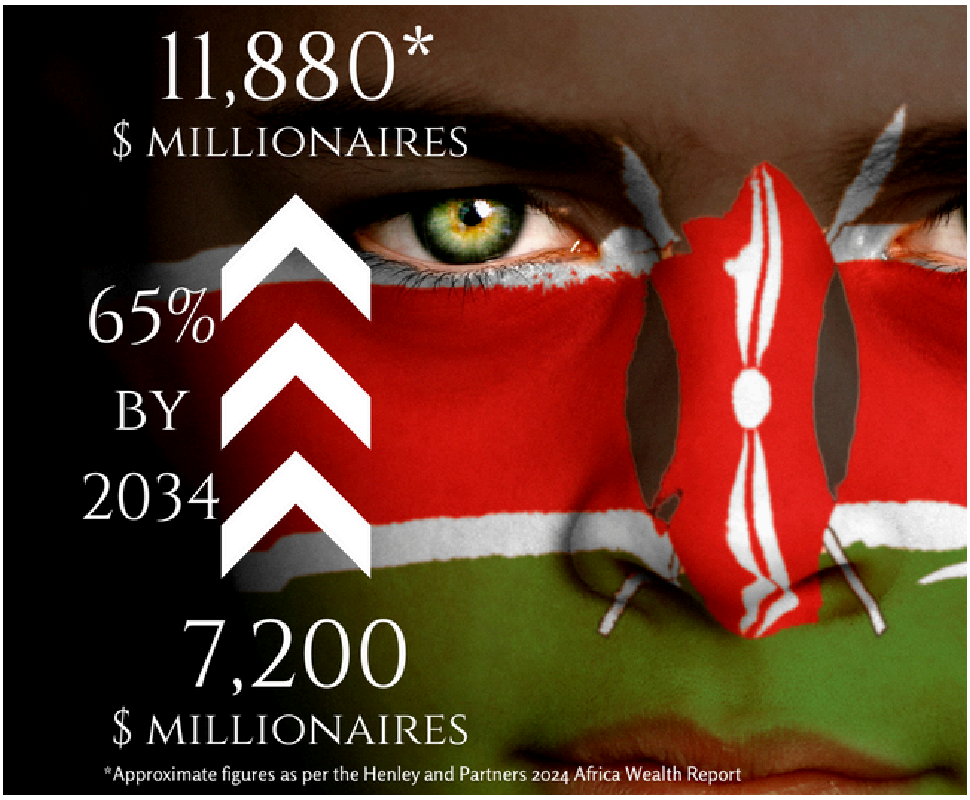
ISSUE 3

THE WEALTH BUILDER

from the Regal Africa Group



A message from the CEO

By Anne Wambui Gaitha

The most recent Africa Wealth Report from Henley and Partners indicated that as at 2023 there were just over 7,200 USD Millionaires in Kenya. This was occasioned by a growth of 30% over the last 10 years since 2013 and they predict that by 2034 we will see that figure rise by 65%.

What are you doing today to ensure you get into the dollar millionaire club? As you reflect on this let us help you explore more ways to keep and grow your wealth through investments in real estate and managed funds. Enjoy the read!

Newsletter Highlights

Building Generational Wealth

DEVELOPING FINANCIAL RESILIENCE

"Only when the tide goes out, do you discover who was swimming naked" Warren Buffet

In the journey of wealth-building you will encounter various seasons. Great seasons where things go your way; investments make great returns and income rises. But there will also be challenging seasons when life hits you harder than you can handle; you get fired, a loved one falls sick, or a business gets destroyed.

Now more than ever it is necessary to develop financial resilience to survive the storms that will come. Financial resilience is the ability to manage unexpected financial hits or unforeseen tough times without being stretched or needing to go into bad debt. Building and maintaining financial resilience is not just about safeguarding wealth; it's about ensuring peace of mind, security, and the freedom to live life on your own terms. There are a couple of things you can do to ensure this happens:.

First on the list is to establish great money management habits. If you are not in control of your personal finances and you don't plan for the future, then be sure to experience the unexpected. A financial plan designed just for you and your family is a requirement as you work towards building resilient wealth. When you have a personalised financial plan, you follow through with the habits that ensure its success because you took part in its creation and are therefore invested. Continued management of cash flow, risk, and debt ensures that neither your everyday expenses, investments, or debt repayments are unbudgeted allowing you the flexibility to plan for emergencies with what you have left.

Our second go-to is always to encourage clients to create a six (6) month minimum emergency fund. This covers your expenses in totality for at least 6 months while you recalibrate and find another way to make consistent income. An emergency fund is easy to set up as all you need is a money market fund account where you deposit until it is fully funded and do not touch unless an emergency arises. Creating a fully funded emergency fund will not happen overnight. If your monthly expenses are Ksh. 200,000 saving almost Ksh. 1,200,000 million will take 5 years even saving Ksh. 20,000 a month. If you manage your money well, you will not have weekly emergencies. An emergency is unforeseen and therefore the urgent Ksh. 10,000 for mum's chama does not qualify. Therefore, as you save, remember to define what emergencies are in your life and only tap into the fund for those important things.

BUILD YOUR OWN
safety net

The next thing you need to work on is owning your assets outright. This strategy helps because it lowers your debt-to-asset ratio. When a crisis occurs and you are short on funds your debt repayments are the one line item in your budget that you cannot shake off. In most cases, if you do, you will be forced to renegotiate for a smaller payment over a longer time, which means you will pay higher interest in the long run. As a result, the debt will burden you even further during a crisis when the goal is to lower the friction so you can recover faster.

Another essential thing to do is protect your No. 1 asset. Your ability to produce income is dependent on your ability to work at your job or your business. Consequently, your health and wealth are inextricably linked. Take insurance covers for your health, life covers to pay out upon death, and get riders for disability, terminal illness, and funerals. It does not end there, these days you can even get covered against job loss so if you do get fired the insurance company pays you for about 6 months while you search for another role.

Our last piece of advice is often what we believe is the most important. Develop passive income streams. As indicated by the name passive income is not reliant on you working as your money works for you and therefore this is your own “insurance policy” against all the possible scenarios we have discussed. When you have passive income sources that can cover your expenses, no matter what life throws at you, you will come out relatively unscathed. This is why we strongly recommend investing in professionally managed funds. Your money working hard for you can ensure that your lifestyle whether it costs Ksh. 200,000 or Ksh. 2,000,000 will still run because your investments are generating compounding interest.

What steps are you taking to build resilience in your finances?

Develop a personalized wealth plan
Open up an emergency fund today
Create your very own lifestyle fund by investing in professionally managed funds

THE 5 KEYS TO PROPERTY INVESTMENT SUCCESS

When you invest in property, it's important to consider the timing of your investment. Dealing in pre-sales offers the greatest growth potential, and your investment is virtually guaranteed to grow. This is because of the risk an investor takes on the developer. Only work with developers with a good track record of completing projects. The later you wait to invest in Real Estate, the lower your returns will be. Pre-sales investments can earn interest of 18-20% far above the current 10-12%, average returns. In Kenya, off-plan developments have been risky but there are ways to invest successfully such as development REITs. Though capital intensive they allow a real estate investor to invest in a development that will be sold off to the Income REIT side of the business and profits provided to investors via dividends.

In Real Estate investing it is all about LOCATION, LOCATION, LOCATION. It is important to purchase property in a growing area with strong demand. Ascertain that the development you intend to buy into has access to current or planned amenities and is close to growth sectors and good transportation corridors. Some new developers are investing in infrastructure and you can buy land and develop the property when you are ready. Unsure about how to gauge the potential growth of an area? Remove the guesswork and buy into planned developments already tapped for growth.

Clients gauge property value by appearance, quality of finishing's and work done. Working with professionals including construction experts, property designers, and property managers is important. They should be qualified, experienced, and able to deliver a good product. Residential tenants no longer want to live in a home that isn’t aesthetically pleasing. Commercial tenants increasingly want buildings that comply with ESG specifications. Your investment must exhibit qualities aligned with the market’s requirements to enable it to compete.

Identify prices that are competitive with the median house price in the area or have the opportunity to gain in the future. Some companies publish research about the price of land and development. These reports though helpful only come out once a year and are often based on data from the previous year. A more current solution is to tap into the network available to registered estate agents. Agents have the advantage of having contacts on the ground with access to information about property prices in their areas of specialization. They will provide real-time information about prices and much more.

No investment is without risk. However, working with the right Real Estate partner and team will remove unreasonable risk for you and allow you to take advantage of great opportunities. You should look for developers and Estate Agents who are willing to work with you to get a good bargain and a lower risk, as well as examples of investors who have had success working with those Real Estate experts. Working with the right agent lowers your risk primarily because they follow the law ensuring your investment can be easily defended.

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We offer Real Estate services to our clients covering both residential and commercial properties. We assist our clients to Buy, Sell or Let out their properties. Our goal is to put families into homes, to find the best Real Estate assets for our clients looking to invest and we assist organizations to get the best commercial properties.

Contact Us Today!

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REGAL AFRICA
PROPERTIES

LIVING YOUR BEST LIFE

Generating Passive Income to fund the life of Your Dreams

What is the most glorious memory you have of your childhood? Mine was tied to a season of turmoil for my family when finances were uncertain and our cozy life was at risk. I remember asking my mother what I could do to help; leaving private school, not taking part in extracurricular activities.

She responded by reminding me that I was a child and consequently my only role was to live and use the opportunities afforded to me. I took her words literally and no longer worried about the money.

Today my greatest goal is to create that same sense of peace in my adult life. My career and business are doing well but they rely on my input to generate income. Therefore, this dream can only be a reality by generating passive income thus securing my lifestyle with none of the stress. I am making an active effort to fund my lifestyle from passive income.

After speaking with my wealth advisor we created a robust plan that keeps the income streams flowing.

1. Real Estate: Your Reliable Workhorse

Real estate is often the go-to for passive income, and for good reason. Owning rental properties can provide a steady income stream while also appreciating over time. Whether it's residential, commercial, or vacation rentals, there are numerous ways to profit.

Start with a property in a growing area with strong rental demand. Partner with a reliable property management company like Regal Africa Properties to handle the day-to-day operations, freeing you up to enjoy passive income benefits without the hassle.

Passive Income Generators

1. Real Estate
2. Real Estate Investment Trusts (REIT's)
3. Professionally managed funds
4. Creating a digital product

2. REITs: Real Estate without the Hassle

Real Estate Investment Trusts (REITs) allow you to invest in real estate without owning physical properties. REITs pay out a significant portion of their income as dividends, making them a great source of passive income.
Unlike direct property ownership, REITs provide liquidity, meaning you can buy and sell shares without the complexities of selling physical property. They're perfect for those who want real estate exposure without hands-on management.Research different types of REITs—development REITs, income REITs, to find the best fit for your investment goals. Look for REITs with a strong track record and stable dividend payouts.

4. Create Digital Products: Share Your Expertise

If you have a wealth of knowledge in a particular area, consider creating digital products such as eBooks, online courses, or webinars. Once created, these products can generate income with minimal ongoing effort. Creating digital products is like planting a money tree. Water it once, and it keeps giving you fruit season after season.

Choose a niche you're passionate about and knowledgeable in. Invest time in creating high-quality content and use platforms like Udemy, Teachable, or Amazon Kindle Direct Publishing to reach a broad audience.

Embrace Financial Freedom

Building passive income streams takes time, effort, and a bit of trial and error. But the rewards are well worth it. Imagine living your best life come rain or shine because your money works harder than you ever did, allowing you the freedom to pursue your passions, travel, or simply relax without financial worries.

3. Professionally managed funds

Remember in maths class when the equation would ask you to solve for X. It was designed to have you think of solving problems with the end in mind. So professionally managed funds solve the problem of generating passive income by beginning with the end in mind. I need Ksh.100,000 per month to cover my monthly household consumption. Therefore I need to invest at least Ksh. 10,000,000 in a fund where I will earn at least 12% a year translating to the Ksh. 100,000 per month that I need. For a large sum like 10 million one can easily get much higher interest rates ensuring that the money retains value while generating passive income.

Work with a wealth advisor and shop around for fund managers who can generate these kinds of returns, are regulated, and have terms and conditions you can abide by.

Ready to live your best life!!

Explore different passive income options tailored to your end goal, risk tolerance and investment horizon.

Start and/or grow your real estate portfolio and watch the rental income flow.

Stay informed about new opportunities and continuously educate yourself to maximize your passive income potential.

Wealth Advisory

We work with families to enable them to build and manage their wealth effectively and we ensure that they go through the creating wealth process in an effective manner. We assist our clients in their wealth journey through wealth accumulation, wealth management and wealth transfer

Contact Us Today!

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REGAL AFRICA
WEALTH ADVISORY

GETTING CHILDREN IN THE REAL ESTATE GAME EARLY:
Purchasing Property for Your Kids

So, you've mastered the art of wealth creation and management - great! But what about the next generation? If there's one thing we have learned in the journey, it's that starting early makes a world of difference. That's why today, we're diving into a topic that might sound a bit ambitious but is worth considering: getting your children involved in real estate early on.

Why Real Estate for Kids?

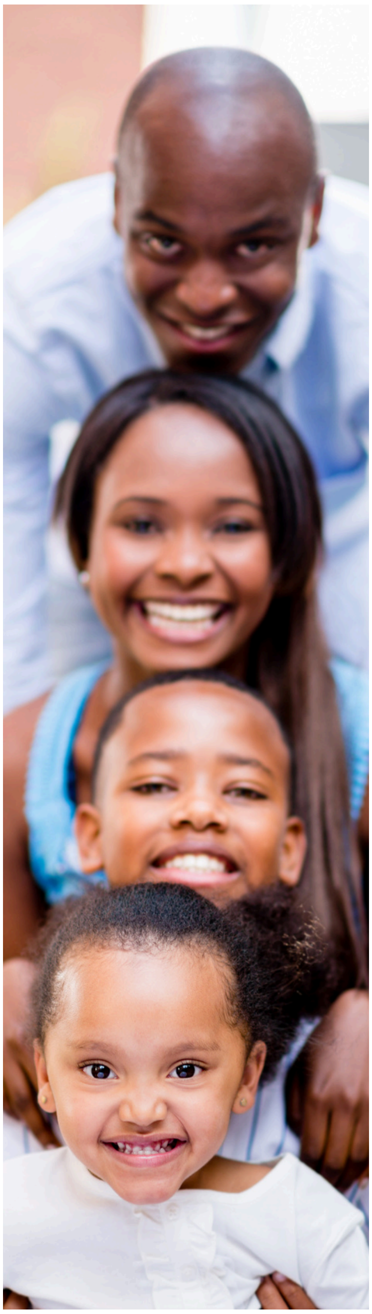
Let's be honest, the idea of purchasing property for your child might raise a few eyebrows at first. But think about it—real estate isn't just a piece of land or a building. It's an asset that appreciates over time, generates income, and provides a tangible sense of ownership. Unlike a college fund that might not feel "real" until it's needed, a property is something they can see, touch, and eventually manage. It's a legacy in the making, and who wouldn't want that for their children?

Another angle to consider is that oftentimes we see parents registering property in their children's names. However, they make the mistake of not involving them in any part of the process. This results in children who do not value the time, money and effort put into the property their parents have handed them leading to mismanagement and loss. Therefore, it is better to get children involved early as you ensure they gain both the skills and the wealth.

Why Start Early?

You might be wondering, why should we think about real estate for children so early? The answer lies in time and opportunity. Real estate, as we know, tends to appreciate over time. The earlier you invest, the more time the property has to grow in value, and the more options your child will have when they're ready to use it.
Moreover, buying property early can be a strategic move. If you purchase a home in a desirable area, by the time your child is ready to move out on their own, they could have a fully paid-off property in a prime location—something many young adults struggle to achieve in today's market.
And let's not forget the educational aspect. By involving children in real estate decisions from a young age, we're teaching them valuable lessons about investment, responsibility, and financial management. It's not just about owning property; it's about understanding how to make it work for you.

Practical Tips for Getting Started
Now that we've covered the "why," let's get into the "how." Here are a few practical tips for getting your children involved in real estate early:



1. **Start with Education:** Before you even think about buying a property, start by educating your children about money. Teach them the basics of saving, investing, and the concept of property ownership. Use simple terms and real-life examples—like why the house down the street might be worth more now than when it was first bought.
2. **Start Small and Simple:** You don't need to go all out and buy a mansion. Start with something manageable, like a small rental property or a piece of land in an up-and-coming area. The key is to choose something that will appreciate over time and provide a learning opportunity for your child.
3. **Involve Them in the Process:** When you're looking at potential properties, bring your kids along. Explain why certain locations are better than others, what makes a property a good investment, and how loan payments work. Let them ask questions—even the ones that seem obvious to you. This involvement helps them feel a sense of ownership and responsibility.
4. **Consider Rental Income:** Purchasing a rental property is a great way to generate income that can be reinvested or saved for your child's future. Plus, managing a rental can teach them about responsibility and the value of steady, passive income.
5. **Consider a Joint Purchase**: If your children are older, consider making them part of the buying process. A joint purchase where they contribute a portion of the down payment (even if it's a small amount) can teach them about the commitment and rewards of real estate investment.
6. **Think Long-Term**: When choosing a property, think about its long-term potential. Is it in an area that's likely to appreciate? Will it provide rental income in the future? The idea is to buy something that will grow in value and offer financial security for your children as they grow up.
7. **Make It Fun**: Real estate doesn't have to be all serious business. Turn it into a game for your kids—like finding the house with the best yard or the most rooms. The more fun they have, the more interested they'll be in learning.

The Realistic Perspective
Of course, not everyone can afford to buy property for their children, and that's okay. What's important is the mindset you instill in them. Whether it's through real estate or another investment vehicle, teaching your children about financial responsibility and the power of long-term investment is the real gift.

I've met too many people who were thrust into financial independence without the proper tools or knowledge, and they struggled because of it. By getting your children involved in real estate early, you're giving them a head start in understanding how money works, how to make it grow, and how to use it wisely.

Ready to take the next step?

Have a conversation with your children about money, investing, and the future.
Explore properties that might be the perfect investment for your family's next generation.
Give your adult children the tools they need to build their financial future through the Wealth Academy.

WEALTH BUILDING IN AFRICA IS AN OLYMPIC SPORT

The Steeplechase

Is a race built with hurdles every few meters. The design is meant to eliminate runners every few steps or at least slow them down. Kenyans are good at this. We take resilience and perseverance to a whole new level. It's probably why our economy keeps growing even with all the issues we face. Just like the steeplechase runners we have overcome scams, COVID shutdowns, rising costs of living, and natural disasters. Ultimately we keep going by developing financial resilience to ensure no matter the hurdles we can cross them.

The Marathon

“Kipchoge keep jogging” Our favourite race at the Olympics is usually the marathon because we know the anthem will be played. Marathons take a long time and require patience and endurance. Similarly, personal finance is a marathon, not a sprint. Wealth is built over time and with lots of patience. The average African builds their wealth over a long period and consequently, we understand just how important endurance is throughout the process. In the same way, marathoners have pace setters we can benefit from financial pace setters in the form of advisors who help us define the pace and keep it.

As the Olympics come to an end and the realities of the African financial existence become more apparent we hope you enjoy the beauty of the sport and strive to see the parallels.

I had a passing thought recently about just how similar the process of wealth-building in Africa is to some of the games being played in the Paris 2024 Olympics. I know this sounds ridiculous and the 2 subjects seem very far apart but hear me out.

The 100 meter dash

As a continent, we only recently started to do well at this. The Omanyala’s of Africa running 100m in less than 15 seconds are still very few. Similarly in the financial world instant millionaires, the genuine kind, not the “wash wash” con artists, are also few and far between.
Not to say that instant success happens in other countries but there is a much higher likelihood of achieving success faster than you would in an African country. As a people we need to build our economies to the level where private enterprise results in wealth creation faster and easier than it has for our generation.

Rugby

One of the most fun idiosyncrasies of rugby is that the ball is passed back instead of front. When I think of the African context I instantly think of black tax and how the most productive years of a young adults life are spent supporting family members. Just like the players pass the ball back so too do you constantly end up solving the financial problems of those behind you. Some Africans end up paying black tax their whole lives resulting in them continuing the cycle with their own children. The only escape from this is solid financial planning as it ensures that you provide support while still managing your long-term goals thus ending the cycle.

PARTNERS

Regal Africa works with 8 licensed fund managers who provide a variety of investment and pension funds to suit your needs.

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