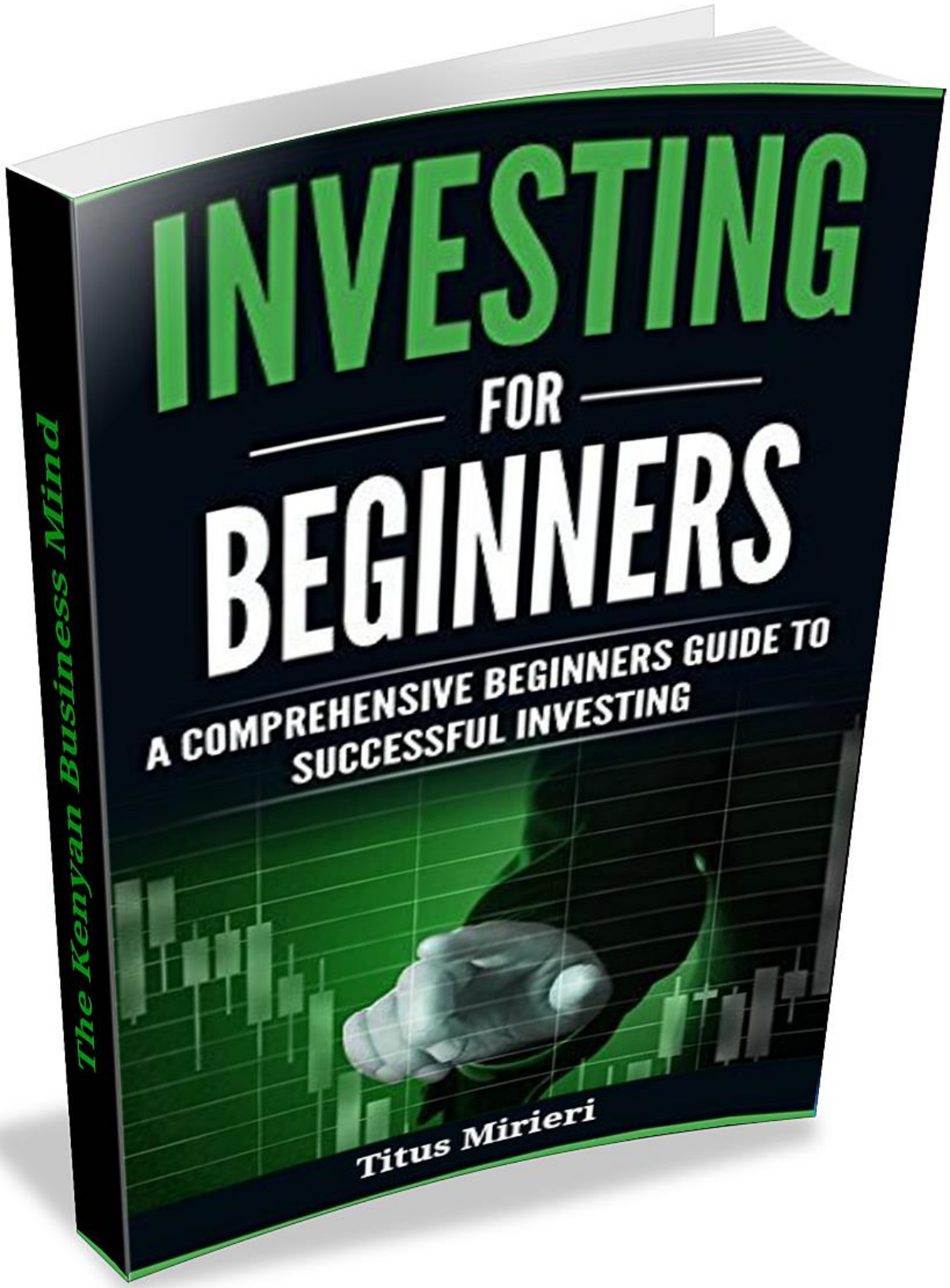

INVESTING
FOR
BEGINNERS
A COMPREHENSIVE BEGINNERS GUIDE TO SUCCESSFUL INVESTING
Titus Mirieri
The Kenyan Business Mind

Investing for Beginners

A Comprehensive Beginners Guide To Successful Investing

Written By: Titus Mirieri

Have you ever wondered how the rich grew their wealth to an exponential point and yet it keeps on growing? Or perhaps you aspire to become financially free and retire early?

If these all sound familiar to you, then be glad because this is the right eBook for you.

Upon reading of this eBook you will learn the following;

- Investment Strategies
- Basics of financial literacy and making sound investments.
- Investment advice, strategies and tips for winning big as an investor
- Investment Ideas – The best kept, high yield investment ideas and opportunities
- Investment Markets

And much More...

This eBook also contains essential information to understand the concepts of stocks, bonds and other popular investment vehicles. Regardless of your appetite for risk, there is a suitable investment vehicle for you so this eBook aims to guide you to find the best one.

About The Writer



Dear friend, brother, sister, father or mother, This is Mr.Titus Mirieri, a father to two. I'm a businessman and i love entrepreneurship so much.

After spending almost all my adult life in the business world, I can't stop being ANGRY that I live in a generation where school brainwashes everyone about job.

Apart from being a businessman, i have a mission in my life. To train one million Kenyans how to be successful business owners. I think it is STUPID of us as adults, at this terrible time, to continue teaching our children and youths how to be employees.

My goal is to liberate Kenyans from poverty. But i alone cannot do it. I need you to be part of this vision.

I started my first business before i was 15. If You Want to Learn My Secrets then read this eBook and more of my business training ebooks and i will see you at the top.

Investing for Beginners

Do you aspire to become a successful investor? Do you want to learn what it takes to start investing? Then this eBook will educate you about investing for beginners.

It is a known fact that Rome wasn't built in a day, and the successful investors of today were once investing beginners some time ago. So the fact that you are just starting out in the investment world should not weigh you down.

You can still become a successful rich investor and attain the pinnacle of success in the investment world, if only you will be willing to learn and take baby steps.

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Chapter 1

What is Investing?



What is investing? Why should you invest your hard earned money? Why take risk as an investor when you can keep your money safely in the bank? Well, i advice you read on to find the answers you seek.

The word investing is such a confusing subject. In fact, most people think they know what investing is but the truth is that they don't. Investing means different things to different people, and the harsh truth is that most people who think they are investors are not; they are simply speculators, or better still gamblers. So in this chapter; you are going to find out the true meaning of investing.

What is investing?

There are several definitions of the word "*investing.*" I looked up the word "*investing*" on Google and I came up with several definitions. Some of the definitions of investing are:

1. *Investing is putting your money to work for you.*
2. *Investing is how you make your money grow or appreciate for long term financial goals.*
3. *Investing is the proactive use of your money to make more money*.

If you look up the word in the Oxford dictionary, investing is defined as

"The process of buying property, shares in a company, etc in the hope of making a profit."

Most investing beginners see investing as the act of putting in money in a system for a return on investment. Some see investing as a process of putting your money to work while others see investing as the process of buying and selling stocks, real estate or other investment products. But of all the definitions of investing; the one I find suitable and reasonable is the definition put down by my mentor Robert Kiyosaki"

Simply put:

"Investing is a process or financial plan of how to get from one financial level to another." – Robert Kiyosaki

One true fact about the word investing is that it means different things to different people. An entrepreneur building a business is investing. An individual who buys stocks, real estate or mutual funds is investing. A man who raises a large family is investing; and an individual that attends seminars, workshop or even attend college is also investing. So in actual sense, investing is what you take it to be.

Why is investing important? Why you should Invest?

Investing has become increasingly important over the years, as the future of social security benefits becomes unknown. People want to insure their future and they know that if they are depending on Social Security benefits, and in some cases retirement plans; that they may be in for a rude awakening when they no longer have the ability to earn a steady income. Investing is the answer to the unknowns of the future.

You may have been saving money in a low interest savings account over the years. Now, you want to see that money grow at a faster pace. Perhaps you've inherited money or realized some other type of windfall, and you need a way to make that money grow. Again, investing is the answer.

Why People Invest Money

Regardless of what you are investing in, or what you are investing with; people basically invest for three reasons. I once again thank Robert Kiyosaki; my personal finance expert for his insights on the subject of investing. Robert Kiyosaki made me understand that people invest for three reasons.

- *To be secure*
- *To be comfortable*
- *To be rich*

The question now is: *which of the above are you investing for*? Well, I think that's a topic for another day. Now back to the issue on ground. Investing is also a way of attaining the things that you want, such as a new home, a college education for your children, or expensive 'toys.' Of course, your financial goals will determine what type of investing you do.

If you want or need to make a lot of money fast, you would be more interested in high risk investing; which will give you a larger return in a shorter amount of time. If you are saving for something in the far off future such as retirement, you would want to make safer investments that grow over a longer period of time. The overall purpose of investing is to create wealth and security, over a period of time. It is important to remember that you will not always be able to earn an income; especially when you retire.

You also cannot count on the social security system to do what you expect it to do. You also cannot necessarily depend on your company's retirement plan either. So, again, investing is the key to insuring your own financial future, but you must make smart investments.

Few years ago, i received a financial investment advice from one of my mentors and today, that advice is the best financial investment advice i have ever received. Why? The reason is because that advice changed my financial life. Do you want to know what that advice is? Then read on.

In today's world; where information overload abound, many still remain average because of lack of the right information. If you turn on your T.V, radio or log on to the web, you will come across thousands of financial advisers churning out investment advice daily.

Anyone can wake up tomorrow and offer advice. Even your next door neighbor can offer you some incredible financial advice, hot tips or inside information. But the sad news is that all advice are not equal; and majority of advice offered is worthless.

The world is filled with fast talking financial advisers but unfortunately; over 90% of financial advisers, financial planners and brokers don't know what they are doing. And even if they do, they don't practice what they preach.

I have seen stock brokers that don't invest their own money in the stock market; they simply feed fat on clients and investors. Now tell me how such a broker will offer a tangible investment advice.

I have received tons of financial and investment advice; both solicited and unsolicited. I believe you share this same predicament with me. Some of the most popular financial advice I hear every now and then include:

The Most Popular Financial Investment Advice

- Go to school so you can get a good job.
- Stocks is the best investment
- Buy now and hold; Invest for long term e.g land.
- Mutual fund is the best low risk investment.
- Live below your means.
- The more specialized you have, the more secured you are
- Avoid risk.
- Stay away from debt. Debt is bad.
- Save for the rainy day.
- Don't carry all your eggs in one basket; diversify.
- Don't diversify; focus.
- Hedge funds are too risky.

- Don’t take risk. Turn your money over to a fund manager.
- Avoid real estate investments. They are capital and management intensive?

This list of advises goes on and on. But it’s sad to say that of all the advice I have received; only few have profited me tremendously and one of such good financial advice is this:

“Don’t live below your means. Expand your means” – Rich Dad

Of the few advice that have profited me financially, I want to share with you the best financial investment advice I have ever received. And if you must know, this advice was offered to be by my business mentor; “*Robert Kiyosaki.*” Now what was his advice?

The Best Financial Investment Advice

“First invest in building a business. When your business produces enough cash flow, then you can begin investing in other assets.” – Robert Kiyosaki

I really thank Robert Kiyosaki for giving me this piece of advice. It’s the best investment advice I have ever received and this single advice has made me millions. This advice is the reason why I tag “*starting a business*” the best investment opportunity with the highest return on investment. So when I am asked the question: What is the best way to invest money? My answer is usually this:

“First invest in yourself with business education; then start a business.”

Most people respect Warren Buffett and George Soros as great stock investors; but the truth is that stock investing did not make these men billionaires. These men became billionaires because they built mega businesses and used this business as leverage to invest in other businesses.

Today, I see many individuals going against this simple advice. I see millions of people trying to get rich by investing, using a part of their salary. The sad truth is that they are not going to make headway because they can only acquire limited assets using their salary.

Everyday, I see people having their investment portfolio wiped out in their bid to make a kill on the stock market. The problem with these individuals is that they are investing alone against well structured businesses with millions of shillings.

"First invest in building a business. When your business produces enough cash flow, then you can begin investing in other assets." – Robert Kiyosaki

Ever since I received this financial investment advice, I have concentrated my efforts on investing in building a business. And through my business, I have made couple of investments and the banks are willing to lend me money because they can see my business system in operation.

As i conclude this chapter,, the most important point I want you to remember is that building your own business is the best investment you can invest in because of the leverage it offers. Yet, it's the riskiest investment because of the high rate of failure. When you build a business and your business begins to generate cash flow, then you can invest in other businesses and assets with ease.

Apart from the financial leverage your business offers, you can leverage its brand in the acquisition of assets. Brand leverage is the reason McDonalds' own the most expensive real estate properties in the world.

Lastly, you can leverage the competence, intelligence and professionalism of your business team to reduce your investment risk. Investing with a team will also put you ahead of individuals who try to invest alone.

So whether you are interested in investing in stocks, real estate, commodities, precious metals or business startups; first invest in building your own business because it pays in the long run.

Chapter 2

Characteristics of Successful Investors & The Importance of Financial Literacy Education for Investors



What is the importance of financial literacy for investors? Why should an investor invest in financial literacy education? What benefits do you stand to gain as a financially literate person? Well, I advice you read on.

Now what is financial literacy?

Financial literacy can be defined as the ability to understand how money works and how the economy and certain decisions affect your personal finance. From an investor's perspective, financial literacy is the act of understanding how to make money, manage your money, invest your money; and how simple decisions will affect your financial position.

On the other hand, financial literacy education is the process of training yourself to understand the mutual relationship between your personal needs, money and the economy at large; with the sole aim of harnessing these three factors to your personal advantage. Below are some reasons why financial literacy is important for aspiring investors.

The Importance of Financial Literacy Education for Investors

1. Financial literacy is the foundation of investing and you can never be a successful investor without financial literacy.

2. Financial literacy helps you manage your money better. Effective money management will never be possible without financial literacy.

3. Being financially literate enables you gain greater control of your financial life. Remember, control is essential to becoming a savvy investor.

4. Financially literate individuals have a higher financial IQ than academic literates.

5. Being financially literate will enable you read and understand financial statements; which in turn will enable you look beyond the physical structures of a business.

6. Being financially literate will help you distinguish between good and bad investment advice; or good and bad planners or advisers.

7. A financially literate person is less susceptible to fraud.

8. Financial literacy helps an investor make good decisions on how to invest his money.

9. Being financially literate will make you less susceptible to economic downturns and the corresponding effect of harsh government's fiscal policy.

10. Having sound financial literacy education will enable you use debt as leverage to build your personal investment portfolio. It will also help you understand the difference between good debts and bad debts.

11. Financial literacy will better equip you with the knowledge of how to protect your money from loved ones, family members and friends, bad brokers and the government.

12. Being financially literate will help you cheat on your taxes legally by using every available tax loophole.

13. Financial literacy will help you know the difference between income, revenue, and net profit; assets and liabilities, income and cash flow, earned income and passive income, investing and trading, capital gains and cash flow, etc.

How to Increase Your Financial Intelligence

When it comes to managing money, most of us think we know more than we actually do. We tend to have an exaggerated picture of our financial literacy and money management skills. And we tend to downplay the need for us to improve our financial intelligence.

The above explains why most business owners focus on other aspects of their business while neglecting the task of carefully tracking their personal and business finances. And in the end, their businesses usually pay the price. There are two common ways business owners fall into this trap:

- They neglect to track their income and expenses by allowing receipts to pile up (*or get lost*) and failing to enter then into a bookkeeping system.
- They do a decent job of updating their income and expense records, but fail to use the numbers to ask necessary questions about their personal financial situation and their business's financial situation.

Your ability to ask these questions, provide answers to them, and make tactical changes when necessary determines your financial IQ level.

If you are poor at personal and business financial management, especially in the aspect that has to do with numbers, you may have a low financial IQ. But you are not alone. There are many other individuals like you out there who have very poor financial management skills. They

regard financial management with anxiety, fear, or some combination of the above. They present the excuse that they are too busy with their business to track their income and expenses or analyzing figures.

Because financial education is so important, Here are four proven tips for increasing your financial IQ significantly:

1. Read books and magazines-:

Whether you favor traditionally bound books or e-books, reading books and magazines is a great way to increase your financial IQ. As with any other topic, there are many books on financial literacy and management. These include *"Increase Your Financial IQ", "Total Money Makeover",* and *"The Intelligent Investor".* These books can teach you everything from managing your personal and business expenses through getting out of debt quickly, and to picking and implementing winning investment strategies.

For a couple of shillings you can buy a book or magazine and learn practical tips or strategies for improving your financial IQ and benefit you for the rest of your life. So, visit your local bookstore or visit online bookstores like Amazon and Barnes & Noble to buy your copy of these books.

2. Attend seminars-:

Every year, tons of financial seminars are staged that offer a range of helpful hints on how to increase your financial IQ. You can find these seminars at your local bank or trade union or at arenas and centers used for holding seminars. These seminars usually feature experts in personal and business finance management who speak to you in person about everyday financial problems and their solutions. However, many of these seminars cost a fee to attend, but the value of the information you will gain from them will be well worth the price.

3. Read blogs-:

If you are not comfortable with the idea of parting with some cash to buy a book or learn at a seminar, you can learn about personal and business financial management for free.

You will get loads of helpful information that will help you increase your financial literacy on sites like FreeMoneyFinance.com, MoneyNing.com, WiseBread.com, Moneycrashers.com and so on.

4. Use smartphone applications-:

This might seem somewhat unreasonable, but your smartphone can help you increase your financial IQ. Many smartphone apps are now available that teach personal and business financial management skills. Examples of such apps include Mint.com, Shopping List, and Save Benjis, all of which will help you create a budget and save money on purchases. Some apps can even handle simple budgeting and accounting tasks.

5. Watch television shows-:

Although television shows alone will not teach you how to increase your financial intelligence, they can be valuable learning tools. These shows feature money management experts that can teach you how to become a better manager of your own personal and business finances. They also tell stories of other people's experiences, and you can learn a lot from these stories.

Now, mere learning from all the avenues explained will not increase your financial IQ. What will really help you achieve that goal is to implement all that you learn. By practically implementing the expert tips you learn in books, at seminars, from TV shows, and on blogs, you will become more financially literate within a short period. Note also, that there is no limit to financial intelligence. So, never stop learning new ways to boost yours.

Characteristics of Successful Investors

Business is a game; so also is investing. Are you a trader or investor? Have you ever wished you were an investment whiz kid like Warren Buffett, Peter Lynch or George Soros? Would you give everything just to become successful as these men? What special characteristics do highly successful investors possess that you don't?

If someone offered to explain to you in detail the basic characteristics possessed by every successful investor, will you listen and learn whole heartedly? If your answer to the last question above is yes? Then please read on as I share with you, 15 characteristics possessed by successful investors such as Warren Buffett**.**

"The philosophy of the rich and the poor is this: the rich invest their money and spend what is left. The poor spend their money and invest what is left." – Rich Dad

"Do you know the only thing that gives me pleasure? It's to see my dividends coming in." – John D. Rockefeller

15 Uncommon Characteristics of Successful Investors

1. Successful investors are proactive learners

The first characteristic of successful investors is that they are proactive learners. They spend more time studying than the average investors. They are also voracious readers. Successful investors know that their cup of knowledge must never be full, so they always keep their minds open; ever ready to learn.

"To learn new things; you might need to unlearn old thought and tricks. Both processes can never be achieved without humility." – Ajaero Tony Martins

These set of investors are also willing to pay for knowledge so long it's something new. They read books, journals and magazines ranging from investing to personal development. They also attend seminars to improve themselves.

"The rich invest in time, the poor invest in money." – Warren Buffett

2. They always invest with a planned exit strategy

"Go to the mouse you foolish investor and learn. A mouse never entrusts its life to only one hole." – Ajaero Tony Martins

Successful investors know that there are always two sides to an investment. They know that the future is unpredictable so they prepare in advance for it. Average investors try to predict the future of their investments; they count their chickens before they are hatched. Successful investors do the opposite; they prepare for the best while still preparing for the worst.

"Always start at the end before you begin. Professional investors always have an exit strategy before they invest. Knowing your exit strategy is an important investment fundamental." – Rich Dad

This is the ultimate reason why successful investors make money when the market goes up and even make more money when it comes down. Do you want to be a successful investor? Then plan your exit before you enter any investment.

"Many people rush into the game of investing thinking they are predators. When they get to the middle of the game, they then realize they are the prey and try to escape but it will be too late. Only the preys with a well defined exit strategy will escape, the rest will be slaughtered by the real predators." – Titus Mirieri

3. They are patient

Successful investors are very patient. When they make their calculations on an investment, they are prepared to wait to make sure their plan materialize. They plan to take advantage of a short term bulls market but as a back up plan, they still plan to hold on for as long as.

"I never attempt to make money on the stock market. I buy on assumption they could close the market the next day and not re-open it for five years." – Warren Buffett

4. Successful investors have strong emotional control

Every true investor knows that the market is driven by sentiment. Market surges and declines are mainly caused by two emotional factors; **fear and greed**. Average investors invest based on these emotions but successful investors have a stronger control over these emotions. They don't allow the talks from investment pundits or financial advisors affect their choice or method of investing.

"Every few seconds it changes, up an eighth, down an eighth. It's like playing a slot machine. I lose $20 million, I gain $20 million." – Ted Turner

Successful investors also have a neutral reaction to either winning or losing. They don't abandon their investing strategy simply because of a few failures and they don't become over confident when they are on the winning side. No matter the market conditions, they still respect the 50-50 chance of winning or losing.

"To be a successful business owner and investor, you have to be emotionally neutral to winning and losing. Winning and losing are just part of the game." – Rich Dad

5. They have a well defined investing strategy

"A winning strategy must include losing." – Rich Dad

Every successful investor has over time developed a well defined investing strategy that works and they stick to this strategy. While some successful investors implement the portfolio diversification strategy, others like Warren Buffett follow the portfolio focus strategy.

"Diversification is a protection against ignorance. It makes very little sense to those who know what they are doing." – Warren Buffet

Though I strongly believe in portfolio focus strategy, I think every investor is entitled to his or her investing style. No matter the strategy you use, just make sure you know what you are doing.

"The wise man put all his eggs in one basket and watches the basket." – Andrew Carnegie

6. They are focused

"The men who have succeeded are men who have chosen one line and stuck to it." – Andrew Carnegie

Successful investors are focused on their investment vehicle. They take it one step at a time; one investment at a time. For instance; Tim Ferris said on his blog that he would rather stick to angel investing than attempt to stock trade because he understands angel investing better. Warren Buffett is focused on stocks, Tim Ferris on angel investing, Jim Rogers on commodities future and Donald Trump on real estate.

7. Successful investors use trend to their advantage

"Your greatest and most powerful business survival strategy is going to be the speed at which you handle the speed of change. That speed of change is trend." – Titus Mirieri

Another attribute of successful investors is that they know how to use trend to their advantage. Average investors panic over market fluctuations but professional investors welcome

these fluctuations because it's based on these fluctuations that they make their money. Successful investors use trends such as market sentiments, political instability and company's crisis to their advantage.

"Look at market fluctuations as your friend rather than your enemy. Profit from folly rather than participate in it." – Warren Buffett

8. They are persistent

"When everything seems to be going against you, remember that the airplane takes off against the wind, not with it." – Henry Ford

Sticking to your investing strategy whether you are winning or losing requires a great deal of persistence. Average investors lack persistence and that's why they will forever remain average. They jump from one strategy to another and are always looking for the next hot tip.

"Most people give up just when they are about to achieve success. They quit on one yard line. They give up the at last minute of the game one foot from a winning touch down." – Henry Ross Perot

9. They thrive on risk

"Risk comes from not knowing what you are doing." – Warren Buffett

Investing is a risk but not knowing what you are doing is a greater risk. Every professional investor, whether on the winning or losing side still respect the 50-50 probability of success or failure. A major difference between a professional investor and an average investor is that a professional investor will always invest with a strong risk management system in place. Have you ever heard of the word "Hedge?"

"Seek advice on risk from the wealthy who still take risks, not friends who dare nothing more than a football bet." – J. Paul Getty

10. Successful investors are disciplined

Successful investors are strict with themselves when it comes to investing. Aside their investing rules and principles, they are still guided by a strong self imposed standard. Professional investors know that it takes a great deal of discipline to stick to your investing strategies despite distractions from self proclaimed investment pundits.

"My two rules of investing: Rule one – never lose money. Rule two – never forget rule one." – Warren Buffett

11. They know how to use leverage to their advantage

Before I proceed, I want to ask a question. What's the major difference between a successful investor such as Warren Buffett and the average investor? My answer is this; a successful investor knows how to make money by investing with other people's money while an average investor invests with personal funds. Investing with other people's money is a form of leverage.

"The most important word in the world of money is cash flow. The second most important word is leverage." – Rich Dad

Other people's money is not the only form of leverage an investor can utilize. Your leverage can be your professional team, your investing experience or inside information.

"Financial leverage is the advantage the rich have over the poor and middle class." – Rich Dad

"If you owe the bank Ksh.100,000, that's your problem. If you owe the bank Ksh.100 million, that's the bank's problem**.**" – J. Paul Getty

12. They learn quickly from their mistakes

"Even a mistake may turn out to be the one thing necessary to a worthwhile achievement." – Henry Ford

When investors talk of experience, they are simply talking about the trials faced, mistakes made, lessons learned and triumphs achieved. You can never become a successful investor without making some miscalculations or mistakes.

Successful investors make mistakes but they are not discouraged by these mistakes because they know mistakes are part of the process to becoming a better investor. Average investors perceive mistakes as bad but successful investors see mistakes as an opportunity to learn something new.

"Only those who are asleep make no mistakes." – Ingvar Kamprad

13. They have a team of professional advisors

"It is better to hang out with people better than you. Pick out associates whose behavior is better than yours and you will drift in that direction." – Warren Buffett

If you observe successful investors closely, you will notice they have a team of professional advisors. Average investors try to beat the market alone while professional investors invest as part of a team.

Successful investors also have a network of friends made of professional investors. They share advice and brainstorm on investing challenges with their investor friends. Do you want to become a successful investor? If yes, then it's time to start choosing your friends carefully. Remember, birds of the same feather flock together.

"I have been within the four walls of school and I have been on the street. I can confidently tell you that the street is tougher, challenging, daring, exciting and more rewarding. In school; you play alone. But on the street, you play with the big boys." – Titus Mirieri

14. They have a strong financial background

"Business and financial intelligence are not picked up within the four walls of school. You pick them up on the streets. In school, you are taught how to manage other people's money. On the streets, you are taught how to make money." – Titus mirieri

Just as stated in the quote above, you only become a better investor by being on the streets. Successful investors have a solid financial foundation; a foundation molded on the streets.

On the streets, you learn from your own experience. Successful investors build up their financial base by attending seminars, reading books and journals, learning from a mentor and listening to tapes; after which they go out on their own to gain street experience.

Average investors try to hone their investing skills while still striving to avoid loss. Successful investors on the other hand know that experience come with losing money and learning from the loss.

15. Successful investors are passionate about investing

"Men of means look at making money as a game which they love to play." – J. Paul Getty

Why are you an investor? Your answer to this question will determine if you will be successful in the world of investing or not. A famous author once said this: "*if you are going to play a game, choose a game you can play throughout your life time and investing is one of such game*."

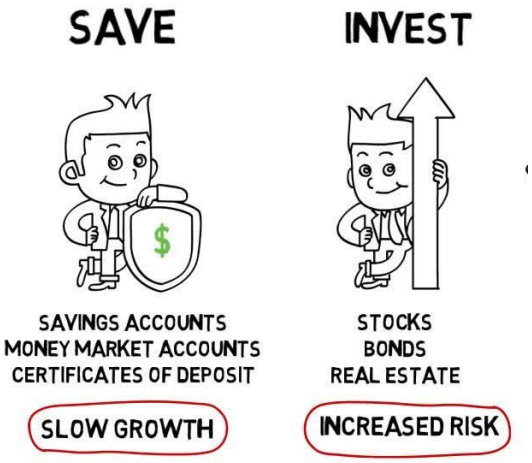
If you take a look at average investors, they are always after how much they are going to make now but successful investors use delayed gratification and compounding to gain an edge.

"Wealth is only a benefit of the game of money. If you win, the money will be there." – J. Paul Getty

In conclusion, these are the 15 characteristics possessed by every successful investor. If it's your desire to join this league of investors, all you need to do is gradually develop these characters. As a final note, I want to state categorically that becoming a successful investor is within your reach. Just model the masters of the game and you will see yourself improving.

Chapter 3

Investing vs. Saving



What's the difference between investing money and saving money? Which is the best? You don't need a university degree to know that saving and investing are not the same; everyone knows that they differ from each other.

However, the extent to which we know these differences vary, and this may affect some crucial decisions we make in regards to our finances. Investing is a word that means different things to different people. In this chapter, I will be discussing at length the differences between saving and investing. Also, you will learn which of these two practices is more suitable for your personality and financial lifestyle. Now, let's start with the differences.

1. Saving is always liquid, investment isn't

Because your saving is always in the form of cash, you can easily have access to it whenever you need it; even when you have not achieved the purpose for which you started it. So, during financial emergencies, you will easily have some funds available. As for investing however, your assets are not in liquid form most of the time. In fact, you are usually denied

access to your funds for a specified period (*which could be as long as several years*). So, if some financial emergencies come up, you won't have access to your funds; not even during life-threatening emergencies.

2. Investing involves risk, savings doesn't

Saving does not attract any risk. If you save a certain amount of money at once or over a period, you will have the same amount of money back whenever you need it. No tangible additions or deductions. What you save is what you get. However, investing involves risk. You may end up losing some or part of your investment, depending on whether your stock increased in value or depreciated during the investment period.

3. Investing increases your money, saving doesn't

Saving simply involves accumulating money to achieve a purpose such as buy a car, fund college education, and so on. People also save just to avoid scampering during financial emergencies. So, it's not a wealth-building practice. Investing, on the other hand, is done for wealth building purposes. If your assets appreciate during the investment period, you will make huge profits (*just as you will lose if they depreciate*). So, investing can make you richer over time.

4. Saving requires no technical knowledge, investing does

The process of saving your money is very simple; enter a bank or some other fund-holding institution, and deposit your money either all at once or in pieces over a period. No technical knowledge is required. Investing, on the other hand, is a more technical practice. Even though fundamental investing seems simpler than technical investing, it is still more complex than what anyone can just venture into without knowing some basics.

While fundamental investing requires that you know much about the factors and parameters that are used to determine the financial strength of a company, financial investing requires that you know how to interpret complex charts and market signals that predict the likely future performance of a company's shares. So, investing isn't for dummies.

5. Saving insures your funds, investment doesn't

In most countries, including Kenya, insures all savings and deposits held by financial institutions. So, if peradventure these funds are lost through theft, fraud, or other means, they will be refunded. As for investing, there are no insurance policies protecting investors' principals from loses. You could lose some or part of your investment even if you purchase them through a bank.

Now, which is better?

Well, this depends majorly on two things:

- *Your goals*
- *Your spending habits*

If you have goals such as buying a car, raising an emergency fund, funding your college education, buying a car, etc, then saving is the better option for you. But if you have long-term goals with your funds, such as a blissful retirement, then investing is better.

Now, check your spending habits. If you are a heavy spender, and you just cannot afford to part with your funds for too long, then investing would only bring you regrets. Only save your money, so that you will get it whenever you need it. But if you don't have much expenditure and you have got funds to spare, then investing would no doubt be a smart option for you.

To a lesser extent, certain personality traits also dictate which of the two practices is better for you. If you are always fretful whenever the idea of investing comes up, then that's enough indication that you can't cope with it. But if you have high tolerance for risks and loses, then you're good to go into the world of investing.

How to Become an Investor

Are you an investing beginner? Do you want to become an investor? Do you want to learn how to start investing your money with minimal risk? Or you need the best small business ideas or investment opportunities? Then read on.

I will teach you how to start investing for beginners, provide you with information on the best investment ideas and help you find where to invest your money for maximum returns.

"Many people rush into the game of investing thinking they are predators. When they get to the middle of the game, they then realize they are the prey and try to escape but it will be too late. Only the preys with a well defined exit strategy will escape, the rest will be slaughtered by the real predators." – Ajaero Tony Martins

What is the best business to start with my savings? What is the best investment opportunity with good return on investment? This is one of the questions i get asked frequently. A lot of individuals are also interested in investing their money for returns but they don't seem to know where to begin or how to start.

Some even start investing only to have their fingers burnt because they didn't get it right from the start. So, I will be sharing with you a step by step guide on how to start investing your money without getting your fingers burnt.

1. Prepare your mindset

"Getting rich begins with the right mindset, the right words and the right plan." – Rich Dad

The first step I recommend for anyone wanting to become an investor is to first get in the right mindset. Most financial advisors often skip this basic investment advice without knowing that this single tip is the difference between the successful investors and the average investors.

There's lot of tips to share when it comes to getting yourself in the right mindset but I will keep things simple for now.

Before you start investing your money, whether in stocks, real estate, commodities, bonds or whatsoever; you must first answer an important question and this question is:

- *Why do you want to become an investor?*

The answer to this question is the foundation on which you can begin preparing your investing mindset. Your reason for investing is a determining factor for success or failure, so it's advisable to start investing for the right reasons.

Don't become an investor because you are interested in learning how to become a millionaire fast. Now aside your primary reason for investing, there are other questions you need to answer that can help prepare your mindset for the game of investing.

- *How do you handle failure?*
- *Are you prepared to risk your money?*
- *Are you emotionally strong to handle the ups and downs of investing?*

2. Select your choice investment product

Successful investors that have mastered the game of investing can switch from one investment product to another with minimal risk but for you an investing beginner, it is advisable you first focus on one investment product and follow it through. *Are you going to start investing in stocks, real estate, commodities, etc***?**

- D*o you want to become just an accredited investor or a sophisticated investor?*
- *Do you want to become an angel investor?*
- *Do you want to become a property or real estate investor?*
- *Do you want to become a private investor or stock investor?*

The choice is yours but whatever choice you make, make sure that you are prepared to learn it through.

3. Prepare a financial plan

Every business begins with a business plan, so also should every investment begin with a financial plan and an investment plan. Most people invest without a financial plan or investment goal; but I will advice you do otherwise.

Why are you investing? What is your investment goal? Where do you want to be financially in the next ten years? Is your investment plan going to help you achieve your financial goal? These are the questions you must answer before you start investing your money.

To prepare a financial plan and set an investment goal, you must first know what your present financial status is; and where you intend to get to. You must also prepare your financial plan alongside your investment goal; because both must work together. At this stage, it's advisable to consult a competent financial adviser to work with you on your financial plan.

4. Get the basic training / education

This is another point where most investors get it wrong. Many investors today are investing without financial education and competent investment training. They are simply investing blindly or following the advice of financial advisors or brokers and that's why most people lose their money.

"People without financial knowledge, who take advice from financial experts are like lemmings simply following their leader. They race for the cliff and leap into the ocean of financial uncertainty, hoping to swim to the other side." – Rich Dad

Before you start investing, I recommend you get the basic training with respect to the investment product of your choice. Whether you want to invest in stocks, real estate, small businesses, bonds or commodities, please first invest in yourself by getting the necessary education and training.

5. Find a good broker / financial adviser

"Seek advice on risk from the wealthy who still take risks, not friends who dare nothing more than a football bet." – Warren Buffett

Having a good broker is a very important requisite for achieving success as an investor; regardless of what your choice investment product is. Now how do you know a good broker?

Well, I don't have a definite answer to that. All I can say is that you should find a broker that will be willing to work with you. This is important because some brokers only work with high networth individuals and some will attend to the average income earners.

"Business is a team sport; so also is investing." – Rich Dad

Secondly, I will advice you get a broker that will perform your mandate timely. You should also find a broker that will be ready to enlighten you about a particular product or offer you investment advice when you require it.

And lastly, choose a broker that invests in what he preaches. Never work with a broker/financial adviser that don't generate a bulk of income from investments; never work with a broker who lives off salary and commissions. Work with a broker/adviser who actively invests; you will learn a lot from such a person.

6. Start investing

"Business and financial intelligence are not picked up within the four walls of school. You pick them up on the streets. In school, you are taught how to manage other people's money. On the streets, you are taught how to make money." – Titus Mirieri

This is the stage where you put your money to work; this is where you take your baby steps. Just as you cannot learn how to start a business by reading a book, the same goes with investing. You have to take action for you to see any real result.

When you get to this point, you will definitely be filled with fear and excitement but don't panic. Remember that you are not investing for only money at this stage; you are investing also for education and some real life experience.

7. Get more in-depth training / education

After you have learned the basics of investing and have started building some experience by actively investing, I will advice you go for another round of training but this time; your training will be based on advanced investment strategies.

8. Make mistakes and keep learning

Another important requisite for becoming a successful investor will be your ability to learn from your mistakes and failure. To become a successful investor, you must be able to go from failure to failure without losing your enthusiasm. You must see your mistakes and failures as learning opportunities; this is what makes you an experienced investor.

"A mistake is a signal that it is time to learn something new, something you don't know before." – Rich Dad

As you make mistakes, take some losses and learn; you will now begin to know what works and what doesn't. You will now begin to initiate your own investment strategy and thus, you will now be competent enough to give out investment advice to other investing beginners.

9. Stick to the process

"Experience taught me a few things. One is to listen to your gut no matter how good something sounds on paper. The second is that you are generally better off sticking with what you know and the third is that sometimes, your best investments are the ones you don't make." – Donald Trump

In business, not all startup business ideas become a winner; so also it is in investing. In the process of investing your money; you are going to contend with a lot of things; such as market volatility, trends, emotions, lack of capital, inability to access a bank loan, inability to find a good partner/investor, etc.

But regardless of what you encounter, you have to stick to the process. You have to keep cool and follow your winning strategy. Investing is not a one hit affair; it's a game that requires continuity.

10. Count your wins / losses

"Money was never a big motivation for me except as a way to keep score. The real excitement is playing the game." – Donald Trump

Investing is a game and money is how we keep score of our successes or failures. Successful investors set a time frame in which they conduct a portfolio review to analyze their performance; you should do the same. Make it a rule to conduct a quarterly performance check on your portfolio and strategies; it is a crucial investing fundamental.

As a final note, this is my ten step process to starting your investing career. This is my ten step process to becoming a successful investor. Follow these steps diligently, and I will see you at the top.

Advantages of Having a Financial Investment Adviser

What is the importance of having an investment adviser? What do I stand to benefit by keeping a financial coach? Do you want to employ the services of a financial advisor or planner but you want to know if it is worth the money? Well, I advice you read on as I outline the advantages of having your own financial investment adviser.

It is known fact that there is a certain degree of risk associated with every investment. Now most individual investors live with the assumption that they are trading against the market; but in reality, they are trading against well organized teams.

Just observe the most successful investors in the world such as *Warren Buffett, George Soros, Donald Trump, Carl Icahn*, etc and you will notice that they each keep their own investment advisory team.

If these successful investors keep financial investment advisers, why shouldn't you. So without wasting time, here are some reasons why it rocks to have your own investment adviser.

"Business and investing are team sports." – Robert Kiyosaki

"The important thing is to keep playing, to play against weak opponents and to play for big stakes." – Warren Buffett

Before I proceed to tell you the advantages of having a financial investment adviser, I want to emphasize the fact that being financially literate is more important than having an investment adviser. Why?

The reason I say this is because all investment advisers are not equal. There are good investment advisers and bad investment advisers. Now how do you spot the difference? The answer is that you can't, except you are financially literate.

"People without financial knowledge, who take advice from financial experts, are like lemmings simply following their leader. They race for the cliff and leap into the ocean of financial uncertainty, hoping to swim to the other side." – Robert Kiyosaki

"Wall street is the only place that people ride to in Rolls Royce to get advice from those who take the subway." – Warren Buffett "

"Beware of geeks bearing formulas." – Warren Buffett

Advantages of Having a Good Financial Investment Adviser

1. Investment advisers help to keep you on track. It is surprising how easy it is to relent on your effort if no one is watching you. A financial adviser acts as a watchdog and keeps you disciplined and focused on your financial goals or vision.

2. Financial advisers expose you to different types of investments. When it comes to the business and investment world, you can never know it all. There are many financial products and each of these products has its technicalities that may take you years to fully understand. However, you can have a good jumpstart in the shortest of time by picking the brain of your adviser.

3. They provide encouragement when the going gets tough, and help you stay on track. Their advice and encouragement can come in handy during economic downturns, market volatility and in your quest to reduce your personal or business debt.

4. Financial advisers can help you gain greater control over your money; and how you spend it.

5. A good financial adviser will teach the basics of personal finance while an investment adviser will teach you the intricacies of debt and taxes; and also teach you how to leverage these two tools to strengthen your portfolio.

6. Investment advisors force you to do your due diligence and have a rethink about an investment you are about making. They also provide you with unbiased opinions and help you see the grey areas of the investments that you must have missed.

7. A good financial adviser will help you keep track of your financial positions at all times, to make sure your investment portfolio is healthy.

8. A good financial investment adviser will give you good recommendations on investments to buy and professionals to consult.

9. A good financial planner will help you develop a plan that suits your personal need and current financial position.

10. A good investment adviser will help you scrutinize the financial statements of companies you want to invest in and give recommendations. By doing this, they can help you avoid bad investments.

11. Your personal investment adviser is your personal investment adviser, and friend. Meaning you can call him or her at any time of the day and get a positive response, and you can also discuss with him or her over lunch.

12. A good financial adviser will not only advice you on how to make money but will also teach you how to protect your money from lawsuits, loved ones, family and friends, brokers, government, etc. You adviser can help you choose the best "*Asset Protection Strategies*" for your wealth or investments.

13. Lastly and most importantly, an investment advisor will provide you with references and success stories of other successful investors. Nothing beats learning from the experience of someone else.

14. Good investment advisors that know their onions can provide you with investment information, Pre-IPOs, Private Placements, inside information, angel investments and equity financing deals, Real estate syndications and Partnerships, etc that are not available to the public or ordinary brokers.

In conclusion, the 14 reasons above are exactly what you stand to gain by having a personal financial investment adviser. However, I want to sound a note of warning; please be mindful of who you choose as an adviser, because such a person will either facilitate your financial growth or downfall. Secondly, there are two types of investment advisers; advisers for the rich and advisers for everyone else.

But regardless of the adviser you choose, you must make sure your adviser is not just an adviser but also a doer. He or she must also play the same game you are being advised to play.

Never work with an adviser who advises you to invest in stocks while he or she does not actively or passively invest.

10 Types of Investment Strategies

There are strategic approaches to every business move. And investing is no exception. There are more than countable strategies adopted by investors with the aim of making maximum profits and reducing risk as much as possible.

Now whether you are investing in the stock market, real estate, commodities (*gold, silver*), foreign exchange, etc; here are 10 types of effective investment strategies that investors commonly adopt:

1. Fundamental analysis-:

This strategy is an active investment strategy used for researching and analyzing equities. It is one of the oldest and most basic investment strategies. And it simply involves analyzing financial statements with the aim of selecting quality stocks that are worth investing in.

Investors who favor fundamental analysis simply obtain data from financial statements and then compare it with the past and present data of the particular business they are interested in or with those of other businesses within the industry. If they are able to arrive at a reasonable valuation of the company's stock, they conclude that the stock will be a good purchase.

2. Technical analysis-:

Unlike fundamental analysis, this is an objective investment strategy that involves the use of charts to recognize recent price patterns and current market trends for the purpose of predicting future patterns and trends. Technical investors study patterns and trends using cues and signals, known as indicators, to predict future market movement.

3. Buy and hold-:

This strategy involves buying investment securities and holding them for long periods of time. Buy and hold investors believe that long-term returns are always reasonable despite the volatility characteristic of short-term periods. They hold that "*time in the market*" is a better and more prudent investment style than "*timing the market*", which is what obtains with short-term investments. The buy and hold investment strategy is an ideal option for those who do not have time for frequent trading and those who expect huge returns on their investments in the long term.

4. Core and satellite-:

This is a common, time-tested investment portfolio design that consists of a core investment and many satellite investments. The core investment represents the largest portion of the portfolio, such as a large-cap stock index mutual fund, while the satellite funds are smaller portions of the portfolio added to the core to make up the whole portfolio.

The main objective of the core and satellite investment portfolio design is to reduce investment risk through diversification, while obtaining higher returns than a standard performance benchmark, such as the S&P 500 Index.

5. Value investing-:

Mutual fund and exchange trade fund investors employ the fundamental investment strategy or style by using simple stock mutual funds. In other words, the value investor is on the lookout for stocks that are selling at a cheap or discounted price because they want a good bargain. Rather than spend their time searching for value stocks and analyzing companies' financial statements, mutual funds investors can hold value stocks by buying index funds or exchange-traded funds.

6. Tactical asset allocation-:

This investment strategy is a combination of many strategies. It involves actively balancing and adjusting the three asset classes (*stocks, bonds, and cash*) with the intention of maximizing portfolio returns and reducing risk below the benchmark. The tactical asset allocation strategy differs from technical and fundamental investing because it focuses primarily on asset allocation and secondarily on investment selection.

7. Growth investing-:

This involves investing in growth stocks, which typically perform best in the mature stages of a market cycle when the economy is growing healthily. The growth investment strategy shows a clear picture of what corporations, investors, and consumers are all doing simultaneously in healthy economies—spending money to gain increasingly higher expectations of future growth. The key phrase here is to "*buy high and sell higher*."

8. Modern portfolio theory-:

Investors using this method attempt to take minimal level of market risk to capture maximum-level returns for a given investment portfolio. This explains why investors using this theory often adopt the core and satellite theory explained above. Both strategies are similar in that they both involve diversification.

9. Post-modern portfolio theory-:

This investment strategy differs slightly from the modern portfolio theory in the way it defines risk and build portfolio based on risk. While the modern portfolio theory sees risk as symmetrical (*the portfolio comprises diverse investments with varying risk levels that combine to achieve a reasonable return*), while the post-modern portfolio theory sees risk as asymmetrical (*how investors feel about losses is not the exact opposite mirror image of how they feel about gains*).

10. Dave Ramsey portfolio-:

This strategy was first described by Dave Ramsey, a popular talk show host and widely respected personal investment expert. Ramsey recommends that investments should be divided equally between four types of funds:

- Growth
- Growth and income
- Aggressive growth
- International

Chapter 4

How to Invest your Money



Do you know how to invest your money wisely without risk? How do you invest money wisely? How do you build wealth? What is the best investment product with the highest return on investment? What do you recommend I invest in? I have Ksh.100,000, what do I invest in? These are some questions I receive often and I will try to provide answers from my own perspective.

There are a lot of investment products you can invest your money into. You can invest in stocks, real estate, gold, silver, commodities, businesses, etc. But I want to state that there's more to investing than meets the eye. Most people are obsessed with an investment product and procedure without having the right plan in place.

I want to thank Robert Kiyosaki for expanding my insight on this topic. He made me understand that more important than an investment product is a plan. Just as starting a business require a business plan; so also does investing require a plan. If you have no written plan on how to invest your money; forget about investing. You can discuss with your financial adviser on the best possible plan for you.

How to Invest Your Money Wisely Without Risk

Now before you rush into investing your money in any investment product, I think it's worthwhile you read the following tips on the best investment product to invest your money in. What should you invest in?

1. Invest in something you understand

There's a strong inter-relationship between business and investing. Just as it's advisable you start a business with a thorough understanding of the industry you are going into; the same is applicable to investing. Sometimes I find it funny that people actually start a business or buy an investment product based on the recommendation of a friend or their financial adviser. Others invest in an investment product just because someone succeeded with that same product.

Without financial knowledge, people look for someone to tell them what to do and where to put their money. Just like Lemmings simply following their leader, these people race for the cliff and leap into the ocean of financial uncertainty; hoping they can swim to the other side. – Robert Kiyosaki

Sincerely speaking, I believe this approach is wrong. Understanding is vital to any endeavor you find yourself in life including investing. Don't jump into any investment; be it stocks or real estate without first understanding the intricacies of such investment. Lack of understanding is the primary reason why investors panic in an economic downturn. With understanding, you will be able to maximize your profit; manage risk and minimize your loss in any investment.

2. Invest in something you are passionate about

Passion is what keeps you going when the going gets tough. – Warren Buffett

Do you know why Warren Buffett emerged the world's richest investor? Or Donald Trump the biggest real estate developer in New York City? The answer is that they are both

passionate about their chosen investment field. You have to be passionate about investing to get the best out of it; you must love the game regardless of whether you win or lose. Never invest in something you are not passionate about; you will only end up with heartache.

3. Invest in something you are willing to learn through

Life is a teacher; the more we live, the more we learn. The only thing constant in life is change and in the world of investing; such change occur very rapidly. Now how do you stay in control when the tidal wave of change comes? How can your investment strategy stay relevant in times of change? The answer lies in continuous learning. Investing is like a rapidly flowing river and to stay on course; you have to be on the edge, ever ready to learn.

In times of rapid change, experience could be your worst enemy. – J. Paul Getty

Never invest in something you hate learning about; no matter how lucrative it may be. If you find reading annual reports boring; or you hate charts, math, calculations and all the jargon associated with technical analysis. Then stay away from stocks. If you hate fixing toilets; then stay away from real estate or better still, partner with someone who loves fixing toilets. The lesson I am trying to emphasize here is this: *never invest in something you are not willing to learn through*; period.

4. Invest in something you are willing to stick with

For everything there is a season. Business and investing has its good time and bad time; highs and lows. If you are not persistent enough, you will give up. So before you commit your money to any business idea or investment; be sure you are prepared to follow it through to the end, which might lead you to either losing your money or making some profit. Never invest in something you are not willing to stick your neck with.

5. Invest in something you have control over

Lastly, control is one of the most important criteria every successful investor looks out for in an investment. Never lose control of your investment because control is essential to risk management. The reason I chose building a business as my best investment opportunity is because I have absolute control over it. I can increase my sales, control my cash flow, adjust my liquidity ratio, and sell the business or hold. I equally know the necessary buttons to press to increase the value of my business if ever I decide to sell. That's the power of control. I know a lot of investors who have conceded their power of control to stockbrokers, fund managers, financial advisers and analysts. Don't do the same.

As a final note, these are the five factors I feel are most important to cross check before sinking your hard earned cash into any investment. Never fall in love with an investment opportunity without first considering these factors because they are fundamental to sound investing and wealth building. Ignore them at your own peril.

What is the Best Way to Invest Money

What is the best way to invest money without risk? This is probably the most frequent question i receive daily.

One of the business challenges facing entrepreneurs is that of raising capital. Yet, it may surprise you to know that there are individuals with excess money; looking for what to invest in.

Now how do I know this? I know this because I receive tons of emails from people asking to know what sort of product or business opportunity to invest in. Examples of such questions are:

What is the best investment opportunity with the highest return on investment?

I have Ksh.500,000 in savings; what business should I start?

I am a student and I have an extra Ksh.10,000. What is the best way to invest it?

Well, this article is an answer to these questions. Regardless of the amount of money you have, I am going to tell you the best way to invest your money with minimal risk.

Before I proceed, I want to make it clear that there is risk involved in any business or investment opportunity. There's nothing like a risk free investment and if there is; the returns will be nothing to write home about. Now how do you invest your hard earned money without losing sleep?

1. Invest in yourself first

Yes, the very first investment product you must invest in is yourself. Investing in yourself means getting the necessary education regarding a particular investment. It involves increasing your financial intelligence and IQ. Today, I see people jumping into the stock market and real estate market without proper education.

Everyday, I get tons of mail from people asking for my opinion about a particular investment product and my reply always is: how well do you understand the investment? What my question simply means is how much education do you have about the investment you are about to make.

"*It's not gold, silver or real estate that makes you rich; it is what you know about gold, silver or real estate that makes you rich.*" – Robert Kiyosaki

Don't ever get excited about a business opportunity or investment product without first understanding its in and out. Always remember that the best investment is an investment to increase your financial intelligence. The higher your financial IQ, the more sophisticated you will become with respect to analyzing investments. So always invest in yourself first.

2. Start a business

Starting a business is the next best way to invest your money especially if you are starting from scratch. I once wrote an article explaining in details how to become a billionaire starting from nothing and my stand here still remains the same. If you are starting out with little or no money; then investing in building a business is your best investment, that's after you have invested in getting the necessary street smart education.

Take a look at the drop out billionaires such as Larry Ellison, Bill Gates, Mark Zuckerberg, Steve Jobs and the rest. You will notice that they started from scratch with virtually no money but they invested their little resources and time equity in building a business; and today, they are billionaires. So if you have little money or excess money; my advice is "***start a business first and let your business buy your investments.***"

As a final note, I want to state that the opinion I expressed above is not the only answer; you can equally seek out answers and financial advice that best suit you. But whatever business opportunity or investment product you decide to invest in; make sure you first invest in yourself because it pays in the long run.

How to Manage Your Investment Portfolio Effectively

Creating wealth from the scratch is not an easy task and what most people fail to realize is that managing wealth is one of the most difficult things to do. It is indeed more difficult than creating wealth itself. *What is the use of having a diversified investment portfolio and yet you know nothing about managing them?* You have the options of either outsourcing the management of your investment portfolios or you learn how to do it yourself.

Most investors take the pain to learn how to do it themselves rather than commit it to anyone. If you have the dream of having multiple investment portfolios, and you are doing all that lies within your power to make it happen, it is also advisable to learn how to manage these investment portfolios so that your investments wouldn't just fizzle out into thin air. If on the other hand you have been able to generate various investment portfolios for yourself, it is not too late to learn how to manage them.

This is because if you do not know how to manage your investment portfolios, you stand the chance of being cheated by your partners and your bankers. So, here are 7 surefire tips to help you learn how to effectively manage your investment portfolio with less hassle.

1. Create a Comprehensive List of Your Investment

Before you can effectively manage your investment portfolios, you are expected to first create a comprehensive list of your entire investment portfolios, so as to make it easier for you to have an overview of what you have and the amount you are generating from each of the portfolios. You can consult a software developer to help you design software that can make it easier for you to access your investment portfolios with just one click of the mouse.

2. Diversify Your Investment

The wisest thing to do if you have enough cash to invest in any business is to diversify your investments. In other to avoid going down just because the industry where your investment lies went down; you must spread your investments to cut across various industries. You can have investment portfolios in stocks, oil and gas, properties, maritime, education or any industry of your choice so as to stay afloat at all times.

This is so that when one or two of the industries experience a meltdown it wouldn't be a sad blow. You might also want to remember that when the Real Estate and Stock market crashed few years back, many investors lost all they had and till date they have not been able to come out of the debts just because they placed all their eggs in one or shall I say two baskets.

3. Get a Monthly Update on Your Investment

Some very busy investors get to know about the status of their investments annually because that is the only time they get the reports. The fact that you are entitled to get an annual report on your investments shouldn't stop you from requesting for monthly updates. Make it a custom to always request for monthly updates and ensure that you study the updates critically. Sometimes, getting the monthly updates of your investment portfolio can help you correct an anomaly and save you cost.

4. Share Your Concerns with Experts

It is not a crime to be wealthy and yet don't have a comprehensive grasp of financial and investment terminologies. What is expected of you as an investor is to talk to an expert whenever you aren't convince with the reports you get from your fund manager or when you can't interpret certain graphs and statistics. Although, it might cost you some money to seek the services of experts, but you can be rest assured that the counsel you get would be worth the while. There are professionals that can help you forecast what might likely happen in the industries where you have your investments, and at this time advise you on how to handle imminent danger.

5. Attend Related Refresher Courses

To be on the top of your game in terms of managing your investment portfolio effectively, you should be able to attend refresher courses on investments and how to manage investment portfolios. This would to a very large extent expose you to things you need to do to expand your investment and things you need not do to avoid the risks that is common with investments. When you surf online, you would get information on available investments seminars and courses organized by top notch Business Schools.

6. Set Annual Goals

Since the essence of effectively managing your investment portfolios is to ensure that they are growing, the best thing to do is to set annual goals of the percentage increase that you expect from each of your investment portfolios. Setting goals for your investment portfolio would help motivate you to put in all the effort and expertise required to make it grow.

For instance; you could set a benchmark for the increase and a time frame you expect from a particular investment portfolio before you take a decision. The truth is that sometimes you might have to sell off an investment portfolio or a larger chunk of the equity when you realize that you have exhausted your time and resources and yet, you aren't getting meaningful returns. Effectively managing your investment portfolio requires that you sometimes take drastic decision so that you can safe guard your other investment portfolios.

7. Review and Re-balance Your Investment Portfolios Annually

When you review your investment portfolio critically and you are able to know how each portfolio is performing based on the goals you set, you become well informed to know your investment that is not doing well and how much you need to pump into it, so that it can be at par with others. In some occasion, you may have to sell off some equities from some of your investment portfolios to finance new investment opportunities.

These 7 steps are just the basic that you need to be able to effectively manage your investment portfolios yourself rather than pay people to help you do it. The important thing here is that you must create time for continuous studying of any related topic that might help you achieve this. Start out today in managing your investment portfolios and you would be impressed at the tremendous progress you would make.

How to Measure and Reduce Business Investment Risks

Every business and investment comes with some degree of risk. Even the most detailed and well thought-out business plan cannot completely eliminate business risk.

However, you can reduce the risks inherent in running your business by identifying such risks and assessing their seriousness. In fact, the success of your business hinges largely on how you measure such risks and implement tools to minimize them.

However, you must bear in mind that business risk measurement is a continual exercise. Even if you have carefully identified business risks while preparing your business plan, you need to repeat the exercise at regular intervals after your business gets off the ground. Why? The reason is because many business risks are only identifiable after a business takes off, not when it’s still in the making.

What are Business Risks?

Business risks are threats that can significantly hurt a business or even cause its failure if not identified or addressed. Though business risks vary from business to business depending on industry and other factors, some risks apply to a wide range of businesses. Examples of business risks include the risk of:

- Theft or employee misconduct
- Departure of key employees
- Debt or financing risks
- Competitive threats
- Cash flow or profitability risks
- Foreign exchange risks
- Regulatory or economic environment risks
- Weather risks

What are Investment Risks?

Investments are a sure way to make money; but it comes with risks which if not handled properly can put the investor at a greater risk of going broke or bankrupt. That is why care should be taken to avoid such risks. Some real risks that an investor may face include:

- Decrease in the value of investment over the years like in stock investment
- Unavoidable losses that you have no control over, like the loss you encounter when you invest in forex market
- Bankruptcy

Whichever way the risk may occur, there are some steps you can take to measure and minimize the risk to the barest minimum.

How to Measure Business Investment Risks

a. Identify internal risks

Identifying the internal risks to which your business is exposed should be a collective responsibility. Your first step towards achieving this is to call a meeting with stakeholders and key employees to identify potential internal risks that apply to your business, such as disasters, employee misconducts, and so on. Ask employees at the meeting to identify the risks related to their respective departments.

During the meeting, you should also determine the extent to which each of the identified internal risks will affect your business. You might need to review past performance or market trends to get a clearer picture of this.

Divide the internal risks identified into categories based on the departments within your company. For example, risks such as computer failure and loss of data will be categorized as IT-related risks. This will simplify the task of mitigating the risks.

b. Identify external risks

Your next step is to identify the various macroeconomic variables that have the greatest potential to affect your sales or production and distribution costs. Examples include inflation risks, competition risks, foreign exchange risks, and regulations on domestic and imported goods.

After identifying the macro-economic variable that can affect your business, estimate the impact of potential changes in these variables on profitability. For example, *"A 5% inflation rate will reduce profitability by 15%"* or *"An 8-10% increase in the pump prices of gasoline will reduce profitability by 6%, since the demand for gasoline-powered vehicles will reduce."*

c. Create a cash flow statement

After identifying the risks to your business and figuring out how each of them will affect your business, create a cash flow statement to recognize how much cash you have readily available for combating the identified risks. Ensure that you have enough cash or liquid assets to fund your business for at least six months. And keep an eye on receivables. Understand that you can never be sure of getting your money back from a customer until you actually get it back.

d. Measure your risks

Your next step is to measure and prioritize your risks by creating a formula based on the components involved, such as net income minus expenses, or the probability of an event of accident multiplied by the cost of the event.

During your measurement, you must consider other factors, such as the impact of a risk on your business and the total cost of mitigating the risk. Where you have no previous experience or data about a risk, you can use best estimates obtainable from industry reports or the web.

After measuring the impact of your potential business investment risks, you should assign a percentage of importance to each, and rank them based on the percentage assigned. Since the essence to measuring your business risk is to reduce those risks as much as possible, you need to implement measures for reducing the likelihood of even the least significant risk in your assessment report.

For example, if your choice investment is a manufacturing business, having your supplier run out of your major raw material is one of the most significant risks to your business. As such, you can reduce this risk by simply diversifying your suppliers, since depending on just one or two suppliers will put your business at high risk.

10 Guaranteed Ways to Reduce Business Investment Risks

1. Your Investment Should Be on Commodities That Can Appreciate-:

I mentioned earlier that one of the risks an investor faces is decrease in the value of the investment over the years and I used stock or shares as an example. One way to reduce investment risks is to invest in just commodities that have the tendency to increase in value over the years. One of such investments that can increase in value is real estate. Properties tend to increase in value as time goes.

2. Choose Only Investments That are Guaranteed to Bring Returns-:

All investment offers come with a guarantee that the investor will have a good returns on he or her investment; but not all investments are guaranteed to yield result on investment; some are more risky than others. It is better to do with an investment with low returns on investment but guaranteed profits than a high risk investment with no guarantee of returns. For instance, if you invest in a municipal bond or a fixed deposit account, the returns on your investment may not be much but you are guaranteed payment of returns. It is better than investing in shares of a company that may file for bankruptcy later.

3. Don’t Put All Your Investment in One Venture-:

This is one big mistake any wise investor should avoid. No matter the guarantee you are given or how profitable an investment venture may look like, don’t invest all your money into just one venture. Learn to diversify your investment capital into other business ventures. This way, if anything goes wrong with any of the investments or ventures; you will have other ones to fall back to. Besides, it is said that a person can rarely become wealthy or financially free by just focusing on one business or investment.

4. Know Your Risk Bearing Capacity-:

This has to do with knowing how much you can afford to lose in any investment without landing yourself into serious financial troubles. You have to calculate your income and expenditures and know how much risk you can afford to bear. Remember not to invest any amount meant for payment of bills or servicing of loans, or putting an amount you may need sooner than later in a longer term investment.

5. Take Insurance Cover On Your Investments-:

Another smart way to reduce your investment risks to the lowest minimal level is to take up insurance for all your investments. There are insurance policies geared to cover an investor from any possible risks of investment and pay compensation on the occurrence of such risk. Not all investments can be insured, but if the investment you are trying to make has an option for insurance, it will be better to take up the offer.

6. Learn to Hedge Your Investments-:

Taking a hedge on investment has to do with making a counter investment to cover up for the losses made in the present investment; this works better in ventures like stock trading. For instance, you bought a stock from a company named A and along the line, the value of the stocks starts depreciating fast. Instead of selling the stock and making a huge loss, you can decided to invest in another fast rising company whose stock value is appreciating rapidly to make up for the loss you had from company A.

7. Engage More in Long Term Investments-:

If you are not a forex trader who uses the scalping method to grab little short term profits from the market, you should learn to leave your investments for a long term. Most investments increases in value as the years go by; for instance real estate market. This will only work if you don’t have an immediate need for the money you invested in the venture.

8. Get Top Information to Monitor Your Investments-:

Investments are not something you just make and forget about it; unless you are paying top bills to professional to help keep an eye on the market situation relating to your investments. If it means paying for daily, weekly or quarterly alerts from a tipping company to keep you ahead of happenings in the market; just do it. Knowing the situation of the market will help you make your choices like when to invest and when to pullout your investments; thus helps you reduce making mistakes that may be risky on your investments.

9. Consult The Services of Professionals:

No matter how informed you are, a professional will still remain a step ahead of you. That is why you need to consult major professionals or key players in market to get their advice to know when best to invest in a business or when not to. This will save you a whole lot of headaches and losses in the future; and knowing that most of them have insider information is enough reason to consult their services.

10. Learn to Follow Your Guts-:

Sometimes, you have to follow your guts when making a decision on investments because I have come to realize from experience that over 70% of the time, your guts is always right. If you are present with an irresistible investment off that seems too good to be true and you have a feeling in your guts that this investment may turn out bad later; the wise thing to do at that moment is to turn down the offer.

These ten tips mentioned above will help you minimize risks that comes with making investments; the keyword here is minimize and not making the risks go away; so you still have to be wise in making your choices.

How to Truly Diversify your Investment Portfolio

You would agree with me that the stock market have always from time immemorial been more popular than the bonds. The media is always talking about the stock market, and what have you. *However, do you know that bonds are equally as important?* Well, if you didn't know this before now, it is important to say that investors should work at not ignoring bonds, as well as other fixed income investments.

This is all so important, because one of the ways to cut down on the risk factors of investments is by diversifying your assets. This diversification does not in any way assure that you would make a profit; neither does it tell whether you would fail. All that it does to a large extent is to minimize the volatility in your portfolio.

A diversified investment portfolio comprises of four or more classes of assets investment; they are the stocks, bonds, real estate, international investments, private businesses and cash. So, how do you truly diversify your investment portfolios? Here goes!

1. Read Books

There are a thousand and one resources that are found online, as well as in the stores that to a large extent deals with how you can possibly diversify your investment portfolio. You may consider making the internet your friend at this time to garner a lot of information, or you may visit the local book shops to purchase some books.

2. Let an Expert Advice you

You may also consider meeting with an investment mentor, who is able to advise and teach you on the ways which you may truly pull this from. There are experts who have the wherewithal to put you through all these. These might be for a fee or not. However be sure that you meet the right person so as not to be ill advised.

3. Sample Views of Others

There would be some friends or family members who have scaled through the hurdle of diversifying their investments and have succeeded at it. You may consider having a word or two with them concerning how they have been able to do this successfully. The views you get from this supposed opinion poll would serve you to a large extent.

4. Determine How to Allocate Your Money

It is widely important that you do a survey to know how much money should be allocated for what. This means that you would first have to figure out the amount of money to put into an investment category. First off, you would need to set aside adequate money and income investments to handle investments and contingencies. This might help; consider putting eighty percent of assets in stocks, and perhaps twenty percent in bonds. On the other hand you may consider other ways.

5. Determine to Diversify Within Investment Categories

This is very needful, as you are required to diversify again even after having diversified into various investment categories. It isn't enough to just invest in a particular kind of stock for instance. This means that you have got to look at different industries within the stock to diversify into. This is so that you are not dealt a deadly blow when all your investment is in a type of stock and it happens to crash. If you are not too wealthy and cannot afford the highly rated stocks, then you may consider sticking to the mutual funds.

6. Balance Risks and Rewards

It is very important that you take note that in the venture of investments, risks and returns to a large extent go hand in hand. Therefore you have got to pay close attention to taking risks .This does not in any way mean that when you take risks, you do not get rewards. For that reason be sure to balance the two, except if you are willing to stay stagnant.

7. Keep Building

This is a very important tip that you must take note of. Keep building yours so as to increase your chance of a fatter dividend. This means that you must be vigilant so as to continue to invest your money in the various investments available for a greater chance of earning more profits.

8. Be Sure You Know About Commissions

One very fast way to get ripped off by some investments is through commissions. Therefore, you have got to be vigilant so that you do not get ripped off by some firms who charge hugely for some fees. Whilst, some first charge monthly fees, yet others charge transactional fees. Be sure you know what you are paying for, as the cheap fees might not always be the best option.

9. Know When to Opt Out

You have got to be in contact touch with the market trends. Whilst in some cases you might get a favorable condition, yet at times it might be harsh. Therefore, you have got to be conversant so that you do not end up losing out in all.

10. Stay Optimistic

It is important that in your quest to diversify that you stay optimistic and act as though nothing would go wrong. What this means is that you have got to stay positive that all what you have invested in would not be in vain. Know when to make wise investment decisions and know when

Would these tips really help you get diversifying your investment portfolio rightly? You bet these tips would be of immense help, as these are steps that those who are enjoying good returns on their investments have followed and are really smiling to the tops. You too can join the train when you do same.

Chapter 5

How to Invest and Make Money in Real Estate



You don`t need any prophet to tell you where real estate could be a profitable investment, just check the population.

In the most populous African country (Kenya), no doubt, real estate investment is one of the most lucrative investment opportunities you can venture into.

The reason is simple… people will always need a place to lay their heads, people will always need hotels to pass nights and students will always need hostels. Businesses will always need a shop or office space to work from.

Properties of various kinds will be needed whenever there are much people.

Should you ask, **what is real estate?**

it`s simply an investment by which an investor develops, renovates or buys and resell properties (i.e. land, hotels, residential apartments, and buildings of various kinds)

Let`s get straight to how you can make good money from your **real estate investment in Kenya.**

1. **Understand the nature of the real estate investment**.

Every business or investment you want to venture into requires that you understand how it works, since no two investments are the same.

Investing in shares or bonds are different ball game compared to investing in real estate.

Especially for beginners, real estate investment is a long term investment. You cannot invest in a property today and make huge money tomorrow (especially if you`re just starting in the game of real estate development)

You have to understand that real estate isn`t a good cash flow generator, though it`s the best wealth building investment.

This is what I mean.

If you acquire a piece of land in Nairobi today for Ksh.5 million, you may have to wait for a few years before such investment yield a good return. This is unlike some other business investments that are capable of bringing in daily income.

Though at the long run, your real estate investment could bring in 1000% ROI (Return on Investment), you may have to wait.

That`s the common experience for most people who are investing in property development. However, there is an exception.

Let`s discuss that.

2. Educate yourself and invest like big boys.

For most people to invest in real estate, they just have to follow the above mentioned way of buying and waiting. This is what most Kenyan property developers are doing.

There is a smarter way to go about it.

You can buy properties and resell them at good profit within few days. You can buy piece of land, develop it and resell it. You can buy some property, renovate them and sell them. In fact, some highly smart investors buy properties and pay for them with the buyer's money.

I mean they buy property from Mr. A and collect money from Mr. B (who wants to buy) and use his money to pay. In that case, they invest nothing and the whole transaction can happen in matter of days.

How do you get to this level in your real estate investment journey?

First, start with a simple procedure as explained in my first tip (only make sure you master some of the other things I will discuss soon), then, continue in educating yourself about the real estate industry and how the big guys play their game (I mean ethical, honest and moral dealings, please).

Be a student of real estate. Read books from the real estate giants (Donald Trump, Robert Allen, Robert Kiyosaki are some of the authors I have ate their materials). Watch what other fellow investors are doing and practice new acts as you try new deals.

If you`re serious about educating yourself and trying new things, you will become a master real estate investor and will be able to play smart, like the big guys.

3. Master a single aspect of real estate investment, first.

Starting a new business or investing in a new area you`re not familiar with requires that you start somewhere (not everywhere).

Real estate has various aspects by which you can approach it. You can start with acquiring pieces of land or by building little apartments for rent or by developing shops, offices etc.

You can start by buying some old buildings in well located places and renovating them or even start as a realtor (real estate agent).

Some people may specialize in buying and selling raw land, others may love to develop single-family homes, duplex, triplex or large rental apartments. You may love industrial properties (for manufacturing, warehouses etc.) or small commercial offices.

You get my point. Just start somewhere you love most (not everywhere). You can grow to two, three or even all areas soon, but it`s always good to start somewhere, first.

4. Use OPM

Real estate investment is capital intensive. That is, we need much money to be fully involve. No matter how much you have to invest in, it`s always good to use Other People's Money (OPM).

Do you have a partner to invest with? If not, can you approach your bankers and discuss with them?

Depending on few things (which vary from one bank to another), you may get your bank to finance certain percentage of your investment or down payment.

5. Master the art of negotiation

Negotiation is where the money lies when it comes to real estate investment. Unlike stock market where you cannot negotiate the price of stocks, the real estate market is 90% of negotiation.

If you don`t master the art of negotiation, you may end up buying properties at the higher prices than you should.

There are many negotiation tactics you can master and use (in ethical ways) You can find out who the real seller is so as to make sure that the property you want to buy has not be in four or fifth hand. If for instance a property has moved from the original seller to another three hands, each of them must have added their own percentage of gain.

You can as well find out how long the seller has been finding a buyer. If it`s been a long time he wanted to sell the property, many people might have priced it and by now he might be willing to sell at a lower price than his original price.

Another negotiation tactic is that you must never show the seller (through your words or actions) that you`re in a hurry to buy his property. If you do, you may end up buying at higher price than normal.

What other thing?

Let the seller know that you have options. When a seller knows that you could just leave him and get your desire property elsewhere, his power drops.

He`s willing to sell at moderate price.

There are many other (ethical) negotiation tactics you can learn. A great book I can recommend about negotiation is, You Can Negotiate Anything by Herb Cohen.

6. Be willing to kiss many frogs

When you`re going into property acquisition and development, you must take it as a business (because it is). You must be willing to kiss many frogs. You must be willing to check many properties, ask questions about them and price them.

The reason is simple. There is no formal price tag in the mind of people so there is no right or wrong price either.

People price their properties based on various factors, ranging from the information they hear about how much it should cost to their personal greed and few other factors. That`s why you could find two properties of the same value at different prices.

You must be willing to kiss many frogs. You must be willing to negotiate many properties.

7. Try many realtors

The real estate agents are call realtors. You will need to work with some of them that are faithful and honest. Realtors know where you don`t know and the properties you don`t know.

Check in your locality for some of the realtors there and talk with them.

Some of them could be greedy or fraudulent while some of them are very good. Another reason why you should try many realtors is because the more of them you try, the better deals you will have.

8. Location. Location.

There are three things that are important in the real estate investment. The number one is location, number two is location and number three is location.

I was discussing with my wife about two different locations of properties about two days ago. I said, "it`s more profitable to have a plot of land in X place than to have an acre of land in Y place" (talking about two different locations in Kenya)

A plot of land you acquire somewhere in Kisii can appreciate at 10% per annum while a similar property can appreciate at 200% per annum in some places in Nairobi.

As it is about land, so it is about rental apartments, hotels and other properties, so in the real sense of it, the money is in the location.

But wait. I have something to tell you.

9. Train your inner eye to see good properties before it appears good.

Yes, location of your hotel, school hostel, residence apartment, commercial buildings even land are very important for a good return on your investment, but sometimes you will have to go for properties that do not even appear to the physical eyes to be in good locations.

Donald Trump told the story of how he acquired a property in 80`s (if I'm correct) when it was actually stupid to do so (because of the place and conditions of the property). He acquired that property for $1 million and as at 2000 thereabout, when people offered to buy that property, they negotiated it for $450 Million (if my memory doesn`t fail me).

Though the property seemed not to have much value when Trump acquired it, he was seeing what other people could not see.

To make much money with the real estate investment in Kenya (or anywhere in the world), you must learn how to see good properties, even before they appear good.

These are few things you can watch out for.

A new government policy or development in a particular area.

Take for instance if the Kenyan county or state government decides to locate a university to a particular town. The cost of land in such area may be Ksh.500,000 now, but be sure that something drastic will happen in the next two years. The land that could be negotiated for Ksh.500,000 now may be Ksh.1 million in the next 2 years and the students` hostel and rental properties you could get at ksh.5,000 per month today may be Ksh.10,000 next 2 years. Why?

Because there is a new development.

But be sure of this. Most people will not see such government`s policy or decision as opportunity for real estate investment. That`s why you have to go in when the time is good.

Other things you may watch out for is, a new major road construction.

If government should construct road to a particular place, people will be willing to live there because the transportation to their working place will be easier, so you can go in and develop some rental apartments there.

New major market is an opportunity to build commercial buildings like offices and shops while tourism center is an opportunity to build hotels.

Just be at alert and take chances.

10. Learn a little Math.

Not algebra or calculus, but simple mathematical calculations. If I agree to buy this building for x shillings, I will use y shillings to renovate it and use w shillings to advertise it, so how much can I actually sell it?

That`s a simple math, right? But many people don`t do it right.

When we were studying accounting, we were taught that if you transport yourself to the next street to go and buy a pair of shoes. If you buy such shoes for Ksh.2,000 but transport yourself throw and flow with Ksh.100, the actual price of such shoes is Ksh.2,100.

It`s simple but most people don`t see it that way.

To make money through your real estate investment in Kenya (Africa or other places), you have to run your mind fast and make financial calculations as per what the cost of buying, developing or renovating certain property could be and how much could they generate and when.

11. You will make mistakes

Yes, you may venture into some properties and some legislations may come in to affect your investment. You may act as a visionary investor and later discover that you were wrong in your calculations. In fact, you may bargain a property and acquire such at the wrong price.

Just anything can happen, after all, you`re human being, aren`t you?

If you buy a property today and build a hotel there and tomorrow the government decides to construct a major market right in front of your hotel, what will you do? Since the noise from the market may affect your hotel (who really wants to go to a noise hotel?) this has a great effect on your business and investment.

What if you envision a drastic development in a certain town (because of some calculations you`ve made) and suddenly something happens that makes your calculation wrong?

Anything can happen, but you will not be crushed, **as long as you`re very stubborn**.

Stubborn? Yes, being obstinate is the way to go if you truly want to excel as a business man/woman or an investor.

Mistakes and temporal failures will not destroy you. They will only make you smarter.

Be strong. Stand up and fight on!

12. Beware of fake properties in Kenya.

If you`re a Kenyan you will know that some people out there are dubious (not only in Kenya anyway, thieves and liars are everywhere in the planet earth). I have heard stories of someone selling a piece of land to 5 or more people. Some sell houses and properties that doesn`t belong to them, so watch and make sure you`re buying whatever property you want to invest in, from the rightful owners and with appropriate legal documents.

13. Learn. Read.

Have I told you this before? Maybe 100 times in the past. Well, you cannot earn more than you learn. The real game we are playing as entrepreneurs and investors is the game of knowledge.

Forget true success if you cannot read, learn, ask questions and read again.

I`m saying this with the whole authority I carry and can borrow, no man as ever tasted real and significant financial success without adequate business and investing knowledge.

Visit libraries, buy real estate books from book stores, search google.

What Is Causing The Real Estate Boom In Kenya and Africa?

It is my usual tradition to not only share interesting business ideas and opportunities with you but to explore the reasons behind them. Knowing the reasons why the real estate market in kenya is booming makes you a more informed entrepreneur and allows you to take calculated risks and make better investment decisions.

Some of the factors behind this boom may be obvious to you, but it is very important that you look at them in the right context. Here they are…

#1 – Kenya Is Experiencing a Huge Population Boom

The logic here is quite simple – the larger the population, the higher the demand for housing (shelter).

Kenya's population currently stands at over 46 million and is expected to reach 60 million in just 10 years. Over this period, our country will experience the fastest population growth.

Over the coming years, millions of Kenyans will need shelter – a roof over their heads. This huge population boom is the strongest underlying reason for the huge demand for accommodation and real estate properties in Kenya.

#2 – Alot of Kenyans are moving to the cities

A significant proportion of the demand for housing and real estate in Kenya is concentrated in the cities.

A few reasons why Kenya's urban population is growing at such a high rate are its huge population boom, and fast growing economy which is attracting more people to the cities who are searching of job and business opportunities.

Because more people are flocking to cities and towns in search of jobs and a better life, they are putting a lot of pressure on the inadequate accommodation in urban areas.

#3 – The Housing Problem is Too Big for the Government

In many parts of the world, governments are responsible for providing basic and affordable housing and accommodation for its people. In kenya, however, the government is not doing enough to solve the housing shortage problem.

As a result of government's inability to close the huge gap between supply and demand for housing in Kenya, the pressure from the large existing demand is pushing up real estate prices.

As a result, private investors, entrepreneurs and ordinary people like you now have a role to play in solving the housing crisis.

4 Reasons Why You Should Invest in Real Estate?

Now that we have looked at reasons behind the huge demand and boom in the real estate market, let's now look at a couple of reasons why you should be very interested to invest in real estate.

#1 – Real Estate Provides a Steady Source of Cash Flow

When you buy or build a piece of property (single or multiple room apartments, bungalows etc.), and rent it out to tenants, that property starts to earn you rental income (monthly or yearly depending on the contract with your tenants).

With the high demand for accommodation and growing inflation, rent prices are always on the rise. Higher rent prices mean more income for you, the landlord.

Compared to other investment options, the income from real estate is the most steady.

Take stocks for example, the amount of dividends paid by many companies often fluctuate and may not be paid every year. Bank savings (another form of investment) usually attract interest payments that may be steady but are often very small compared to the returns you can get from investing in real estate.

Because the income from real estate investments is steady and predictable, you can plan better.

The rent you get from your property can be used for specific projects such as paying your kids' school fees, travelling abroad or buying a new car. Rental income is also great for people who are planning for retirement.

#2 – Real Estate Can Be Used As Collateral for a Loan

In Kenya, collateral is one of the biggest obstacles faced by entrepreneurs in obtaining a bank loan to start a new business or acquire property (such as a factory, machinery or equipment).

When banks ask for collateral, they want you to provide something that is equal to or greater in value than the loan amount you are asking for. Under this definition, your car and furniture should qualify as collateral, but the banks won't accept them.

Banks usually prefer real estate as collateral because it is known to continually appreciate in value. Unlike your car which loses value every day, the value of real estate properties are more likely to grow.

Compared to stocks (which some banks accept), the value of a property cannot vanish overnight (like stocks). As a result, an investment in real estate means that you can use the properties you buy as leverage to get money (loan) from a bank and other lenders. Only very few other investments can give you the kind of leverage that real estate can.

#3 – Real Estate Offers One of the Highest Returns on Your Investment

Like i just mentioned, real estate always grows in value. Especially in developing regions like Nairobi, Mombasa, Kisumu e.t.c the prices of real estate are often on a steady rise.

Nairobi (Kenya), Lagos (Nigeria) and Luanda (Angola) are some of the African cities that are currently rated as hot property markets. Due to the huge demand for shelter in many African cities, the returns on real estate investment are one of the highest in the world.

Although buying and selling of real estate should not be your main investment goal, it is your insurance that should you need to sell your property sometime in the future (for whatever reason), you will still make a handsome return.

You can earn rent income for many years like we mentioned earlier or you could sell the property. Either way, you make money and earn a profit on your real estate investment!

#4 – Real Estate is a Low Risk Investment

I'm sure you would have heard of stock market crashes and banks going bankrupt. Although real estate values often fall, it is not usually a very bad situation. In fact, even when property values fall, you would still earn rent income from your property.

On the other hand, real estate is physical and tangible compared to stocks, bonds and many other intangible forms of investment. Both in times of high inflation, economic boom and bust, real estate investments remain robust and will most likely continue to earn you income.

Very few other investment options can do the same.

How to Invest In Real Estate in 5 Easy Steps!

To me, it is not just enough to tell you about the juicy opportunities that exist in Kenya's real estate market. Knowledge alone is not enough.

Because i believe the key to entrepreneurial success lies in action, i shall share with you some very important tips about investing in Kenyan real estate. Here they are…

1. First, Set Your Investment Goals…

Like i mentioned before, there are two main ways to make money from any real estate you buy: *sell* at a higher price or *rent* (or *lease*) it to earn steady flowing monthly/yearly income.

Which of these will be your goal? What's your plan?

Are you planning for retirement and need a source of income to sustain you when you are no longer working?

Do you plan to quit your job one day to pursue your real passions but need a regular source of income other than a job?

Maybe you really don't need a steady income. It could be that you are looking for low risk and long-term investment opportunities that appreciate in value over time and give a better return. You want something with investment returns that are better than a savings account and more predictable than stocks.

Whether your plan is to buy, keep and sell later or to earn steady rent income, it is very important that you have a plan and stick to it. This is the first and most important thing to do before investing in real estate.

2. Who to Buy From And How to Find Them



There are usually two groups who sell most of the real estate you want to buy – let's call them **public** and **private**.

The main player in the public group is the government. Governments often sell real estate to ordinary people and companies for residential or industrial development.

When governments sell real estate, it usually sells at a lower price compared to the prevailing market prices.

Government housing estates are a good example of a real estate opportunity where ordinary people can buy and own housing units (single homes, duplexes etc) at below market prices.

The private group is primarily made up of individuals and corporate organizations.

If you look in the classifieds section of your local newspaper, you are likely to find adverts for real estate properties on sale.

People are always on the market to sell property for all sorts of reasons. Maybe it's land that they inherited which they want to sell or it could be that they have an urgent need for cash. Other times, sellers could just be investors like you who want to realize their profit/investment.

There are always a wide variety of properties on the market for sale – bare land, partially-completed buildings, old properties that need to be renovated and brand-new (finished) houses. Depending on their condition and location (developed or undeveloped parts of town), the prices will vary significantly.

How can I know of these opportunities you ask? Well, there are a couple of tips i would share with you in this regard. And they are:

- *Be observant* and pay more attention to your environment. Look out for all those 'For Sale' banners that often hang on properties that you have been blind to all along. For all you know, there may be a juicy real estate deal on your street that you haven't noticed.
- *Follow real estate 'For Sale' listings and adverts* in newspapers and magazines. This is the traditional way for sellers of real estate to find buyers. In some cities, there are newspapers and magazines that carry only real estate news and listings. Most of these listings describe the properties, the seller's asking price and a phone number you can call. Easy and convenient!
- *Ask around.* Let people know you are in the market looking for properties to buy. Your neighbours, office colleagues and friends can be rich sources of real estate information. All you have to do is ask!
- *Enlist the services of a real estate agent.* These agents are professionals who help ordinary people like you find the kind of properties they want. Whether you want a property to live in or as an investment, it's their job to find it for you, and of course, earn a commission for their services. It's a win-win for both you and the agent.

3. Before You Buy, Do Your Research Very Well!

I'm sure you do not want to get involved in a property that is the subject of a fight or legal battle.

There is a lot of real estate fraud going on and you need to be sure that you are buying from the right owner of a piece of property.

You must be sure of the correct condition of any piece of real estate you are interested in.

Depending on your location, there is often a way to verify the ownership title of every property especially land.

Most counties have a Land Registry with records that contain up-to-date information about every kind of real estate in the area. Your lawyer would definitely know about this. Pay him/her to obtain a report from the relevant government department.

This is one of the most important but often overlooked things inexperienced real estate investors never do.

Most times, there are important pieces of information that you may be unable to get from formal or government sources.

Ask around the area for any things you may be missing. There may be softer issues about the property that may reduce (or improve) the value of your investment.

For example, if there are frequent security threats in the neighbourhood (like robberies, kidnapping etc), it may discourage tenants from your property and likely reduce its value should you plan to sell it in the future.

4. What If You Don't Have The Money?

Many people think they need to have a truck load of money before they can invest in real estate. In fact, we often wrongly believe that the property market is reserved for rich people and large companies who have deep pockets.

This is so not true.

Like every other business or investment that exists, there is room for everybody in real estate, no matter the size of your capital.

As i always advise, start small.

Start with your savings. Set a target for yourself every year to set some money aside for real estate investment. It may take you months or a couple of years to save enough money to buy a piece of property.

Start with what you can afford. Start with empty parcel of land on the outskirts of a developing and expanding city. These are usually cheaper than properties in developing areas but the potential for high returns is huge.

Apart from using your savings as a source of capital, there are a couple of other interesting ways to raise the money you need to start investing in real estate.

5. Make Sure You Get the Necessary Titles and Government Approvals

Due to poor regulations and inadequate controls, real estate scams are rampant in many of the cities with hot property markets in Africa.

There are incidences of fraud where the same piece of property is sold to several people. This is just one example of the different kinds of fraud and scams you could become a victim of if you are not careful.

After you have paid for any piece of real estate, you should ensure that you register your ownership (or ‘title’ as it is legally known) with the appropriate government office or department. Your lawyer can advise you on the relevant registrations and approvals to obtain.

After successfully purchasing property or real estate, many people ignore this very important step. By the time they wake up to the realities of the situation, it may have become too late.

By registering your title and getting the necessary approvals, the government recognizes your ownership of the property and protects you from any fights or disputes that often show up in this part of the world.

Getting your title registered may cost you some money and effort but it is usually worth it in the long run. Investing in good real estate is not enough. You have to do what it takes (legally) to protect your investment.

Now you know how to invest and make money in real estate in Kenya…



While Africa's real estate market now sits at a very interesting time in its history, the opportunities that it holds will not last forever.

Investing in real estate is usually a long term journey; the rewards and profits take time to accumulate and the impact on your finances grows over time.

Time is the only element of real estate investing that you don't have. This is why the best time to start is NOW!

It's never too early to start. Like i advised early on, start keeping away some money every month as savings to buy a piece of property.

Set a target for yourself at the beginning of every year to invest in real estate. Get hungry for real estate deals and information. Start working on your 'property hunting' and negotiation skills. Since real estate investments need time, the best time to start is today!

In this chapter, we have looked at the situation of the real estate market in Kenya and the many opportunities that lie within it. We have also explored the strong reasons why you should consider investing in real estate and five great tips that will help you succeed.

I believe that all the opportunities i have shared with you in this chapter will be taken further by your creativity and energy.

To your success!

Chapter 6

How to Begin Investing on the Nairobi Securities Exchange



Kenya boasts a diverse economy, improving infrastructure, and a young, dynamic population.

But high interest rates and instability in the banking sector have left many Kenyan stocks trading at multi-year lows, offering investors a great entry point for exceptional long-term returns.

Kenya is one of the fastest growing African markets in terms of economy, investment, real estate, banking, manufacturing and of course stock exchange. The purpose of this chapter to acquaint its readers with the Kenyan stock markets, regulations that govern Nairobi stock exchange and how you can invest in this market.

Why invest in Nairobi Stock Exchange?

Past few years have seen a rapid growth in African economy and Kenya has remained one of the pioneers in bringing this widespread economic change in the region. An industrialized national vision by the government and rapidly commercializing economy is driving foreign investment and international companies to land on these financially fertile lands.

The times when most African countries were home to civil war, famine and corrupt governments are gradually fading away. Compared to past times, peaceful elections and transition of power is clear evidence that Kenyan government and people crave peace, prosperity and rapid economic growth.

In addition to this, Kenyan government envisions the country as highly industrialized by the year 2030, making a smooth way for voracious international conglomerates to invest in commercial banking, manufacturing, finishing goods and improving exports.

Labor is cheap, raw materials and natural resources are abundant, giving unmatched profit generation capacity to industries and investment corporations. According to several surveys, companies are reported to show consistent double-digit profit ratio in the coming years.

Most of all, with the government regulations in huge favor of investing companies, easy tax and banking laws, low interest rates and stable inflation rates, all benefit an investor of any scale.

The best part about Nairobi Stock Exchange at https://www.nse.co.ke is that it has improved its performance rapidly over the past few years and continues to grow.

So, how do you get started investing on the Nairobi Securities Exchange (NSE)? Here are a few tips.

Start By Bulletproofing Your Finances

While investing in stocks is one of the best ways to build wealth over time, a positive return is not guaranteed.

Volatility, however, is pretty much a sure thing.

So, to minimize risk, it’s crucial that your finances be ironclad.

- In any given month, do you spend less than you earn?
- Have you paid off all of your high-interest debt?
- Do you have an emergency fund equal to at least six months of living expenses?

If you've answered each one of these questions with a hearty "Yes!" you're in a great place to begin thinking about investing on the NSE.

Find an Online Broker

Before you can start putting your money to work on the NSE, you must first open an account with a licensed stockbroker.

There are more than 20 brokers trading on the NSE at https://www.nse.co.ke/member-firms/firms.html , but I'm partial to those that offer an online trading platform. Online trading gives you the freedom to buy and sell shares whenever and wherever you want.

Here's a list of Kenyan stockbrokers that presently offer online trading:

- AIB Capital at http://www.aibcapital.com
- Dyer & Blair at http://www.dyerandblair.com
- Faida Investment Bank at http://www.dyerandblair.com
- Genghis Capital at http://www.genghis-capital.com
- Kingdom Securities at http://trading.kingdomsecurities.co.ke/tradeweb
- NIC Securities at http://www.nic-securities.com
- SBG Securities at http://www.sbgsecurities.co.ke
- Suntra Investment Bank at http://suntra.co.ke

Mind the Fees

Almost all of the above brokers will charge an account opening fee, an account maintenance fee, or both.

The amount of these fees varies from broker but is typically about Ksh.1,200 (roughly US$12) to open the account and Ksh.100 (roughly US$1) per month to keep it active.

There is no minimum amount required to fund your account, but when you decide to purchase a stock, you must buy at least 100 shares.

At this moment, the least expensive share listed on the NSE was priced at KES 1.05. You could, therefore, buy 100 shares of this company (Mumias Sugar) for KES 105.00 plus the broker's commission. But, if you'd like to purchase shares of Jubilee Holdings (currently priced at KES 470.00), you'll need to invest a much larger sum (KES 47,000.00).

In addition to the account maintenance fee, your stockbroker will charge commission and fees on every trade you execute. The commission rate is the same across all stockbrokers and is equal to:

- 1.78% of the total value of transactions less than KES 100,000, or
- 1.50% of the total value of transactions more than KES 100,000.

The Documentation You'll Need

In order to open an account you'll need to provide your broker with the following:

- Two color passport size photos
- Your national ID document or passport (a notarized copy is acceptable for investors living outside Kenya)
- A signed CDS-1 Form. click here for sample http://investinginafrica.net/wp-content/uploads/2016/09/CDSC1Form.pdf

Most brokers will also ask for one or more of the following: a copy of a recent utility bill, the first page of your bank statement, or a copy of your PIN certificate.

When the process is complete you will be the proud owner of a Central Depository System (CDS) account.

A CDS account is an electronic account that stores all of the shares you own. Think of it as a satchel (or portfolio). You can move this satchel from stockbroker to stockbroker, and all of the shares that you have accumulated move along with it. So, if you find the level of service from your broker to be lower than you expected, rest assured that you can easily take your business elsewhere.

After the account is set up, your broker will instruct you how to fund it and how to place an order to buy shares.

Do You Live Outside Kenya?

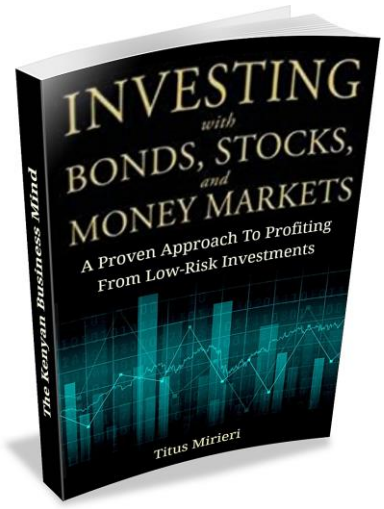
If so, you may find it difficult to collect dividends. Typically, Kenyan companies deliver dividends via direct deposit into a specified bank account or by a cheque denominated in Kenya shillings, which can be next to impossible to cash in the US or UK. And Kenyan banks require you to appear in person in order to open a local bank account.

Therefore, unless you've got plans to visit Nairobi in the near future, make clear to your broker that you would like to open a nominee account. This allows the broker to collect dividends on your behalf and to deposit them directly in your trading account.

Mission Accomplished

So, there you have it. Follow these steps and you've got everything in place to start investing in Kenyan shares.

But how do you choose that first stock? We'll i have covered that in my bonds and stocks ebook below…


INVESTING
with
BONDS, STOCKS,
and
MONEY MARKETS
A Proven Approach To Profiting
From Low-Risk Investments
Titus Mirieri
The KenYan Business Mind

Chapter 7

Why Investing in Govt Securities Is Good Business



You have a friend, called Otieno who needs a loan for his butchery. You don't have time yourself to run that kind business but you believe there is opportunity in the meat industry and figure you might as well benefit in some way from the returns of this business. So you lend Otieno Ksh.100,000 payable in three years which he will use to refurbish his butchery.

However you can't lend Otieno Ksh.100,000, wait three years and only get back Ksh.100,000. That would be unfair to you because you could have done something else with the money i.e. there is an opportunity cost to lending Otieno the money. So Otieno agrees to pay you interest of 10% p.a. to compensate you for this opportunity cost. Because of the nature of how money goes in and out of his business he can't pay you every month.

At the same time it is not fair on you to have to wait till the end of the year or end of three years to get your return. Otieno therefore agrees to pay you interest every six months or semi- annually. In a year you would be earning Ksh.10,000 (10% of Ksh.100,000). If he is paying interest every six months that will translate to you earning Ksh.5,000 every half year for three years. The last payment at the end of three years will be the final interest of Ksh.5,000 plus you will get back the initial capital invested of Ksh.100,000; which is a total of Ksh.105,000.

Treasury Bonds, this is an area that a lot of people would like to invest in it but think it is very complicated. I agree the way information is displayed about Bonds, is not very user

friendly. However our scenario above with Otieno is exactly how most bonds work only that Otieno is the government. The government borrows from us to finance certain expenditures like infrastructure, development etc. The loan that we give the government is referred to as a Bond. Depending on the intended use of the funds, bonds can be issued from 1 year to 30 years. This is known as the tenor of the bond.

The interest rate a bond will earn is referred to as the coupon. If you invested in a three year bond with a coupon rate of 10%, the payments to you will be paid semi – annually in the exact same way as when you invested in Otieno's business. Now Otieno can decide to raise Ksh.1,000,000 from his business from various investors. Some will give 100,000; others 50,000; and others 200,000 depending on their ability at the time.

All Otieno is interested in is getting to a total amount of Ksh.1 million. Whether you put in Ksh.50,000 or Ksh.200,000 you will all earn an interest rate of 10% p.a. on your money. In the same way the government can opt to raise even Ksh.15 billion from various investors but the minimum they will take from any one investor is actually Ksh.50,000.

So as long as you have Ksh.50,000 you can invest in a bond. Bonds, contrary to popular belief are not only for the wealthy or for institutions. If you put in Ksh.50,000 and someone else Ksh.50 million you will earn pretty much the same coupon (or interest rate) on your money. Many people look at the Ksh.15 billion the government is trying to raise and instantly think their money is too little.

What are government securities?

Government securities refer to a set of instruments that are used by government to borrow money from the public. Government borrows money when its income falls short of public spending needs.

In Kenya, government securities include treasury bills and bonds. Treasury bills are used to borrow money for short periods that do not exceed one year. Currently, the government borrows money through treasury bills from three specific periods, that is, 91, 182, or 364 days. On the other hand, treasury bonds are used when the government needs to borrow money for

longer periods that exceed one year. Using treasury bonds, the government borrows for periods of 2, 5, 10, or 15 years.

Government income comes principally from tax and non-tax revenue. Other sources of finances for public expenditure include donor funding as well as borrowing from abroad.

The government securities are used for domestic borrowing or more specifically for borrowing that is denominated in the domestic currency. In practical terms, treasury securities may be regarded as paper assets that are created by the government. By issuing the securities, the government exchanges the paper assets for cash from the people, institutions, or agencies who are regarded as investors.

When the borrowing period expires, the government returns the money borrowed together with interest earned to the investors

Why are government securities considered risk free?

Government securities carry the least risk relative to other assets because they are backed by the strength, full faith and credibility of the borrowing state. States are believed to have the perpetual capacity to levy taxes. Because of that, they offer timely and predictable payment of interest and principal, hence the zero default risk. In Kenya, government securities are issued by the Central Bank Of Kenya (CBK) on behalf of government.

Can the ordinary man and woman invest in government securities? Or it is a preserve of just a few?

Investing in government securities is open to everyone who possesses or has access to savings and is ready to lend to the government so as to earn interest. Individuals can invest in treasury bills and bonds for amounts starting from as low as Ksh.3,000 **(M-Akiba)**.

However, investment in government securities is dominated by commercial banks, offshore (non-resident) investors, insurance firms, as well as pension and provident funds.

How does one invest in treasury bills and bonds?

The sale of treasury bills and bonds is conducted through an auction. This means that the interest rates are market determined. Participation in the primary auctions is done through a set of Investment Banks and stockbrokers.

Investors who conduct their banking with non-primary dealer banks can still invest in government securities through their specific commercial banks, which work with the primary dealers to facilitate the opening of investors' accounts with the CBK. Prior to every auction, the Central Bank publishes an invitation to bid for treasury bills and bonds on the CBK website and newspapers. The results from the auctions are also published through the media.

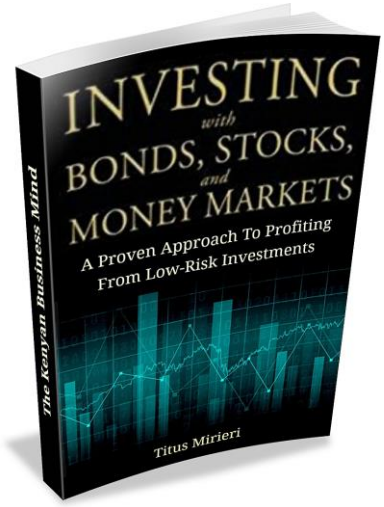
To invest in a Bond you firstly need to open an account with the Central Bank of Kenya (referred to as CDS account) and then fill in a separate application form for whichever bond you wish to buy. The government advertises any bond it is issuing in the daily papers as well as on the Central Bank website.

Bonds are safe investments so your rationale around bonds would not be to double your money overnight. If you want to grow the value of your funds, look elsewhere. It is a lower risk investment hence will have lower returns. However if it was money you were going to keep in cash or looking for a secure place to invest, this is definitely worth considering.

The last two year bond issued in February is earning a coupon of 12.8%. Your Ksh.50,000 sitting in a savings account would probably not earn the same rate of return. Bonds are also a good way of securing a source of income and can come in handy when planning for Retirement. Many people who want to keep a portion of their retirement portfolio safe while earning an income to help meet with everyday expenses have opted to invest in Bonds.

If you had built up a retirement portfolio of Ksh.10 million, this same bond would earn you Ksh.1.28 million per year which is translates to Ksh.100,000 per month. That could be a large portion of what you actually need to live off. The Ksh.10,000,000 would remain intact while you just live off the income being generated.

I have talked more about bonds in my ebook, below…



Chapter 8

Investing in Unit Trusts



As a small business owner, student or budding investor, chances are that in one way or another you are involved in a savings scheme. Probably you are saving through a regular bank account, mobile phone account or chama account.

However, as you might have noticed, leaving your money to sit somewhere without gaining interest isn't a wise thing to do.

I would like to introduce you to the idea of unit trusts – a passive method of wealth creation that has been in Kenya for the last 13 years.

What are unit trusts?

Unit Trusts were first introduced in Kenya in December 2001 under the watch of the Capital Markets Authority (CMA). When you enroll for a unit trust investment agreement you accept to pool resources together with other small investors and put it under a fund manager who will in turn invest it on your behalf. Let's take an example:

Mr Juma approaches XXXX Investment Bank to invest Ksh.10,000 ($125) in their Money Market Fund (an example of unit trust). XXXX Investment Bank will take Juma's money and combine it with what other investors bring to the same fund.

So let's say the total pooled fund amounts to Ksh.10,000,000 ($12,500). The Fund Manager (an expert from XXXX Investment Bank) will then go to the Money Markets and make investment decisions on behalf of Juma and the other investors.

Juma will still have taken a risk. If the money market performs badly and the fund manager makes some loses, then Juma will have to absorb the loss. If things go well and the fund manager generates good returns, then Juma and other investors will enjoy passive income from their money.

Unit trusts are a simple avenue to access stock market and money market investments. Like, in the example above, Juma would have chosen to invest directly in the money market.

But because he lacks the expertise and skills required to succeed, he opted to invest under a unit trust so that a fund manager does the manual/risky job on his behalf (for a small commission of course).

Roughly how much return on investment can a small investor expect?

The rate of return offered by a unit trust fund depends on factors such as:

- Returns from the market
- Types of assets within the category of unit trust you opt for
- Management skills of the fund manager

Also note that, historical performance does not in any way predetermine future performance of the fund. In the past 3 years, most Unit Trust arrangements in Kenya have yielded a range of 10% to 20% return on investment.

How can I get started?

Unlike in the past when you needed a minimum of Ksh.50,000 to be accepted in a Unit Trust arrangement, nowadays even the Mama Mboga in the streets of Korogocho slums can start her investment journey with a measly Ksh,500.

Better still, most investment companies have embraced mobile money transfer meaning that you can easily channel your funds to your unit trust account even on a daily basis. Examples of companies that offer unit trusts in Kenya include:

- Genghis Capital
- Old Mutual
- Britam

Are unit trusts ideal for me?

Unit Trusts are ideal for anyone who wants to access full-time professional management of their money. Simply put, anyone who is tired of keeping their money sitting in the bank without much returns. Chamas, small holders, students, people with busy careers etc can benefit.

Who unit trusts aren't for?

- Not good for people who want to invest for a short period (i.e less than 1 year)
- Not good for people who fear taking risks
- Not good for people who suffer from lottery mentality (or pyramid scheme mentality)

Benefits of unit trusts

Reasons bank managers aren't afraid to promote unit trusts to customers include:

Your money is in safe hands.

Although a fund manager makes decisions on your behalf, he or she can't access your cash. The legal structure has been designed to prevent others from stealing your money. The Financial Services Board regulates unit trusts and the professionals who make the investment choices for you.

Investment risk is usually lower than for other types of investments.

A unit trust spreads your money across many investments. This means that if one investment doesn't work out, you won't lose all your savings. The flipside of this: if one investment does incredibly well, your entire holding won't rise in value to that extent. So, there is less risk, but less return. Still, you have the comfort of knowing it is unlikely you will lose all of your money suddenly.

Unit trusts are easy to sell.

If you need your money, you don't need to give a long notice period – as you would if you place your cash in a bank account with a good interest rate. You can have your money within days. This is an advantage if you have an emergency.

It is simple to track how your investments are performing.

You can keep tabs on how your unit trust is doing in several ways. You can access your statement online or find performance tables in the media. Your fund manager will also provide a regular update through fact sheets, which you can find on the website of your unit trust provider. The fact sheets provide quick summaries of how your investment is doing and what your money

has been used to buy. So, you can see which companies you own if, for example, you have opted for an equity unit trust.

You don’t need huge sums to invest in big assets.

Unit trusts are designed for ordinary income earners. You can invest in lump sums or monthly debit orders.

Chapter 9

How to invest in forex trading



Forex trading in Kenya has in the last ten years taken off as a result of penetration of internet. Unlike the years gone by, almost every Kenyan has access to the internet.

Additionally, the options and trading applications and platforms, now on offer from the abundance of web sites promoting their services – quite literally spoils one for choice.

But what is Forex trading?

Forex trading in its simplest form is trading one currency against another currency. Traders profit from the fluctuations in the value of the different currencies.

The internet forex trading of today can be traced back to the time when man first started trading one or several items in exchange for others. This was and is known as bartering and that's how things continued until the introduction of money.

The origins of the word money stem from the Latin word, "moneta," which in turn comes from the Greek temple of "Hera the Moneta." And this is where money first came from, in the early days of Rome.

Money, in itself, must be a scarce good and many items have been used as money, from naturally scarce metals and minerals, to conch shells and cigarettes, to artificial banknotes; i.e. paper money.

Money is, in its crudest form, a token – an abstraction and perhaps the most popular of that is the form of paper money, in the design of banknotes, which is the most common sign of physical money. Gold and silver retain, however, many of the essential properties of money. An example of cigarettes, being used as "money," may be found in many prisons, where the usual forms of coins and notes are prohibited, from being held by their inmates.

Bartering, however, has several problems, most notably timing constraints. If you wish to trade fruit for wheat, you can only do this when the fruit and wheat are both available at the same time and place. That may be a very brief time, or it may be never. With an intermediate commodity (whether it be shells, rum, gold, etc.) you can sell your fruit when it is ripe and take the intermediate commodity. You can then use the intermediate commodity to buy wheat when the wheat harvest comes in. Thus the use of money makes all commodities become more liquid.

Forex trading is where (as already mentioned), one currency is bought and sold against the fluctuation rate of that of another, on the international currency exchange market, with the idea of selling one currency against the other for profit. Money has always been traded, through the centuries. However, this was, until the advent of the Internet; usually the exclusive domain of the rich and that of their brokers. Before the Internet, anyone wishing to make a currency exchange, went through an agent, known as a broker, who bought and sold, at what he thought were the best rates of exchange. For this, they extracted a fee, unusually via of a percentage of the total sum of the deal.

The forex trading market is always in a continuous state of flux due to the continuous rates of variability on the foreign markets and this as a direct result of supply and demand and, amongst other things, domestic stocks, and international trade patterns, tendencies, and movements.

Today, with the richness and abundance of the Internet, anyone can become their own forex trader, from the comfort of their own home, start trading and stand a good possibility of making money, after a little trail and experience.

Forex trading, on the Internet really started to take off, in the mid-nineties and at that time there were only a handful of web sites, with (in comparison to today's usage) a handful of people. These people started trading from home, during the day, and rapidly became known as Day Traders and all of this really got started in the US. For many forex trading even became a way of life, with many giving up their regular jobs, and making money for themselves, in real time and at home.

With the advent of broadband, with good and secure high speed connections becoming a forex trader is not difficult and simply requires a degree of understanding of how the markets work, spotting what the tendencies are and making a trade on what you think is going on in the forex market. Forex trading is no longer the exclusive domain of the rich and their brokers – rather it there to be used by one and all, with a degree of intellect, and an aptitude for spotting market trends, and making a trade on what he or she thinks will happen to that currency next.

Easy steps to start forex trading

Ok, let me just break it down as simple as I can. To start online forex trading in Kenya, you would need some basic things.

Things you will need

- - Internet connection
- - Online trading account
- - A trading platform
- - Economic calendar

Can you start forex without money?

Yes you can but you will only be trading on a demo or virtual account with virtual money and not real money. To start making real money, you will need to add real money.

How much do you really need?

You can start with as low as $50 or lower if you want. However, it's best to know how to trade first before putting in more money. Some professionals trade with as much as $1000 and turn it to $1500 or $3000 within 30 days. So from $1000 is ideal for making cool money but you should only risk about 1%($10) of that in trading.

Online Trading account

There are many online brokers that allow you to open a forex trading account. Just sign up with them as you would open a Yahoo email or facebook account. You would just need to upload further documents like scanned copies of personal id like international passport, utility bill and so on. When an account is opened, you can then download the trading software that will allow you to trade.

Internet connection

To trade forex, you will need an internet connection. You need a reliable internet connection that would allow you to trade. It has to be fast enough and not too slow else it may slow down your trade actions and news delivery.

Trading platform

This is the platform you would connect to when making a trade. It comes after you install the software you have downloaded from your broker or forex account. There are many trading platforms like Meta trader and Streamster. I prefer using Streamster due to their simplicity and since I signed up with AGEA(formerly Marketiva). Check it out at https://www.agea.com/index.ncre?page=open-account&gid=30514

Economic Calendar

Not many newbie forex traders know about this but it can help you especially when trading during news events and you want to know why the market reacts the way it does. Economic calendars are a time based report of market news. Some come with expectations while some are just open. When trading during active US, Asian or European sessions, using an economic calendar can help keep you in the loop. You can also make big money during this period if you know how to trade the news, whether bullish or bearish.

Economic calendars I like using are the ones from either http://www.forexpros.com/economic-calendar or forexfactory.com. For my mobile, I go to m.fxstreet.com.

Tips on how to start trading

- - Sign up for a free account with a broker
- - Download and install trading software on your computer
- - Log into your platform
- - Try out the demo trade
- - Execute trades like buy(long) or sell(short)
- - Always use a stop loss and target point
- - Make money when there is price movement
- - Repeat trades for more profits.
- - When more confident, trade with real money

Adding funds and withdrawal

As a forex trader, when it comes to real money, you will need to add funds or make withdrawals at one time or the other. You should know that you can make withdrawals only through the same methods you have added them. There are many deposit methods acceptable by most forex brokers and these range from liberty reserve, credit card, alertpay, paypal, bank wire and so on. After funds are credited to your account, then you can start trading with real money else you can always make do with a demo account.

Piplove: It's really all about PIPS

PIPS is an acronym for percentage in points and it refers to the magnitude of movement of a currency price. Let's say the price of Euro appreciates from $1.3000 to $1.3100, then we can say it has moved by .0100 or 100 pips. You can make big money with such price movements if you took a stand before the move.

Statistical tools

There are many tools forex traders use to analyse and predict price movement and that's where money really comes in. The tools are not 100% perfect for prediction as price movement is really based on how the market accepts it. No one is perfectly sure how the market will react but the idea is to follow the market based on logical calculations in order to make a profit.

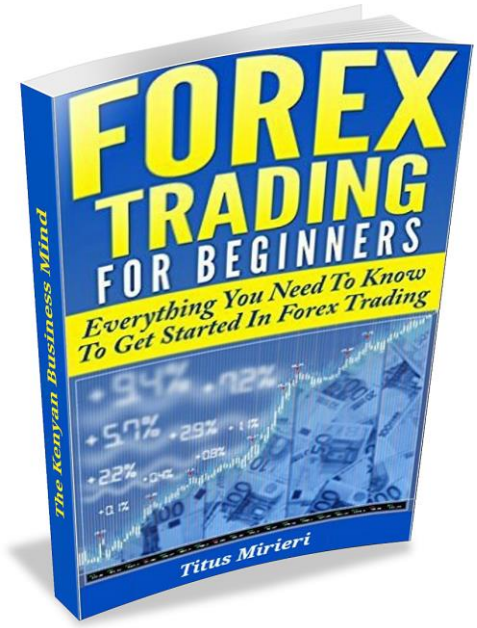
Most newbie forex traders however rely on things like price action in order to trade rather than analyzing with tools like Moving average or RSI. Just trading with your level of understanding and maintaining a good discipline can help you a long way.

Example of a buy trade

Let's say I got a new report that US Job report did more than previously predicted, then it's good news for the USD and placing a buy order with a target of about 50 pips could earn me some money. If I'm right with my Long trade, then I could earn 50 pips and with an investment of about 1000 units, I could have earned 1000*0.0050 = $5 if I traded the EUR/USD.

Should I create a forex e-book?

Based on my experience in forex trading and being in touch with many forex traders, I am somehow thinking of creating a forex e-book that can help guys get started and making profit with this business.



Whenever, I am done writing it, I will let you know through whatsapp. This chapter is more of a compressed report of getting started with forex trading in Kenya. There's really a lot to talk about online forex trading.

Meanwhile you can open a free Forex account today at https://www.agea.com/index.ncre?page=open-account&gid=30514

Chapter 10

Joining and Investing in SACCOS



Ever heard the story of the taxi driver who ended up owning an entire fleet of transport vehicles? Or the grocery lady who grew from one small kiosk to owning an entire estate of rental apartments? Well, behind all those sweet stories are little-known financial institutions commonly referred to as SACCOs.

A Savings And Credit Co-Operative (SACCO) is an association of like minded individuals, registered under the Ministry of Cooperative Development & Marketing in Kenya, and authorized to take deposits from and lend to it's members. SACCOs are governed by the SACCO bylaws which state the objectives, membership, share capital, organization structure, management and lending regulations. The sector is regulated by the SACCO Societies Regulatory Authority (SASRA)

Most SACCOs are managed by a professional management team, which reports to a committee elected by members annually or according to the by laws of the SACCO. Most SACCOs in Kenya have restricted membership to industry or sector of working. For example Stima SACCO is for Power generation and distribution sector employees, while Magereza SACCO is formed by Prison Services employees.

This is how SACCOs work – You become a member, set your saving goal and start saving. Let's say you start today and target to save Ksh.50,000 ($500) in the next 10 months. After you reach that target, your credit organization gives you a friendly loan that is as much as 3 to 4 times your savings. So you get Ksh.200,000 ($2,000) which you can use to expand your business further.

Easy, right?

Unfortunately, some individuals have taken advantage of this opportunity to fleece Kenyans of their hard-earned income by starting false savings and credit organizations or scams. I would therefore like to dedicate this chapter to educate you on how to avoid scams and most importantly, am going to give you a list of 10 SACCOs in Kenya that are legitimately registered and certified to operate.

Investment

SACCOs are deposit taking in nature and are an ideal way to channel your savings. The SACCO aggregates the savings and lends them out or invests in authorised instruments such as shares, treasury bills and bonds, and in some cases property as authorized by the by laws. Returns from SACCO savings for a member are usually high and sometimes better than what banks offer.

Some SACCOs in the country help their members construct or buy homes at lower rates than the average mortgage rates offered by commercial banks.

Nature

- SACCOs require a minimum monthly contribution from members. This instills a saving discipline.
- The money isn't accessible to the member unless they choose to withdraw from the SACCO or take out a loan. This protects the savings and prevents impulsive spending of cash saved.
- Savings in a SACCO do not attract bank charges at all.
- Interest paid on these savings is often higher than bank rates.

Borrowing

Once one is a member of a SACCO, they're allowed to borrow within the limits of their savings. The standard is a member can **borrow up to 3 times** their savings, provided other members give him/her guarantees or they give a form of security. SACCOs have various products, such as emergency loans which are processed within a day and school fees loans and development loans.

While banks may be able to extend a larger unsecured loan to clients, borrowing from a SACCO has several advantages:

- SACCOs have lower interest rates and these rarely change currently capped at **12% per annum**. Banks also constantly revise their lending rates advised by the Central Bank Rate while SACCOs rarely revise their rates..
- As a member of the SACCO, you earn interest on your savings which are part of what you have borrowed lowering your borrowing costs further.
- While repaying a SACCO loan, a member is expected to still maintain the same level of monthly savings as they did before. This builds a saving discipline, and helps one accumulate a substantial savings base. [*Courtesy Mzimba SACCO*]

How to Avoid False savings and credit organizations

- Make sure they are registered by SASRA a http://www.sasra.go.ke
- Make sure they have a thriving membership
- They should operate ethically
- Avoid organizations that promise insane end of month returns on investment

Here now are a few examples of government registered SACCOs that are open to all and that offer financial assistance to small entrepreneurs who want to grow their businesses.

Top SACCOs In Kenya That Support Small Investors and Entrepreneurs

10. Imarika SACCO

Formerly known as the Kilifi Teachers SACCO, Imarika SACCO was initially based in coast but has since expanded its reach countrywide and opened its membership to all. They offer loans of up to 2 times your savings allowing you to clear it in up to 60 months. Their interest rate on normal loan is **1.25% per month**.

9. Wanandege SACCO

Originally founded by employees of Kenya's airline industry, Wanandege seems to be soaring at an all time high with its two branches (one in Nairobi and another one in Mombasa) and a functional m-banking system. They offer 3 times the value of one's savings with a repayment period of 48 months at an interest of **1% per month**.

8. Harambee SACCO

Just as its name suggests, this SACCO aims to pool together resources for the common benefit of its members. Offering loans of up to 3 times your savings and allowing you to repay in 48 months at **1% per month**, this institution can offer a solid start for any budding entrepreneur. Its membership is open to all although one has to meet the requirements of their membership policy to be enrolled.

7. Maisha Bora SACCO

Started in 1974 by a small group of Unilever Factory workers, Maisha Bora SACCO has remained one of the most stable small-holder financial institutions in Kenya. They normally give out loans on **1% per month** based on reducing balance method with a repayment period of up to 72 months. You can borrow up to 3 times your savings. This SACCO is open to all.

6. Hazina SACCO

Hazina was established in 1971 and after decades of successful business operation it has now become a deposit taking SACCO society. With over 15,000 active members, the SACCO focuses on county employees, national government employees, organized youth & women group and private sector employees with membership being open to all. They give loans of up to 3.5 times the value of your savings and allow you to repay it in 72 months on **1% per month** reducing balance.

5. K-Unity Sacco

With its operations majorly centered in Nairobi and Kiambu Counties, K-Unity's track record has been stellar since 1974 when it was formally registered. Its membership is open to all, although one has to be vetted against their membership policy prior to being admitted. They give loans of up to 4 times one's savings allowing for a repayment period of up to 36 months at **1% per month** reducing balance interest rate.

4. Waumini SACCO

This is a brain-child of the Catholic Church of Kenya and it mainly targets persons who are members of the congregation. With a country-wide reach and a solid financial foundation, this SACCO lends up to 3 times of savings allowing for a repayment period of 60 months at **12.5% per annum**.

3. Stima SACCO

With five branches across the country and a thriving mobile banking system, Stima SACCO has been growing steadily since its establishment in 1974. You can borrow loans of up to 2 times your savings and repay in as much as 60 months. They charge an interest rate of **1% per month** on reducing balance. Stima SACCOs membership is open to all.

2. Kenya Police SACCO

Founded in 1972 by Kenya Police staff, this SACCO boasts towering headquarter offices in Nairobi's Ngara area with its membership exceeding 52,000. Although it was initially meant for members of our security forces, the SACCO is now open to all. They offer loans of up to 3 times your savings and allow you to repay it in 48 months. Their interest rate is **13.5% per annum** on reducing balance.

1. Unaitas

Formerly Muramati SACCO, the institution which was conceptualized in Murang'a County is evidently one of the most advanced ones in Kenya. With rumors abound of its plans to convert to a fully-fledged bank, Unaitas remains the most sought-after SACCO by small investors. They offer loans of up to 3 times one's savings with a repayment period of 72 months at interest rates of between **1 – 1.5% per month** on reducing balance.

***Disclaimer: This list is in no particular order and should therefore not be used for ranking purposes.

So Which Is the Best SACCO to Join In Kenya?

Each one of the ten SACCOs reviewed has its benefits and downsides. Stima SACCO is best for land investment. Unaitas is best for business investment. Waumini is good for long-term projects like home construction although they have very stringent caps. Hazina is suitable for employees who want to save and make some informed decisions sometime down the line. K-Unity SACCO is quite good for small business growth and Kenya Police SACCO is renowned for its excellent at quality of service.

Chapter 11

Investment Ideas & Advice Articles



How I'd Invest Ksh.100,000 To Build A Profitable Small Business – Opinion

I always encourage the youth to inculcate a strong saving and investment culture so that they can get the capital and will-power to innovate and launch new businesses. In this article, i asked Mr. Karanja (one of my team members) to expound on how they'd invest a starting capital of Ksh.100,000. And although his strategy is not 100% fool-proof, i believe there is a lot in it for you to LEARN, CONNECT & GROW.

Invest In A SACCO

If I had 100K today, I would first join a SACCO (e.g. Waumini Sacco or Unaitas) where I'd save half of that amount split into small installments over a period of 10 months. This would ensure that before the year ends I have enough capital back-up somewhere to power my business. My decision to invest in a SACCO is informed by the fact that most such organizations are willing to lend one up to 6 times their savings provided you have saved for at least 6 months with them.

Do A Feasibility Study

Given that I'd still have the other Ksh.50,000 with me, I would spend at least 2 months doing a **feasibility study**. I would compare many different ideas and go to the ground to ascertain their practicality. Most importantly, I would do market research and even initiate a professional relationship with potential buyers of my products so that I have a reliable foundation by the time I set foot into the waters.

Start Investing

Given that I know one or two things about farming, I would certainly think about venturing into agri-business. My focus would be on land around a major city such as Nairobi or Thika. There are many rural areas in places like Murang'a, Fly Over, Kijabe, Isinya, Narok, Naivasha or even Githunguri where one can lease a small piece of land for a short period of time.

Particularly I would look for a place where they lease a half an acre or quarter acre at Ksh.10,000 or thereabout per year. This should preferably not be too far from the road (or at least accessible on a motorbike).

I would also spend another Ksh.10,000 to for expert advice, travel and other related expenses.

For now I am yet to choose between strawberry farming, red onion farming, garlic farming and tomato farming but I am sure a feasibility study would help me make an informed decision. For now, let's say I would choose red onion farming.

Get Moving

Now that I have leased land, paid for expert advice and done a feasibility study I would go ahead and start preparing to start. This involves tilling the land, acquiring seedlings, fertilizer and other requirements. This would also be the ideal time to request for a loan from my SACCO which hopefully will be Ksh.50,000×6 = Ksh.300,000.

This would be enough to maximize on the productivity of the farm. For instance, I would think of investing in a green-house, aquaponics system and a water tank to ensure steady supply of water to my farm.



Still, I would invest in a small motorbike which costs Ksh.100,000. Not to forget marketing and branding which I estimate would could cost me around Ksh.20,000 minimum.

It is also prudent to prepare for a rainy day so I would set aside Ksh.80,000 as backup capital.

Finally

Most of the crops that I would focus on take 3 to 5 months to mature. But to be realistic the first harvesting season is always a learning experience. It's normal to make mistakes in business so for starters I would work to achieve stability by re-investing whatever returns I get. Hopefully, within a year after starting the farm I will have repaid the SACCO loan and the beautiful farm will be 100% mine.

What are your thoughts about Mr. Karanja's investment strategy? In your opinion which strategy would you use to invest your Ksh.100,000?

5 Ways You Can Make Money By Investing In Insurance Companies in Kenya



If you are like most people, the word insurance probably brings back bad memories. I mean, we only take insurance cover when it's really important or when it's a legal requirement (e.g. car insurance). But did you know that you can actually use insurance to grow your wealth? Most people have overlooked or are plain unaware that insurance companies provide some risk-free plans for wealth creation. Here in Kenya, these are some of options you can pursue.

1. Unit Trusts

Insurance companies are always looking for money to invest in different projects e.g. real estate and treasury bills. Through unit linked policies, they collect your money and pull it together with other funds and invest it in bulk. The company then appoints a trained and experienced fund manager who will make investment decisions on your behalf. If your fund manager makes some pretty good decisions that grow your pool of funds fast, then you also get to reap handsomely. An example of a unit trust investment option is one offered by UAP Old Mutual Company and Britam.

2. Collateral For Loan

If you hold a whole life insurance policy, you can simply use your policy as security for loans. This can be a plus especially if you don't own tangible assets like land and motor-vehicles or when your other assets are tied up somewhere due to another loan. To a small investor, the opportunity of accessing an additional financing can make things a tad better especially when one is struggling to marshal up resources.

3. Money Market Fund

Money market funds are almost similar to unit trusts only that while the former offers fixed income while the other offers a variable one. Put simply, if you put Ksh.100,000 in a money market fund offering an interest rate of 7% per year, you are assured that you will get your money plus interest rate at the end of the maturity period. However, when you invest in a unit trust deal, your interest rate may vary depending on how your fund manager performs. The **Britam Money Market Fund** is a good example that's locally available.

4. Tax Exemptions

In Kenya, holders of life policies receive a tax relief of 15% of premiums paid under the taxation year. Subtracting this from your premiums means the premiums paid are usually 85% of the quoted price. In a life where every cent matters, this 15% exemption can translate to much-needed savings which you can use to fund other important aspects of your business.

5. Loss Mitigation (Non-Life Insurance)

Ultimately, insuring your business can help protect it no matter how small it is. Unfortunately, most small business owners see insurance as an added burden they would rather live without. But let me take you back to 2015 when the Gikomba market fire strategy shook the country. Those who had taken up insurance cover were reimbursed to the tune of Ksh.90 Million. Those who hadn't taken insurance lost everything – as a result hard-earned cash and years of sweat went down the drain. The Kenya Orient Insurance Limited is a good example of an insurance company that works with small business owners.

Final Word

Although investing in insurance is by no means a get-rich-quick alternative, the truth is that if used wisely, it can provide that much-needed competitive edge to your business. The world's best investors know this, which is why they keep growing their wealth no matter what challenges they go through.

Extreme Risk: How People Lose Money in Fake Investment Programs



Risk defines entrepreneurialism and as an entrepreneur, you have to be willing to take risks on a frequent basis. However, not all risks are equal.

For instance, you'll hear someone telling you to invest in Program ABCD so that you can get returns of up to 5% per day without working for it. Or Invest Ksh.10,000 and then invite 4 other people and you'll get 10% of what they earn…again without working for it…and so on.

Be watchful!

Such scams have been dominating the headlines for the last 10 years. Investors, majority of them being small business owners in Kenya, have lost millions of cash yet no one seems to be taking note and advising them accordingly.

How do you tell a phony investment venture from a viable one? Here are some tips for you to carefully consider.

1.Avoid investments that promise insanely high returns

The huge interest rates promised are not only unrealistic but also unsustainable (sometimes up to 5% per day). What happens is that, once you deposit your money with the so-called "fund manager" the scheme will collapse before you even recover a quarter of your money.

Think of it this way. If banks are currently offering loans at an interest rate of 20% per annum why would someone borrow your money and pay as much as 5% per day if he or she isn't up to something bad?

2. Avoid investment programs that don't operate on a clear revenue model

"We invest in online Forex market", "We are currently handling massive real estate projects"…these are just but a few of the fake claims made by architects of phony investment programs.

If you request them to produce documents for evidence, they'll usually give you fake ones. Don't buy their stories.

My advice is that you should not invest in any type of business that does not have a clear revenue model. If possible always make a point of confirming the authenticity of the documents you are presented with.

3. Don't rush to invest simply because your friends are in it (do your research)

Don't rely on someone else's research. You'll fail if you rely on hearsay. Before you rush to commit your funds to any sort of business ask yourself if it is the logical thing to do.

Does the investment idea seem long-term? Has it been tried and tested before? Who are the people behind it? In other words, take time to test the logic behind the idea.

If you smell a rat; run for the hills.

4. Get rid of the "easy money" mentality

In the quest for quick growth and development, most small business owners often fall into the temptation for quick easy money. We fancy the idea of being told that we'll become millionaires overnight.

Well, am not saying that it is not possible to become a millionaire overnight. In fact, it is possible to graduate from a small-sized business to a medium-sized one in 24 hours. But you have to work for it. It takes, hard work, sacrifice and strategy.

So shun the "lottery mentality" and roll-up your sleeves ready to sweat for your success.

5. Don't take a loan to invest in an uncertain project

You hear that there is a deal somewhere that you can invest in and get 100% returns in less than 100 days and then you rush for a personal loan so that you can take advantage of the situation. Again, this takes us back to point number, second sentence.

Quick facts about "Get rich quick investment programs"

- You'll lose your money 90% of the time
- Every cent earned in such schemes is stolen from a future investor
- It is illegal to run or recruit someone to join a phony investment program and you can be sued for the same
- Always seek expert advice and training before committing your hard earned funds to any project

Finally;

Before you invest in any investment plan out there, it is important to ask the right questions. How will my money be invested? What is the rate of return? What will happen if the investment plan fails, will I get my money back?

Always remember that if a plan promises you'll get rich quick with no risk, or doesn't tell you how your money will be invested, you should exercise caution before getting on board.

How Warren Buffett Grew His Ksh.2,000 To Ksh.6,000 Billion Through Small Business



Warren Edward Buffett is one of the most successful entrepreneurs in the world today. He is the second richest person in the USA and among the top 400 global billionaires listed by Forbes Magazine in 2016. But even with an investment valued at approximately Ksh.6,384 Billion ($67.2 Billion), Buffett was once a small business owner and all of his wealth was accumulated the hard way.

He made his first major investment when he was still in high school. He and his friend bought a used pinball machine for Ksh.2,000 ($25) and opened a small Kinyozi (barbershop) on the side. The pinball game business proved quite popular with the Kinyozi clientele, so the entrepreneur decided to re-invest his profit to buy even more gaming machines. In time, they had eight machines and several barbershops.

Eventually, Buffett sold all of his shops and used his portion of money to invest in stocks before he launched another business. By the time he was turning 26 years old, he had grown his company to a tune of Ksh.16 Million ($174,000). Undoubtedly, Warren Buffett recognized the value of reinvesting early on.

What lessons can we draw from his growth curve?

Lesson 1: Start Young You Still Have Lots of Time to Make Mistakes and Correct

Buffett started selling **Juicy Fruit** chewing gum at the age of 6 years and he used to make 2 cents profit per pack sold. Then he went on to purchase **Coca-Cola** soda's and sell for a profit of 5 cents for each soda.

By age 17 he joined his friend Donald Danly in a partnership to start a company called Wilson Coin operated machines investing Ksh.2,000 ($25) as initial capital. Eventually he sold this company and started investing in stocks by age 19.

One thing that stands out clearly about Mr. Buffet is that you're neither too young or too old to make it big in business. All you need to do is start small and keep re-investing to allow for growth.

Lesson 2: Take Risks for They Come with Rewards

Obviously, Mr. Buffett did not get to where he is today because of a few lucky investments – rather his ability to choose wisely and direct finances to the most strategic ventures contributed significantly to his financial success.

All business ventures entail risks. Can you imagine the kind of risk Buffett had to take by selling his business at the age of 19 and venturing into stock trading? Those of you who are familiar with stock trading know exactly how risky stock trading can get. You can lose all your money if you don't get your research right.

But at age 19, Buffet risked losing everything he had created from his young days. He mastered the art of stock trading and this paid him handsomely.

Lesson 3: Keep Diversifying Till You Find the Real Money Maker

The world of business changes frequently. For instance, some time back the coolest business to do was that of "Simu Ya Jamii". Many people invested in it as there were decent profits to be earned. However, today the business is no longer doing well because most customers eventually bought their own mobile phones and the needs of the market changed.

The guru himself teaches us that if you want to survive in business you have to keep evolving. In 1936 Buffet started off selling chewing gum, a few years later he was selling coca cola drinks…by age 17 he noticed that there were bigger opportunities in opening a Kinyozi and pin-ball gaming business. By the time he was 19 he saw opportunities in stock trading and knew it was time to move on.

Likewise for you, you should always be prepared to change your tact to suit changing times. Don't just start a Kinyozi and switch off your brain…keep advancing your Kinyozi idea and combine it with your newly learned experiences. This way you'll keep evolving and no amount of change will push you out of business!

Lesson 4: Re-Invest At Least 50% Of Your Profit

Most small business owners start out by pocketing whatever the business earns, considering any company profit to be their salary. However, as Warren Buffett teaches us, some form of re-investment is necessary. Re-invest based on a strategy and apply funds in line with your specific development plan.

One common re-investment is for making business improvements. Here is an example of how one businessman re-invested in his blogging business between 2012 and 2016.

2012 – Launched the blog and earned Ksh.500,000 through Google Adsense, sponsored posts and affiliated ads. Recognizing the potential of the business, he re-invested Ksh.160,000 in re-designing the blog.

2013 – The business brought him Ksh.900,000 and again he re-invested Ksh.450,000 on traffic generating tactics e.g Facebook ads, sponsoring contests and another re-design.

2014 – By this time his business had started taking off, and he earned Ksh.1,500,000. Once again, he re-invested heavily this time hiring freelance writers to beef up his blog content and developers to enhance the blog's design. He also purchased adverts to drive in more traffic and spent more money on web-hosting to accommodate a growing number of readers who came to his blog.

2015 – All of those investments began to pay dividends and so he was in a position to higher one full-time employee. The company made Ksh3.5 million and again he spent Ksh1.7 on recommendation sites such as Outbrain, Taboola and Facebook Ads.

2016 – He has projected to bring at least Ksh.5 Million and he says he will now re-invest in developing the design of the blog, more Facebook adverts and even create a new mobile app. He will also hire a full-time content editor. This way he will have enough time to specialize on growing his company rather than creating content.

Re-investment is the most important lesson we can learn from Buffett. When he invested in chewing gums he did not stop there, he went ahead and brought in some Coke products. In addition, when he opened his Kinyozi business he decided to add a unique flavor to it by bringing in a few pinball tables. And then not long after that he re-invested in stocks.

Now that is the way to do business. You keep re-investing, keep expanding, keep exploring…to adapt to changing times.

Final Word

Warren Buffet may be the richest person in the globe today but clearly, he started from very humble beginnings while still young. Today, you have an opportunity to follow his example. By starting and growing your business gradually, you have a prime opportunity to diversity your portfolio and reach for the stars.

How to Make Money Work for You

You worked hard to reach financial independence and have some money in your savings and own a bit of property. You are financially safe. But to experience real financial security, you need to have your money begin to work for you.

Some judicious financial decisions can make you a lot better off in the future than you are today. Here are some ways in which you can make your money work for you and make the most of every buck you earned.

Take Control of your Money

You cannot make your money work for you unless you have complete control over it. Which means that you are aware of what you do with each pay packet you receive. First make a budget and be very firm in sticking to it.

Putting away as much as you can for the future should be your main objective. Once you have a tidy amount saved up, you can start thinking of putting it to work and earn more money.

Open a Savings Account that Yields High Interest

This is the easiest form of **passive investment** and all it requires is to save your money at a bank. An average savings account will 1% of interest or less, but if you do bit of research, you can find higher yielding accounts, which are mostly offered by smaller banks.

There are some criteria and rules to be followed for such accounts like depositing a large amount at first, or putting in a small amount every month, but these accounts will help bring in those extra bucks without you having to work for it.

Invest wisely in various money generating streams and options

These types of investments usually comprise of real estate, partnerships in businesses, or other types of unique investment that continues earning for a long time into the future. Once you have a handful of these investments working for you, bringing in money while you don't lift a finger, it may seem too good to be true.

If you're considering making such investments, just make sure you choose one that is appropriate for your lifestyle and can be something that you can personally handle and get behind. **Mutual Funds, Bonds, Stocks** are other ways to make your money work for you, but some financial advise and knowledge is required to invest in them.

Let out any property- Goods or Land for Rent

Perhaps you have a car you rarely use, or a small piece of land you rarely visit, or maybe some power tools, usable furniture, it could be anything. If you possess it and it is in good order, there may be many people who are willing to pay rent to use it.

You could let out these and get a reasonable amount by way of rent. It will add slowly and steadily to your income and you don't need to do much except some maintenance.

Buy Assets not Liabilities

One way to put your money to good use and make it work for you is to follow the practice of the wealthy and wise. They are rich because they know where to get good value for their money. They know the difference between assets and liabilities and they purchase assets which will bring them good returns.

An asset is that which puts money into your pocket while a liability is that which takes money out of your pocket.

Don’t exceed Your Budget

Nothing will help you reach your financial goals faster than the practice of frugality or living within your budget and means. Fast cars, latest gadgets, expensive clothes are not going to help you in the long run.

It is better to buy only what you need and pay by cash rather than build up credit. **Banish debt out of your life** and you find that you have enough money to live a comfortable life as well as make provision for the future.

Final Word

Making money work for you can help you reduce the burden on your shoulders and leave you to focus on the most important aspects of your business.

Your investment guide for 2017

A Cytonn Investment report last year showed that real estate had contributed nine per cent to Kenya’s economy, posting the greatest growth compared to seasoned contributors like the financial and agricultural sectors.

According to the Kenya National Bureau of Statistics, over the last five years, the the real estate sector has consistently outperformed other asset classes, giving a return of between 25 per cent and 30 per cent. Residential properties generated an average rental yield of five per cent while commercial ones had an average yield of over nine per cent.

Despite this positive outlook, things were not so rosy for investors, including developers. If you plan to invest in real estate this year, here are a few tips that will help you avoid burning your fingers:

1. Invest in land, slow down on commercial office space

If you are planning to invest in real estate this year, buy land. According to the Hass Property Index, most landowners around Nairobi have been reaping big. Land prices in satellite towns rose by seven per cent in the third quarter of 2016 and 21.4 per cent over the year, the highest growth rate since 2014. The rates are expected to surge in coming years.

Commercial office space, on the other hand, experienced the least absorption, mainly because some multi-nationals have been downsizing.

In 2016, land sellers smiled all the way to the bank, thanks to land prices in the 18 Nairobi suburbs increasing by 1.4 per cent in the third quarter of 2016.

"We have witnessed phenomenal increases in land values in some parts of the country and I dare say this trend will continue. But it is not guaranteed to happen everywhere - and it is not easy to predict where it will happen next," says Ben Woodhams, the managing director of Knight Frank.

Woodhams, however, says that in some cases, it can take years before land appreciates.

2. Do not ignore regulatory requirements

Real estate developers have often complained of stringent and lengthy approval processes. However, failure by some developers to follow them wasn't taken lightly by the authorities.

This year, those investing in real estate ought to follow requirements by regulators such as the National Environment Management Authority, the National Construction Authority and county governments. They should also be members of their professional associations.

"To bring a project from the initial planning stage through construction to completion, there are many obstacles that can pop up along the way. It can be worse if the investor has not

followed a proper channel," says Samson Kimathi, an engineer with Geomap Surveying and Engineering Company.

Last year, the construction of 39-storey Hazina Trading Centre tower in Nairobi's Central Business District was halted for reportedly failing to meet construction standards amid court injunctions in favour of Nema, Nairobi County Government and some tenants. The Sh.6.7 billion building belongs to the National Social Security Fund and is expected to be the tallest in Kenya once complete.

The Nairobi County authorities demanded that the developer obtain fresh environmental impact assessment report from Nema, detailing whether or not it would pose any danger to the surrounding businesses and motorists.

It is also important to register with associations such as the Kenya Property Developers Association, which may be of help in case of any development hiccup. "KPDA can help a real estate investor not to fall into the traps of rogue contractors who may lure them into taking shortcuts," says Daniel Ojijo, a former KPDA chairman and the CEO of Universal Homes.

3. Watch out for marketing hoaxes

Last year, some investors were enticed into buying homes and land whose selling points turned out to be a hoax. Marketers enticed investors with messages that emphasised how some plots and properties on sale were close to a planned road and other infrastructural amenities.

"Investors should be aware of tricks by developers since when a new property is listed, agents plan on how to attract buyers and some of them use hype to market their products," says James Otiende of Nairobi Securities Exchange.

According to Otiende, investors should watch out for dubious marketing methods by closely identifying unique selling points and key messages to avoid falling into such traps.

“Real estate agents will also display “For Sale” signs with good-looking photographs and if you aren’t careful, you might be the next victim of hoax marketing in 2017,” says Otiende.

4. Invest in skilled labour

According to a NCA report released last year, only 30.3 per cent of construction workers in Kenya are skilled whereas 67.6 per cent are semi-skilled.

Majority of construction workers lack the relevant competencies. Some developers engaged unskilled labour force, leading to buildings collapsing around the country.

“Our buildings are collapsing as a result of poor quality of concrete, lack of proper foundation, use of substandard building stones and flouting of approval procedures,” says Mucai Kunyiha, KPDA chairman.

The construction industry is in dire need of skilled workers at a time reports show that employment in the sector grew by 11.4 per cent to stand at 148,000 up from 132,900.

5. Focus on devolved urban centres

Reports by Knight Frank analysing Kenya’s property market in the last quarter of 2016 indicated that owing to oversupply of office space in Nairobi, investors in commercial properties are focusing invest on secondary towns.

“The greatest challenge has been increase in supply of office space and scaling down of the office space especially in Nairobi. Thus investors should turn to secondary towns for new opportunities in the property industry,” says Woodhams of Knight Frank. Last year also saw an oversupply in retail space.

6. Invest in low-cost housing

According to Sakina Hassanali of HassConsult, developers have been investing more in high-end housing because of high returns.

Only a few developers are investing in low-cost housing where demand is greatest.

“Developers should shun the fear of high risks associated with low-cost house developments. Currently, they can take advantage of low interest rates and also use easy and accessible capital mobilisation strategies such as Reits (Real Estate Investment Trusts) to facilitate developments,” says Woodhams.

Kenya has enjoyed improved political stability, creating a suitable environment for local and foreign direct investment, making it possible for people to invest in risky segments in the real estate sector such as the low-cost housing.

7. Be on the right side of the law

Last year, some investors got involved in legal battles with government agencies after their developments were earmarked for demolition for standing on road reserves or wetlands.

Others were also involved in compensation tussles with the government after their parcels of land were acquired for infrastructure development.

“Due diligence when buying land or a house is necessary to avoid standing in the way of infrastructural development,” advises Kimathi of Geomap.

Conclusion



Want to be wealthy? Investment tips

Once we come of age, and start going to school, our parents or guardians will insist on working hard so that we can go to the best secondary schools; get good grades that will enable us to do great courses that are well paying so that we can become rich.

From that early age, we are taught to do our best to become rich but we are not taught how to do it. Unfortunately, not everyone gets good grades and not even everyone who gets good grades goes on to become rich and not everyone who become rich goes on to become wealthy. Likewise, some of those who got poor grades go on to become rich and wealthy.

Contrary to popular belief, being rich is not the same as being wealthy. Rich people have a lot of money or make a lot of money but they work for the money. Which means if they stopped working, it would take them a few months to be broke or they may need to adjust their lifestyles. Wealthy people have money working for them. If they stopped working today, they do not have to worry about being broke in the near future.

Someone who earns Kshs.500,000 will most likely be rich. If his expenditure is say, Kshs.475,000 or even closer to the amount he earns, it will take very long for him to be wealthy. On the other hand, someone who has assets worth Kshs.1,000,000 and his expenditure every month is Kshs.10,000 can be considered as wealth since it will take about 100 months (8 years) for him to use all the assets he has if he never works. In short, being wealthy has more to do with the assets one has amassed than his expenses.

How can one become wealthy? Apparently, it is not so hard. It just requires a bit of discipline. You can even start working towards being wealthy in college or University. Recently I learnt of a simple way of becoming wealthy that I wished I had learnt 10 years ago. The simple way is that of any income one gets, take out 30% and use it as follows:

- • 10% of total income as savings which you are never to touch;
- • 10% of total income as investments; and
- • 10% of total income to give away to charity

Ideally, the savings are not for a rainy day, but for a stormy hurricane day when if the funds are not accessed, then lives can be lost. Consequently, they should be easily accessible but not too easily accessible. Those with discipline can put them in savings bank accounts. Different banks have different savings accounts products whereby the number of times one can withdraw the money is limited over a certain period of time.

The rationale in giving to charity is simple. Giving back to the society makes one feel good about themselves. Moreover, wealthy people such as Bill Gates and Warren Buffet give away billions of dollars to charity and they are still wealthy. Christians can use this portion to tithe while Muslims can use it as Zakat.



Don’t keep all your eggs in one basket.

Ways in which One Can Invest

The final 10% is what one would call their play money. It is the money you can play with and take a risk with. The type of investment you undertake depends on the risk appetite one has. The more the risk, the more the expected return. However, risky investments also mean that one can also easily lose out on any return. Here are a few avenues one can invest their money:

1. SACCOs

Savings and Credit Cooperatives are a good way of saving money. One deposits money, which the SACCO invests and gives the members returns. SACCOs also give their members loans at lower interest rates than banks. SACCOs will invest in the traditional investment vehicles such as bonds, stocks and property. The interest earned when they are giving out loans will also form part of the returns to members. The returns will vary with different SACCOs and will depend on the performance of the market or where the SACCO has invested. Over a long period of time, one can be guaranteed a return of about 7% per annum.

2. Unit Trusts

Unit trusts are issued by insurance companies (such as Old Mutual) and investment banks (such as Dyer and Blair). These institutions will take your money and invest it on your behalf. Returns are modest as these institutions still have to pay the investment managers and meet overhead costs.

The returns also depend on the risk appetite one has. Those who are risk averse will probably go with unit trusts invested in money markets (which invest in bills and deposits) or unit trusts invested in bonds. The aggressive investors can invest in unit trusts that invest mainly in stocks and offshore but the returns are bound to fluctuate depending on the performance of the stock exchange and more so, the composition of the stocks in the portfolio of the fund. There is also a balanced fund that comprises of bonds and stocks to minimise risk (for those who are aggressive) and increase returns (for those who are conservative).

3. T-Bills

Investing in Treasury Bills is also another conservative way of investing. Treasury Bills are issued by the Government over a time of less than a year. The three types are 91-day, 182-day and 364-day. On these kinds of investments, the return is about 8% per year, and the good thing with it is that the return is guaranteed.

Institutions sometimes issue commercial papers which work in the same way as T-Bills but have a slightly higher coupon (interest) rates, but the minimum amount could be anything from Kshs.100,000.

4. Bonds

Governments and Companies raise money by issuing bonds. Basically, they borrow money from the public and pay back at a later time (maturity date). In the meantime, the issuer of the bond will pay the people who have loaned them the money some interest either annually or semi-annually. There are different types of bonds, from 2-year bonds (whose maturity date is two years after issue), 5-year, 10-year upto 30-year bonds.

From bonds, one can get around 12% per annum, and just like bills, the return is almost guaranteed. Generally, Corporate bonds give higher returns than Treasury bonds (bonds given by the Government) though the latter is less risky. The disadvantage is that the minimum amount needed to invest is normally at least Kshs.50,000 for T-Bonds and Kshs.100,000 for Corporate Bonds.

The Finance Cabinet Secretary mentioned that there are plans to reduce the minimum amount required to invest in T-Bills and T-Bond to something like Kshs.3,000. This has enabled more people to invest in bills and bonds.

5. Property

Land is one of the assets that appreciate in value at a faster rate than the overall inflation rate. Over a three-year period, the returns will seem modest but over a decade, the returns will blow your mind. There are areas where land has appreciated more than five folds over the last decade.

Whether it is buying land and developing it, or keeping it for speculation purposes and later selling it or sub-dividing it into smaller portions to sell later (land banking), land will most often than not, give you a decent return.

The disadvantage is that due diligence is needed to ensure you are not conned and that one is buying at a prime area (or an area that can become prime). Moreover, land requires a lot of capital. If you plan to develop, then you will need even more money to develop. If you are buying for speculation purposes, then you have to keep it for about three years for you to make good profit.

6. Stocks

Stocks are traded at the Nairobi Securities Exchange. When companies want to raise capital, sometimes they will invite people to own part of the company by selling that part in form of stocks and listing at a stock exchange such as the NSE. Whenever the company makes profits, the shareholders will be paid dividends.

One can buy, using a stockbroker any number of shares as long as they are available and in multiples of 100.

Over a long time, stocks are one of the best investment vehicles if someone picks the right stock. Over the last decade, the share price of stocks such as Jubilee Insurance, Diamond Trust Bank and Kakuzi has grown more than five folds, and this is not factoring dividends received.

On average, stocks will give a return of over 20% per annum. However, picking a bad stock can be disastrous as anyone who bought Kenya Airways, Mumias Sugar or KenolKobil can attest.

Conclusion

There are other investment vehicles available such as putting money in a retirement benefits/pension scheme or investing in the soon to be formed derivative market. The investment vehicles all have pros and cons, and it is upto someone to gauge which vehicles are suitable for him based on their risk appetite. The recommendation is a diversified portfolio that includes several investment vehicles.

I wish you success in your quest to become a profitable investor.

Thanks for taking your time to read this guide. Am still writing more and more business guides that will nourish you in your business endeavors. Always keep in touch with me on whatsapp **0798460333** to get more of my business ebooks.

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