URBRA

UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

Protecting your retirement benefits

Newsletter

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New Risk Based Supervision System to improve URBRA's services

More Ugandans join the Chartered Financial Analysts ranks

Empower rural informal sector youths with skills, knowledge to save for retirement

A happy retirement calls for intentional planning and saving

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Chief Executive Officer's Foreword

Dear Reader,

It's always a pleasure to share with you, key developments and insights from URBRA and around the sector. The month of June signals the end of a Financial Year here at URBRA, but in other spheres it is the halfway mark of the year. It provides yet another opportunity to reflect on how far we have come, compared to where we intend to go.

We have had an exciting financial year in the sector, despite the challenges around the economy. We celebrate numerous developments this year which include the following:

• Improved sector performance, as the sector now accounts for 12.2% of Uganda's GDP. We also witnessed the growth in sector assets from 17.8Trillion in 2020/21 to UGX19.9 trillion as at December 2022.

• Completion of the development of the risk-based supervision system, which will strengthen URBRA's supervisory function.

• Amendment of URBRA regulations to improve efficiency of trustees and service providers

• Heightened stakeholder engagement in areas out of Kampala, after a slump during the Covid19 era.

• Being part of the coalition of financial services sector institutions and regulators, to promote a saving culture in Uganda.

• Intensified public education programmes, using all available communication platforms and tools to make citizens understand the importance of saving for retirement

We don't take these achievements for granted. A lot of time and effort have been dedicated by colleagues within URBRA and around the sector; your unreserved input has brought us this far.

As we conclude the financial year, we remain aware of the challenges that we still have to address, notably the sector coverage, and the issue of preservation and adequacy in order to meet the main goal of retirement saving. We will also not lose sight of the discussion around the current system of lumpsum payouts, as opposed to pensions or income benefits.

Thus, our job is cut out for financial year 2023/24. With your continued dedication to sector development, we are confident that we shall continue contributing to the sector development in whichever way we can.

Also, don't hesitate to share your feedback, insights, and proposals of issues that we need to cover in this newsletter. Send us an email: communication@urbra.go.ug

Martin Anthony Nsubuga

Chief Executive Officer
Uganda Retirement Benefits Regulatory Authority

URBRA prepares sector service providers For new Risk-Based Supervision System

Senior ICT Officer Frank Kibukamusoke deliberating during the stakeholder's session

By Lillian Kakayi
Communication and Public Affairs Officer

Retirement Benefits Sector stakeholders have expressed confidence that URBRA's new Risk-Based Supervision system will improve documentation of records, reduce the time spent in physical interactions with the regulator and ease the handling of data and sensitive information.

This was during a user training implemented by URBRA, ahead of the official launch of the system, codenamed "The New URBRA Bridge".

The training attracted Trustees, Fund Managers and Administrators, all prospective users of the system. They were introduced to the key modules and features of the system which include: Accounts Creation and Access Rights: Licensing and Renewal Application; filing returns; Collaboration of System with Regulator, Clients, and ADHOCs.

Among its key advantages, the risk-based supervision system ensures compliance with regulatory data quality requirements; allows for seamless exchange of information with key players like Uganda Revenue Authority (URA), National Social Security Fund (NSSF); and streamlines processes for licence application and renewal.

The system further enables timely and accurate submission of financial and operational returns. It also provides for ad hoc submissions which include change of scheme details, change of participating employer details, scheme mergers, AGM (Annual General Meeting) records, inspection scheduling, actuary approval, trustee changes, auditor approval, and budget submission.

During the session, stakeholders raised concern about the protection of whistle blowers on the system, but got reassurance from the URBRA legal team that the current robust complaints-handling system will not be compromised.

The Chief Manager Supervision and Market Conduct also assured prospective users that the URBRA IT team would support them to familiarize with the system, and an inbuilt user manual would be available for easy reference.

The CEO of URBRA, Mr. Martin Nsubuga, expressed appreciation for the efforts of the project team, led by Ms. Daisy Director- Supervision and Market Conduct, and the consultants involved in developing the Electronic Risk-Based Supervision System since 2019. The CEO also acknowledged the contributions of the advisory framework team, research and strategy, supervision, and legal teams.

New Risk Based Supervision System to improve URBRA's services

In 2016, URBRA embarked on a process of setting up a Risk-Based Supervision Framework aimed at promoting transparency, providing early warning signals and encouraging regulated entities to self-evaluate at regular intervals. The system is now ready for deployment, and user training is underway. In this interview, URBRA's Chief Manager Supervision and Market Conduct, Ms Daisy Lynda Nabakooza, had a discussion with Lillian Kakayi, about the system and the features it adds to the regulator's repertoire of supervisory tools.

Q Give a brief overview of URBRA's newly introduced Risk-Based Supervision system. What is it and what does it do?

It's a mode of supervision that has been adopted world over by regulators in financial and non-financial sectors. It is a supervisory model that looks at the risks in the market and how they can be addressed. A regulator is likely to have many institutions to supervise and may not have the number of staff to carry out all the activities of supervision. That calls for some tools that help to identify areas for improvement. The Risk-Based supervision system provides those tools.

Q URBRA has for the last eleven years been at the helm of sector supervision, what system were you using and why did you find it necessary to replace/revamp it?

It was time to replace the manual handling of data with an automated system, given the exponential growth of the sector since the establishment of the regulator in 2011. URBRA now regulates over 65 licensed schemes, in addition to Trustees, Administrators, Managers and custodians. The need to regularly check and monitor their performance and operations, triggered the team to consider an electronic system other than the manual which was getting more and more cumbersome. The need to identify risk as early as possible in this sector calls for adjustment in the supervisory role especially while handling compliance management. It goes beyond setting of checklists of requirements for the supervised entities, to showing the implications, the quality of the requirements and how those affects the operations of the entity in question and the broader sector. Monthly and quarterly reporting on critical issues sometimes created a lag in tracking and responding, which could cause risks. The risk-based system enables immediate and quick identification of such situations. The system will make it easier to identity and rate risks according to established parameters and mitigate their possible effects.

> **"It was time to replace the manual handling of data to an automated system, especially with the exponential growth of the sector since the establishment of the regulator in 2011.**

Q You seem to imply that the sector is all about risk and how to detect risk? Are there any other issues that this Risk- based Supervisory system will address?

A regulator's biggest worry each day is what could possibly go wrong and what we would do if things went wrong. URBRA's mandate to license and supervise, but the core is to protect the interest of members. Every member counts, regardless of how much they contribute. Imagine a scenario where a member was unable to access their benefits; what would be the face of the regulator in that case? That is the reason why at the back of our mind everything is about risk and how to avoid or manage it before it turns into a crisis. Risk management is the core achievement in modern day organizational goals and objectives.

Q What new features does the Risk-Based Supervision System bring into the supervision frame-work? What should the Supervised entities look out for?

Quick analysis of risk and also the considerations of residue risks for instance governance related risk for trustees could be limited knowledge on a particular issue and how that could affect the entity, the sector and the reflection of risk rating and monitoring. The system interface has different modules which include onsite inspection and due diligence, Risk rating module, returns module, complaints and whistle blowing module

There is also easy report making and analysis as all information is online thus bridging the gap of time spent while hunting for data thus shortening reporting timelines.

Q What efforts has URBRA made to ensure compatibility where supervised entities have systems that don't necessarily speak to URBRA's?

Some of the supervised entities have way developed system and others are developing. URBRA last month (May) conducted several stake holder trainings to introduce them to the system, ahead of the launch in July 2023. The IT Departments of all entities under URBRA supervision will adopt the system and there are plans to train and help every user to familiarize with the system. Important to note is that the system is user friendly with inbuilt user manuals and guidelines. Some schemes have already requested for an integration for example entities like: URA, NSSF, and Makerere University Retirement Benefits Scheme.

Q What mechanisms have you put in place to ensure that if there are any previous non-compliance tendencies, they don't creep into this new system?

Entities in the first instance are excited about the system. They all see it as means of ensuring consistency and easy way for reporting and analysing the trends managing portfolios of retirement schemes. From application, licensing, submission of documents, compliance issues all will be managed on the system. The system interface has different modules which include onsite inspection and due diligence, Risk rating module, returns module, complaints and whistle blowing module.

Therefore, the only way to communicate with URBRA shall be on that system. It will minimize physical inspection and interactions. At every stage of every process, there are validation steps to ensure all requirements for that module are met before you to proceed to the next step. Therefore, entities will ensure compliance before you continue to another step.

Q Other than supervised entities and the regulator, how does an individual benefit from this Risk-Based Supervisory System?

The fact that you are part of the savings scheme, you will be rest assured your savings are protected as the regulator will be able to track effectively the savings. You will also enjoy quicker services for filling complaints and whistle blowing.

Q Any parting shots you want to share with our stakeholders?

Gratitude! I am grateful to the project team, for the diligence, efforts, and sacrifices they put in. I recall the time we went for the benchmarking in Kenya. We learnt in Kenya, when the RBA was setting up its supervisory system, their project team did not do any other work for six months. But the project team in Uganda worked diligently for days on end, without suspending their other assignments. I am grateful to the team within URBRA who helped develop modules with the different applications. I am also grateful to the stakeholders and entities like Makerere University Retirement Benefits Scheme, who responded to our surveys, and contributed to the system design through their analyses and insights.

We are now handling data transfer, uploading all the information that we had on the old system. We need to have the users pilot test the system and get feedback on its performance. We are sure that by this time the entities will access the system for two-three weeks. And in August 2023, there is plan to launch the system officially.

Hajji Hassan Nakabaale during an engagement with youth in Kibaale district

Empower rural informal sector youth with skills, knowledge to save for retirement

By Hajji Hassan Nakabaale
Chief Manager Corporate and Public Affairs

Informal sector youth in Bunyoro sub region have been empowered with skills and knowledge to save for retirement. This was part of a four-months public education outreach, conducted by The Uganda Retirement Benefits Regulatory Authority (URBRA) in conjunction with the Ministry of Public Service, February to May 2023. The outreach covered the entire Bunyoro sub-region, including the districts of Kiryandongo, Masindi, Bulisa, Kikube, Hoima, Kagadi, Kibaale, and Kakumiro. The outreach also extended to Nakasongola, Nakaseke, Luwero, and Kayunga districts.

The targeted audiences were district local government leaders, youth leaders, and at least 200 informal sector youth workers identified at parish levels in selected sub-counties of each district mentioned above. The main objective of the campaign was to encourage young people to understand their roles in becoming self-reliant using the available resources. They were also taught how to select enterprises; how to generate start-up capital; formation of entrepreneurial groups, and the importance of saving for retirement.

Many young people don't have long-term financial goals, believing they don't have enough money even to cater for their daily needs. It is therefore necessary to constantly engage them and teach them to be deliberate about saving for retirement. The youth were encouraged to consider the following:

> *"Many young people don't have long-term financial goals, believing they don't have enough money even to cater for their daily needs.*

- The purpose of saving for retirement is to avoid old-age poverty
- In retirement, one cannot depend on their children or grandchildren because they have lives and families of their own.
- Saving for retirement is a long-term commitment and requires discipline. One can start small, saving as little as UGX2,000 a day; that way they won't feel the pressure. If one adopts this approach, they will have 7,300,000 in ten years. If it is invested wisely, one can be sure of good returns.
- Reduce unnecessary expenses. Adopt the culture of first saving before spending rather than saving after spending.
- To avoid the risk of losing your funds, save with a scheme licensed by URBRA.

More Ugandans join the Chartered Financial Analyst ranks

Some of the recently graduated Certified Financial Analysts with officials during the two day conference

By Billy B.Gang
Communication and Public Affairs Officer

The Chartered Financial Analysts society of East Africa graduated 11 Ugandans at the end of a two-day CFA conference held on 26th and 27th April 2023, in Kampala. Chartered Financial Analysts assist clients to make investment decisions, invest their money and provide services to enhance financial markets, these services can include trading, asset management, constructing and management of investment portfolios and funds.

Speaking at the conference, Martin Anthony Nsubuga, the URBRA Chief Executive Officer noted the importance of having more Chartered Financial Analyst professionals in developing the financial services sector in Uganda, "in a developing market like Uganda, we need more professionals to build a reliable and resilient market that can stand the test of time, especially in building the vital investment and fund management arm of the retirement benefits sector, he said ".

An increase in the number of CFA's brings to the market a number of other advantages; **Enhanced Financial Expertise**: Due to the rigorous training and examinations CFA's undergo to obtain their qualifications, increasing their number in Uganda, means the country would benefit from a larger pool of professionals with advanced knowledge and skills in areas such as financial analysis, investment management, and portfolio evaluation. This can contribute to improved financial decision-making at both individual and institutional levels.

Strengthened Investment Management: CFAs are equipped with a comprehensive understanding of financial markets and investment strategies. With more CFAs in Uganda, there would be an increased capacity to manage investments effectively, leading to better allocation of capital, improved portfolio performance, and potentially higher returns for investors.

Trust and Investor Confidence: The CFA designation is globally recognized and highly respected in the finance industry. A higher number of CFAs in Uganda would foster greater trust and confidence among investors, both domestic and international, in the country's financial services sector. This can attract more investment inflows, promote economic growth, and contribute to the development of Uganda's capital markets.

Professional Standards and Ethics: In a country like Uganda that has previously suffered from rogue investment by those entrusted to carry out this role, having professionals(CFA's) that adhere to a strict code of ethics and professional conduct, which promotes transparency, integrity, and accountability in the financial industry, can foster a culture of professionalism and ethical behavior, which is crucial for maintaining investor trust, preventing or minimizing fraud and ensuring the long-term sustainability of the financial sector.

Knowledge Transfer and Mentorship: An increase in the number of CFA's in Uganda can facilitate knowledge transfer and mentorship opportunities. Adept CFA's can share their expertise with aspiring finance professionals in learning institutions like universities, contributing to the development of a skilled workforce in Uganda. This can lead to the growth of a vibrant financial community, nurturing talent and promoting continuous learning and improvement within the financial sector.

CFA Lisa Betty Oyella noted that there was a time when Uganda had a small number of Chartered Financial Analysts, this meant the country had to import this expertise from other markets, which came at a cost both financially and time efficiency. With more CFA's in the country, we can expect a range of benefits, including improved financial expertise, enhanced investment management, increased investor confidence, and the establishment of higher professional standards in the financial sector, translating to fraud reduction and economic growth in the long run.

CFA Lisa Betty Oyella speaking at the CFA conference

How to manage lumpsum retirement benefits to ensure preservation, adequacy

Avoid wasteful expenditure, calculate risks and work with professionals

By Billy B.Gang

Communication and Public Affairs Officer

The main goal of retirement saving is for one to have adequate income upon retirement. However, with the current mode of lumpsum payouts made by provident funds, preservation and adequacy of retirement benefits cannot be guaranteed. Research shows that many who receive their payout upon retirement, dissipate the funds in less than three years, and spend the rest of their retirement years languishing in poverty.

While sector actors and savers need to develop proposals to redesign benefits and ensure lifetime income, it is important for individuals to efficiently manage their retirement benefits currently paid out in lumpsums.

In that respect, Uganda Retirement Benefits Regulatory Authority (URBRA) on Wednesday 28th June, hosted a webinar to discuss ways and share insights on managing lumpsum payouts, focusing on such questions as: What are the common mistakes to avoid when you get your lumpsum retirement benefits; what products are available on the market for managing retirement benefits; what is the best way to invest your funds when you get a lumpsum?

Addressing the webinar, Mr Kasolo Ronald the General Manager, Britam Assets Managers, explained that adequacy of retirement benefits is the most important aspect of retirement planning, and if it is not given due attention, can lead to undue pressure and sometimes the untimely demise of a retiree. While a young and actively working person can afford to make bad investment choices and lose their money, this is not an option for a retiree.

Mr. Mubbale Kabandamawa Mugalya, Country representative, Sanlam Investments EA, advised participants that when choosing investment options, the return on investment should correlate with the risk. In retirement, some risks are not worth taking. “You need assets that translate to cashflow with minimal or no risks. A lumpsum cannot be used to pay school fees because this will not bring in returns nor can it be used to fund an expensive life style choice like buying a car as an asset which will still not bring in cash,” he advised.

When dealing with lumpsum, it’s advisable to avoiding spending your funds without investing in any assets that can provide the needed cashflow for the rest of retirement. Due to the complexities of investment, Mubbale encourages retirees to engage experts rather than depend on speculation or family and friends who might mislead or defraud.

Managing risk means making the right choices and avoiding wasteful expenditure that. In addition to managing risk, it is also important for retirees to keep an eye on their health prior to and in retirement to nip any health problems in the bud; health complications, if not handled effectively, can quickly deplete one’s lumpsum package.

The symbiotic relationship between financial services sector and the environment

By Billy B.Gang
Communication and Public Affairs Officer

The Ugandan economy largely depends on natural environmental resources. Key sectors like energy, tourism, transport, recreation, food and agriculture are all dependent on how well the country manages its environment. According to the Uganda Bureau of Statistics (URBOS), over 70 percent of the working population is employed in agriculture alone. Yet environmental destruction continues unabated, resulting in climate change and its related effects.

Just like other sectors, the financial services sector suffers the effects of environmental destruction and climate change. As environment-dependent sectors like agriculture suffer losses due to climate change, so does the financial services sector. For example, faced with climate change effects like floods and drought, agricultural businesses will turn to financial services like banks and SACCOS for a monetary loan or loaned equipment for their businesses to remain afloat. However, owing to the wider climate change crisis at hand, loan recovery may not be guaranteed. In the long run, if businesses are unable to pay the loans, they're rendered bankrupt and eventually crumble.

When businesses collapse due to climate change effects, operations of financial service institutions are also affected. Jobs cease, denying a lifeline to other financial services actors like SACCOs, retirement benefits schemes, insurance companies. Before long, the cost of credit will escalate and citizens will not be able to access affordable loans. Banking institutions may close shop; citizens may start looking for alternative livelihoods which may be more rewarding than agriculture. In the search for more rewarding employment, formerly agricultural hubs will be left as ghost towns that are a shell of their former selves. The communities that receive economic migrants will also face a range of challenges.

Generally, one climate-related event can have a knock-on effect throughout the economy. Thus, the correlation between the environment and the economy is real to us in Uganda, as an environment dependent country.

"Generally, one climate-related event can have a knock-on effect throughout the economy.

In that respect, financial services institutions are changing their approach towards the environment as the public demands more accountability and environmentally sustainable practices from the institutions they deal with. Recent research shows

that the public is inclined to support businesses that are environment-conscious in operations and this in turn improves their performance. The New York University (NYU) Stern Center for Sustainable Business found that implementing sustainable practices often increases financial performance. Additionally, in 58% of their studies, there was a positive correlation between ESG (Environmental, Social and corporate Governance) and financial performance.

Marking World Savings Day 2022, key institutions in Uganda's financial services sector chose "be green smart" as a subtheme, to draw attention to environmental protection as key to the survival of financial services institutions. Since October 31st 2022, financial services institutions and regulators have carried out a campaign to raise funds through institutional saving. The funds will be allocated to support green smart businesses. URBRA has been part of the coalition, and on May 2nd collected over two million shillings towards the cause.

Spearheading the campaign, Ms Goretti Masadde, the Executive Director of Uganda institute of Banking and Financial Services acknowledged the economic potential of climate smart business. "We are all currently experiencing climate change. But we can conduct climate-sensitive businesses and still make money."

Recent developments in the construction of the world's longest crude oil pipeline proposed by French Oil company Total and China National Offshore Oil Corporation (CNOOC), the East African Crude Oil pipeline (EACOP) is a keen testament to the world's changing stance towards ESG, the world is eager to hold big financial institutions to ESG standards, case in point, the withdrawal of Banking giant Standard Chartered Bank from the project on Environmental degradation grounds owing to mounting pressure for their stakeholders.

Thus, the financial services sector can no longer distance itself from the realities of climate change. All actors in the bank and non-bank financial services should therefore integrate environmental considerations in their programmes.

Ms Goretti Masadde, the Executive Director of Uganda Institute of Banking and Financial Services(Left) receives URBRA's contribution to the 'Be Green Smart' savings campaign , from Ms Susan Muhumuza (Right), URBRA's head of Human Resources and Administration

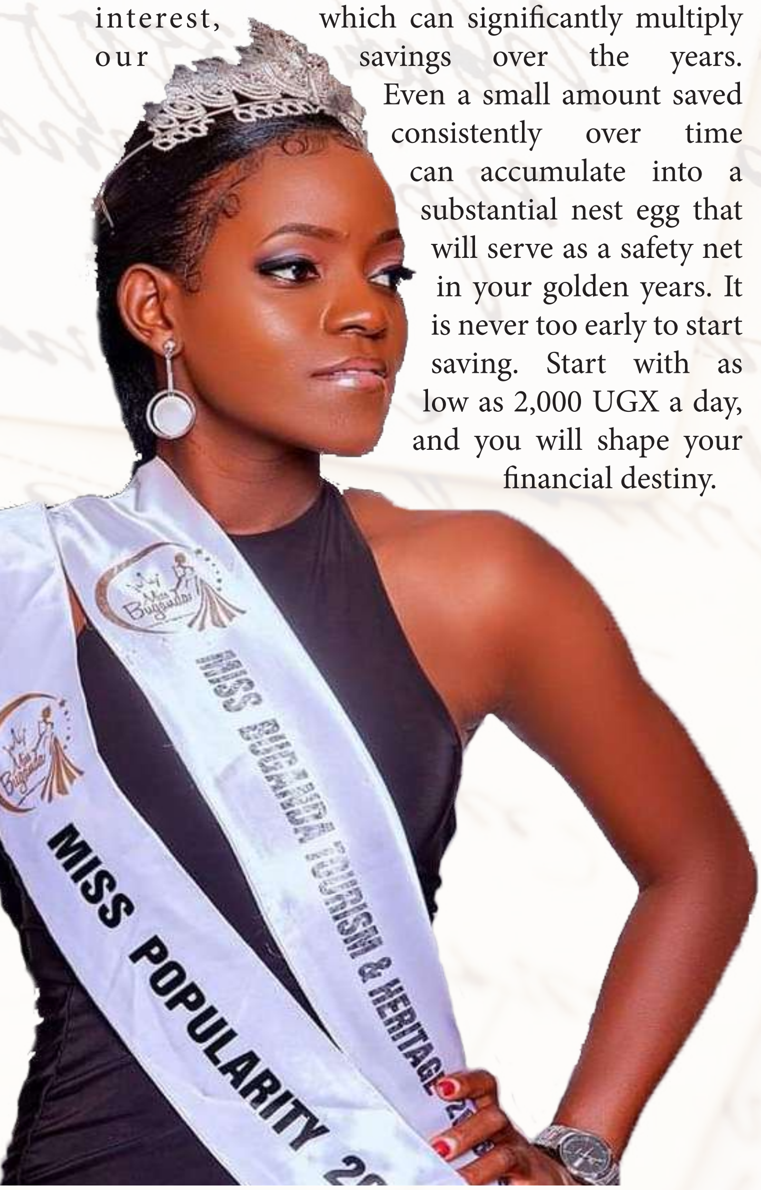
A letter to the youth: Embrace Long-Term Saving for a Secure Retirement

Dear Ugandan Youth,

As one who has had the privilege of representing our vibrant culture as Miss Tourism and Heritage Buganda 2018/19, I feel a deep sense of responsibility towards fellow youth and their future aspirations.

Today, I bring a message of great importance – the significance of long-term saving for a happy retirement. Retirement may seem distant and inconceivable at this moment, but time slips away hastily.

You might wonder, “Why start saving now?” The answer lies in the immense power of time. Starting early allows us to harness the magic of compound interest, which can significantly multiply our savings over the years. Even a small amount saved consistently over time can accumulate into a substantial nest egg that will serve as a safety net in your golden years. It is never too early to start saving. Start with as low as 2,000 UGX a day, and you will shape your financial destiny.



I understand that immediate gratification often tempts us to prioritize short-term pleasures over long-term goals. However, I implore you to resist this temptation and think about the bigger picture. Retirement should be a time to relax, pursue your passions, and cherish the fruits of your labor. But to make this vision a reality, you must take action today.

Remember, financial freedom is not an elusive dream reserved for a fortunate few, it is a possibility within your reach. Saving for retirement not only brings financial benefits but also instills discipline, patience, and a long-term perspective in our lives. These qualities are essential in our financial endeavors, and in our personal and professional growth. By embracing the saving culture, we demonstrate a commitment to our own well-being and a willingness to take control of our future.

However, to ensure the safety and growth of your savings, it is essential to save with retirement benefits schemes regulated by URBRA. By choosing regulated retirement benefits schemes, you can have peace of mind knowing that your contributions are protected and managed with highest standards of integrity.

As we embark on this journey, URBRA’s website, www.urbra.go.ug, serves as a valuable resource. It offers detailed insights into various pension schemes available in Uganda, and the steps to join and contribute. Familiarizing yourself with this information will empower you to make informed decisions about your financial future.

Let us rise above the norm of neglecting retirement planning and chart a new path. Together, we can create a generation of financially astute individuals who understand the importance of securing their future. Spread the message among your friends, family, and colleagues.

With warm regards
Nakintu Phoebe
Miss Tourism and Heritage Buganda 2018 /19.

Half-Year Review on Your Savings for Investment

By Lillian Kakayi
Communication and Public Affairs Officer

Halfway point of the year is a good time to reflect and take stock of the progress towards achieving our annual goals. It is especially important to reflect on the financial goals set at the beginning of the year.

Retirement saving is an oft-neglected financial goal. Some will confess that they are not saving for retirement at all. While undertaking one's half-year review, it is important to pay due attention to retirement saving.

The first step in reviewing your retirement savings is to look at the overall financial situation since the year began. Have you been able to save consistently over the past six months; and has retirement saving been part of that plan? Have there been any unexpected expenses or changes in income that have affected the ability to save?

Next, review the investment portfolio. Are the investments performing as expected? Have they diversified to minimize risk? It is important to work with a financial advisor to determine the right mix of investments based on individual goals and risk tolerance.

One thing to keep in mind when reviewing retirement savings is the

power of compounding. The earlier one starts saving, and the longer you stay at it, the more your funds grow – if prudently invested. Even small contributions can add up over time, so it's important to start saving as early as possible. If it wasn't one of the goals you set at the start of the year, now is the time to incorporate retirement saving in your financial goals.

Periodic review of your savings plans and goals is a crucial step in ensuring long term financial security. By taking time to review the financial situation, investment portfolio, and retirement goals, you are able to make necessary adjustments to the savings plan to ensure you stay on track to achieve your goals.

Start saving now, retire with peace of mind

A happy retirement calls for intentional planning and saving

By Rogers Lubega
Supervision Officer

Retirement is a phase in life when one stops working formally and enters a new stage of life commonly referred to as the "golden years." If you don't plan your retirement well or don't save enough money, it can lead to a miserable life of financial stress. So, it's crucial to start planning and saving for retirement as early as possible.

When you save for retirement, you increase your chances of financial independence, freeing you from the burden of relying on family or friends for financial support during old age. Here are some tips for saving for retirement:

- Start now, be consistent, be patient to allow your money grow.
- Create a Budget. This helps you identify your source of income and where your money is going. You get to know where you can cut back on expenses, freeing up funds that you can put towards saving for retirement.
- Maximize your employer's retirement plan: Take advantage of retirement plans offered by your employer, however small they might appear to be.
- If you don't have access to a retirement plan through your employer, consider opening an Individual Retirement Account with a voluntary scheme open to the public.
- Consider Working with a Financial Advisor. A financial advisor can help create a retirement savings plan tailored to your specific needs and goals, navigate complex financial topics, and provide guidance on how to maximize your retirement savings.

Retirement planning involves not only saving money but also considering where you will live and how you will spend your time during retirement. Consider the following;

- Expenses: Before you retire, estimate your expenses, including housing, food, healthcare, and travel. This helps you create a realistic retirement budget.
- Income: Estimate how much income you will have during retirement from social security, retirement savings accounts, and other sources of income like rental properties. This helps you create a budget and make necessary adjustments to your retirement savings plan.
- Healthcare costs: As you age, healthcare needs may increase, so consider health insurance options and estimate how much you may need to spend on healthcare during retirement.
- Living situation: Your living situation during retirement can significantly impact your expenses. Many workers retire to rural areas to live a simple life. You can continue with your living situation and lifestyle in a rural setting if you plan for it before you retire and act accordingly.
- When to Retire: The decision of when to retire can significantly impact your retirement savings and expenses. Consider your personal and financial goals and decide when the right time to retire is for you.
- Review your retirement plan regularly: As you get closer to retirement, revisit your retirement plan regularly to ensure you're on track to meet your goals and make necessary adjustments.

With proper planning and preparation, you can enjoy your golden years without financial stress.

A safe and healthy working environment has implications for retirement

By Lydia Mirembe,
Manager Corporate and Public Affairs

A story is told of a young factory worker, whose hands were crushed as he operated a machine in the factory. Having lost both hands, he could not carry on with his job, and was forced to take early retirement. His employer sent him home with prosthetic hands and a paltry compensation. The young man lived with his disability to a ripe old age. Needless to say, it was not a happy-ever-after kind of life. It all boiled down to workplace health and safety.

On a regular basis, situations relating to workplace health and safety play out in our midst. Workers are exposed to a wide range of risks such as: diseases caused by chemical, physical, or biological agents; respiratory diseases, skin diseases, cancers, physical injuries, musculoskeletal disorders, and work-related mental and behavioural disorders.

On Friday 28th April, the United Nations marked the International Day for Safety and Health at Work under the theme: "A safe and healthy working environment is a fundamental principle and right at work".

According to the International Labour Organisation (ILO), an estimated 160 million people suffer from occupational diseases while and 2.3 million die every year as a result of work-related accidents and diseases.

Moreover, many workplace accidents and injuries go unreported. Where the injuries and effects are not quickly realized, it may even be difficult to trace them back to work-related causes.

Health and safety hazards in the workplace lead to human and economic costs, and the brunt is mostly borne by the workers and their families. For example, injured workers lose wages and incur medical expenses which may not be covered under workplace insurance arrangements. Injured workers may not be available to serve their families and communities due to incapacitation or even death.

Similarly, the employer may incur losses arising from work-related safety or health situations. Production processes are interrupted; employee morale and productivity plummet; additional costs incurred to recruit and replace injured workers; and not to forget the reputational risk for the company.

From a retirement planning perspective, it is worth noting that the ultimate impact of workplace health and safety conditions manifests many years later, affecting the injured worker's physical and financial wellbeing in retirement.

Take the example of occupational diseases which can arise from exposure to hazardous substances such as chemicals or dust. These diseases may not manifest until many years after exposure, which can have severe implications for workers' health in their old age. Workers exposed to physical or psychological stressors in the workplace may be at higher risk of developing chronic health conditions such as heart disease, diabetes, or mental health disorders. Workers who experience physical injuries, such as back or repetitive strain injuries, may develop chronic pain or limited mobility in old age. These conditions can affect the worker's ability to carry out daily activities, may require costly medical treatment or rehabilitation, reducing the quality of life in old age.

Employers do well to support their employees to save and plan for retirement by contributing to mandatory or occupational schemes. However, they should also look beyond the monetary aspects of their employees' retirement planning. Employers should provide a safe and healthy working environment, while employees take steps to protect their own health and safety in the workplace. Both employers and employees should follow the standard safe practices as prescribed in the national laws, policies and guidelines such as The Occupational Safety and Health Act 2006 and the National Policy on Occupational Safety and Health. The Ministry of Gender, Labour and Social Development has also developed guidelines on workplace safety and health that provide practical guidance on how to implement the provisions of the Occupational Safety and Health Act.

International Day for Safety and Health at Work came just two days before the commemoration of International Labour Day, on 1st May. Both days provide an opportune moment to reflect on the long-term implications of health and safety in the workplace. In the ideal environment, workers should be protected from hazards and risks that may arise from their work. They should be provided with facilities and resources that promote their physical, mental, and social well-being. Employers should provide simple things like adequate lighting and ventilation, clean and hygienic facilities, access to healthcare services, training and education of workers to help them identify potential hazards and risks.

Workers should not sacrifice their health and safety in the pursuit of work-related gains, only to lose those gains as they try to reclaim their health in their latter years.

Why saving for a pension has become more risky

By Jonathan Cribb - Senior Research Economist, Institute for Fiscal Studies

How much money are you going to have to live on in retirement? Perhaps, just like one in five Britons, you do not know.

This is not a surprise since there are so many shifting factors, or risks, to consider when thinking about retirement finances. You need to think about how much you'll earn during your life, to what your employer will decide to contribute towards your pension, and how much tax you will have to pay.

And then, even for the (fairly simple) state pension provided by the government, there is "policy risk" to think about. This refers to how big your pension pot will be by the time you retire, not to mention when you will able to claim it.

What this uncertainty means is that, almost irrespective of how much you earn, most of us face a lot of risks when it comes to our retirement finances. And unfortunately, you are likely facing more now than perhaps your parents did 25 years ago.

Back then, most of the uncertainty around pension pots came from not knowing how much you would earn over the course of your career. People typically had traditional occupational pensions, known as defined benefit or final salary pensions. These were basically a promise from an employer that they would invest enough money to ensure their employees were paid a particular amount from retirement at 65 until death. That amount would depend on a person's earnings and length of service.

Some people did not have occupational pensions, but instead had state earnings-related pensions. With this type, higher earnings meant paying more in national insurance contributions, resulting in a higher state pension in retirement.

And so, 25 years ago it didn't really matter how well the stock market did - if an employer's investments did not cover their pension promise to employees, they had to top it up (and often did so, leading to companies having "pension deficits"). But for employees, it didn't matter if they lived longer than expected, their company, or the government, would pay their pension for as long as they lived.

These risks - investment risk (how well the stock market and other assets do) and longevity risk (the risk of living much longer than expected and running out of money) - were not a big concern for people with pensions in the past. But the changing nature of UK pensions in recent years has caused these risks to be transferred from the government and companies to anyone saving into a future pension pot.

New retirement risks

For a variety of reasons (including the amount of risk employers had to bear in the past) barely any organisations outside the public sector offer traditional defined benefit pensions these days. Instead, on top of a state pension - which is now a flat-rate, no longer earnings-related - most people saving for retirement do so in a defined contribution pension.

At its core, a defined contribution pension is a tax-advantaged savings account that you and your employer contribute to, and which you can only access in your late 50s. When you do access it, you simply have a pot of money.

If you are very lucky in terms of what you have chosen to invest in (Amazon shares in the early 2000s maybe), your pot will have done very well. If you are unlucky (and you owned funds which were invested in companies that went bust, for example), you won't have done as well as an Amazon-owning colleague - even if you contributed the same amount.

Amazon's rising share price

Longevity risk is also now a factor to consider. This is the risk that you will live for a very long time and run out of money.

One reason for this is that, since 2015, retirees no longer have to turn their "pots" of defined contribution pension savings into an "annuity". This is a stream of income that's guaranteed until death.

Instead, most people simply spend their pensions pots any way they like now. But this means living much longer than expected increases the risk of completely depleting your private pension savings.

Pension risk transfer

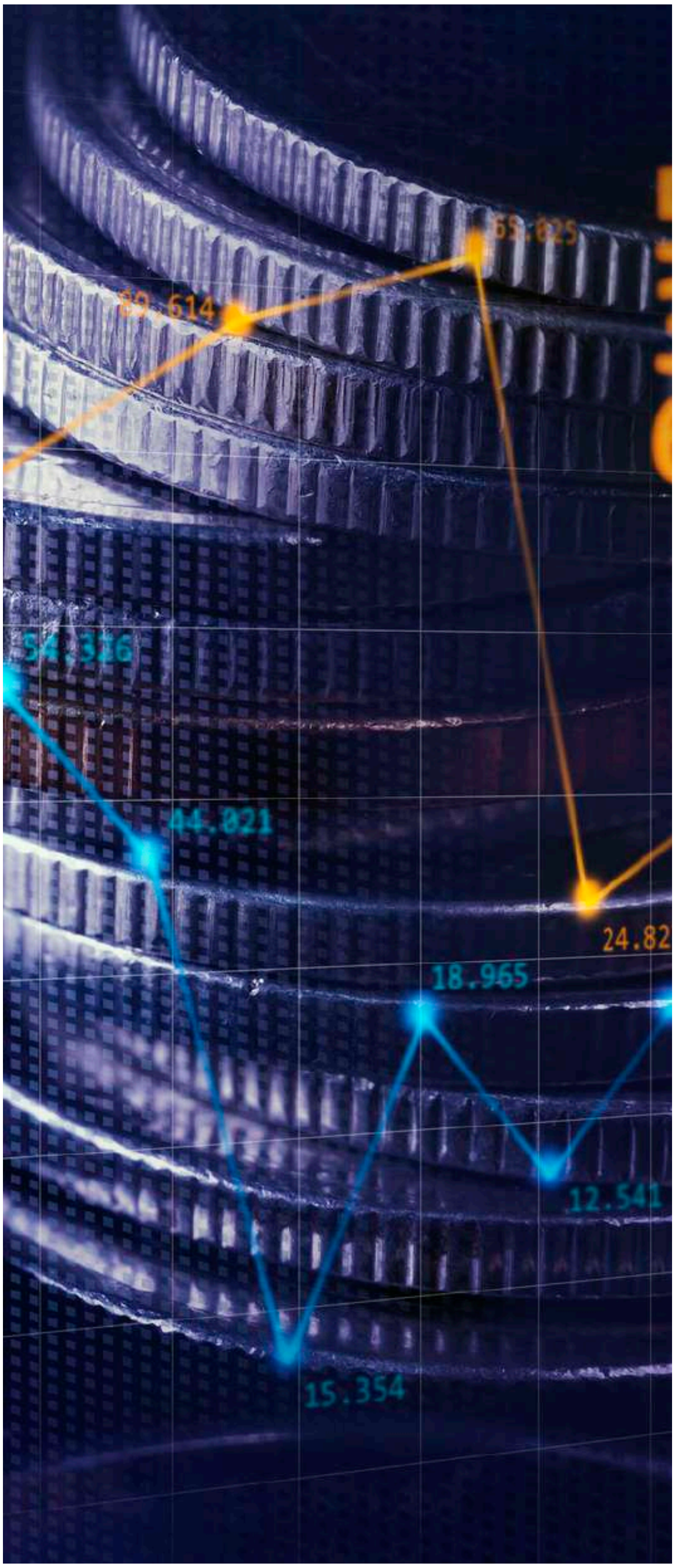
One obvious question is: if pensions are now so risky, why don't people pay to guarantee an income in retirement? That is, why doesn't the government bring back annuities? When they were required, many people felt they weren't getting a good deal out of these products - they were paying a lot upfront for only a small guaranteed annual income.

But while removing compulsory annuitisation is generally thought to be a popular policy - and it certainly gives people the freedom and opportunity to match their income with the way they want to spend in retirement - it also increases the risk of running out of private resources before you die.

In the past 25 years there has been a big transfer of investment and longevity risk from employers (who used to provide occupational pensions), from the state (who used to provide earnings-related state pensions) and from insurance companies (who typically used to sell annuities) on to people saving for retirement.

Managing these risks is now very important, especially as many working-age people may not realise just how much risk they are facing when it comes to ensuring financial security in retirement.

SOURCE: https://www.bignewsnetwork.com/news/273855379/why-saving-for-a-pension-has-become-more-risky



Source : THE INDEPENDENT, Uganda

91% of sub-Saharan African workers don't save for old age

Kampala, Uganda | Less than 10% of the workers in sub-Saharan Africa save for old age, the lowest rate for any region in the world. That implies most of the breadwinners today won't be able to afford basic items after retirement. A pension plan is meant to commit employers to make regular savings so that employees will continue to earn after retirement. The Conversation Africa asked Owen Nyang'oro, a financial economist, about Africa's pensions and why they need to be fixed.

What's the state of sub-Saharan Africa's pension savings?

In a recent study of retirement savings in sub-Saharan Africa (other than the francophone countries), we established that the continent's pension funds are diverse in architecture, coverage and performance. But they mostly lag behind in reforms compared to other regions. Pension savings are also low compared to other regions. Only 19.8% of people above statutory retirement age receive a pension in sub-Saharan Africa, and just 8.9% of the labour force is covered by pension schemes. This is much lower than the global average where 77.5% of people above statutory age and 53.7% of workers have pension coverage.

Pension schemes in sub-Saharan African countries are characterised by low contributions due to low earnings, high informality, high financial illiteracy levels and lack of proper information about the benefits of adequate contributions for future pension withdrawals.

Market data shows that South Africa, with pension fund assets valued at about US$330.3 billion in 2019 (latest country update), is the continent's top performer in absolute terms. Nigeria, which had assets worth US$32.6 billion, Kenya with US$13.7 billion and Namibia with US$13.3 billion were the other top pension savers in 2021.

Countries with low pension savings at the end of 2021 included Mozambique with US$224 million, Zambia (US$745 million) and Angola (US$861 million).

But in proportion to the size of the economy, the best performers in 2019 included Namibia (95.4%), South Africa (82.6%) and Botswana (51.9%). Angola, Mozambique, Zambia, Nigeria and Ghana trailed with pension assets below 10% of their gross domestic product.

Generally, Africa's pension assets are very small compared to the 2021 retirement funds of say, the United States (US$40.0 trillion) or the United Kingdom (US$3.8 trillion).

What's peculiar about Africa's population?

The majority of the population is young and fertility rates are high. The old-age dependency ratio (the number of elderly people for every economically active person) is low compared to other regions, averaging 5.5 in 2022, and the ageing population is small but increasing. The annual population growth rate in sub-Saharan Africa was 2.5% in 2022, which is more than three times the global annual average of 0.8%.

With much younger populations and relatively high population growth rates, the number of dependants in sub-Saharan African countries is increasing at a slightly faster rate, and over time the numbers of elderly people needing social support will also rise. It is projected that the number of elderly persons in the region will grow at annual rates above 3% between 2022 and 2050.

The concern is that only one in five people of pensionable age receives an old-age pension compared to over three in four people globally.

High levels of unemployment and the large size of the informal sector – which accounts for over 89.2% of the labour work force mean that the elderly will continue to face income challenges. Households are also becoming smaller and changing from multi-generational (made up of grandparents, parents, children and grandchildren) which offer social support to the elderly, to skipped-generation (where grandparents live with grandchildren in the absence of parents) or one-generation (where the elderly live by themselves).

What are the benefits of a good pension system?

The primary goal of pension savings is to provide income and livelihood in old age. However, pension savings can also be mobilised to finance productive activities and improve living standards.

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The continent's annual infrastructure funding gap (the difference between resources required and what's available) is estimated at between US$68 billion and US$108 billion. Resources to meet the infrastructure gap could be mobilised from pension funds. This requires good governance and removal of any regulatory obstacles. Pension funds can also support development of capital markets and improve ease of trade in the capital market through their investment activities.

Pension funds can also reduce public borrowing, and improve efficiency of the labour market by creating incentives for formalisation of businesses.

How should countries improve pension savings?

African governments can boost pension savings in four ways:

• Increase pension participation and coverage by including the unemployed and those in the informal sector. This could be achieved through a targeted universal pension scheme and greater financial literacy. The countries should have a mix of universal schemes and schemes with payroll deductions and employer contributions.

• Bundling pensions with other products. Bundling pensions with other products such as life insurance cover, and even matching contributions to encourage greater participation and long-term savings in pension funds. Favourable tax considerations can also enhance the growth of contributions and assets of pension funds.

• Use of technology. Leverage innovations in digital technology to increase pension savings. The region accounts for 53% of active mobile money accounts in 2021. Use of digital technology could increase coverage, especially in the informal sector. It can make enrolment and contribution to pension funds easier.

• Review regulatory frameworks of the pension sector to open it up to the unserved population. There is also a need to streamline management of pensions and minimise costs of administration, especially for private pensions. This will allow pension funds to extend investments to other assets, including foreign ones, to improve returns.

Sub-Saharan African countries are likely to gain from a well-developed pension system that provides adequate income to the elderly. This will in turn reduce the need for social protection, provide financing for infrastructure development, and support the development of capital markets.

All this call for deliberate reforms to facilitate growth of pension savings. Countries should prioritise pensions within their development plans, address informality in the labour market and take advantage of technological advancements and the youthful population.

A well-developed pension system will improve the region's financial stability through reduced budgetary strain as funds become available for development. It could also open up capital markets and improve the labour market, thus leading to growth.

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