E.g. inform them that pension funds are non-taxable
- Educate them on individual pension plans that can be tailor made to their needs
- Industry players also need to focus more on IPPs as opposed to other investment policies

#### Value add

- Come with incentives for the high net worth market

#### Differentiate pension schemes from banking

- Private sector want comparisons of schemes vs. other investment options
- What are the benefits of saving through schemes vs. other saving options?

#### Product innovations

- Private sector are in need of a premium, flexible scheme that will fit into their business and personal goals

#### Corporate social responsibility

- They have a desire to give back to society
- RBA needs to encourage CSR through their schemes

#### National Social Security fund

- Need to distance IPPs from the NSSF in order to create confidence in pension schemes
- Is it possible for the NSSF to be regulated by RBA?

#### Communication & promotions

- Communication
  - ▶ Current advertisement is not motivation enough because the message is lost on the public
  - ▶ Sporadic in airings
  - ▶ We need to ensure we are in the public's eye in order to drive relevance and awareness
- Promotions
  - ▶ Come up with promotional activities in the media e.g. participate in a promotion for a chance to win a pension product

#### Reach out to the customer

- Provide avenues with which the members can interact with RBA... for queries or complaints

**THE END!**

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