



Pension Fund Management

DRY ASSOCIATES LTD

Fund Managers

PENSION FUNDS can provide the cornerstone of a financially secure retirement for you and your employees. In Kenya today, every working individual can deduct up to KShs. 20,000 per month tax free from their remuneration. Then, when these funds are placed into a pension fund, they will earn tax free returns until retirement.

Why set up a Pension Fund?

The tax free accumulation of savings and earnings makes an enormous difference upon retirement. For example, saving KShs. 20,000 per month which earns 10% per year over 20 years will grow to a respectable KShs. 10.6 million. However, if these same funds were placed in a pension fund they would have grown to KShs. 15.2 million because of the absence of taxes!

From an Employer's perspective, the company pension plan is a competitive advantage which will help attract and retain superior employees. From the Employee's perspective, a periodic tax exempt savings plan which may or may not be matched by employer contributions is the best way to accumulate wealth.

What is the general structure of a Pension Plan?

Every pension plan has a Custodian (who ensures that title to assets is safeguarded), an Administrator (who keeps track of contributions) and a Fund Manager (who directs the purchase and sale of assets within the portfolio). Dry Associates is a Fund Manager.

Umbrella Fund: Smaller companies and individuals may want to use an Umbrella Pension Fund. An umbrella fund is an arrangement whereby the company (or individual) shares a common custodian, administrator and fund manager. The fund manager makes decisions on the portfolio investments.

Segregated Fund: Larger companies typically with 25 or more employees may decide to appoint their own dedicated custodian, administrator and fund manager. The fund manager and the company make decisions regarding portfolio investments.

Guaranteed Fund: Many insurance companies offer pension plans with a minimum guaranteed annual return. The insurance company makes all decisions regarding portfolio investments.

Each type of fund has its own advantages and disadvantages. Please ask for our 1-page "***Pension Plan Comparisons - Advantages and Disadvantages of Each***".

How can Dry Associates help?

In addition to being an Investment Advisor with over a decade of experience managing funds, Dry Associates will assist companies to join an umbrella fund or set up their own fund. If a segregated fund is the preferred option, we will do the following:

- 1) **Establish the Retirement Benefit Plan**
Following a resolution to set up a retirement plan, we will develop a Trust Deed and trust rules which will form the basis of an agreement between the company and the Trustees of the plan. Trustees will be appointed from amongst the company's staff and management.
- 2) **Registration of the Plan**
We will guide you in the implementation of the Pension or Provident fund to be in compliance with the RBA (Retirement Benefits Authority) and KRA. A pension plan provides future periodic payouts on retirement while a provident plan pays out a lump sum. Registration with the RBA and the KRA prior to commencement of the plan must be sought in order to take advantage of tax exemptions.
- 3) **Managing the Fund**
Dry Associates will ensure that the investments of the pension plan conform to the requirements of the RBA and earn a return in accordance with the pension's objectives.

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