



Diversify your savings/investments..... but where?

About the Writer

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Foreword by D. E Wasake, Principal of Inachee

One of the key ways we support business is through our [“best sectors for investment”](#) which helps the investor in indentifying the various returns of different investment options.

In that list, we think the best sector is Forestry.

Julius in this article shares his views on the various savings/investment options including oft ignored options like the NSSF schemes. Enjoy the reading.

Introduction

Investing for the future is akin to a bird laying many eggs. Most of us aspire to start up businesses of our own, save and live a good life. However, few of us really know where, how, when and why we need to invest. And as we age, we start thinking of saving. I will share with you some of the ways of saving, wealth building, and expecting future income flow.

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Bank accounts

Open a bank account to start saving as soon as you enter formal employment, but even without formal employment one can do it. There are many types of bank accounts one can start with; like savings, current, fixed deposit account among others.

But remember savings in the bank are not “safe” because interest is paid annually and small yet Banks keep “chopping” your balances through withdraw charges, account management fees,

income statement charges et al, so think twice before you subscribe; or scout for a better option (such as a fixed deposit or savings account rather than a current account).

Per Bank of Uganda (BOU) statistics, the August 2014 fixed deposit rate was 9.61% - not bad!

NSSF options

There's social security and retirement benefits schemes (pensions). In Uganda National Social Security Fund (NSSF) handles this. As long as your employer has more than 5 employees, join the Fund. Civil servants are pensionable, they don't join NSSF. But it takes several decades to access the savings! NSSF savings are always safe, offer high future returns due to high interest rates; plus the fund invests in shares.

"One can save with NSSF and have insurance cover concurrently. This cover is advantageous especially for one's family and relatives."

But other players will emerge due to liberalization; competition via interest rates will manifest. Unfortunately at times there are low interest rates, loss in value due to inflation or being mismanaged; or if the Fund invests the savings in highly risky ventures.

There is also insurance cover, insurance policy/subscribing to an insurance scheme. One can save with NSSF and have insurance cover concurrently. This cover is advantageous especially for one's family and relatives.

In case of death, claims can be made and proceeds can be a starting point for future investment, in assets or starting a business. Some insurance companies have investment advisors to help them invest those insurance claims e.g. UAP.

Stocks/shares/bonds

Stocks/shares and securities like treasury bills/government bonds are preferred too. Shares are held by an individual usually in blue-chip companies. One can have as many shares in many companies as one wish. They are transferable any time, say to a family member, a creditor et al; through shareholding certificates.

They earn dividends each year when profits are made.

Government issues TBs on short-term usually 91 days, carry a rate of interest and given after maturity period. Unlike bonds, which don't offer an option of paying interest; instead their maturity value will be higher than the invested value depending on the prevailing rate of return.

They are among fixed-income investments and not so much utilized by the Ugandan public. Stocks and shares have very high price fluctuation tendencies, making it hard for one to resell/get back one's invested on short notice.

Per Bank of Uganda (BOU) statistics, the August 2014 interest rates for the various securities was:

- T/Bills (91 days): 11.4% (July: 11.4%)
- T/Bonds (2 years): 13.7% (July: 13.7%)

This is even better than for fixed deposit rates!

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Real estate/property/Vehicles & Machinery

Investment in real estate, fixed assets like land, structures/buildings et al is viable too; they increase in value over time.

Vehicles and machinery are assets too but depreciate in value thereby having a lower resale value than their cost price; unless they have been adding value to your investment.

However they can be hit by floods, fire et al. Such risks lessen the value of the assets over time. Depreciation is another disadvantage though some assets can be revalued or still maintained (like painting housing structures) and or to maintain their resale value.

Therefore, for your long-term investment goals, at least have three options. The aim of having multiple long-term investment options is to ensure continuous flow/a stream of income in future and be able to diversify your portfolio can help you to create more wealth for the future while countering the risks of putting all your eggs in one basket.

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About Inachee

With a combined experience of over 30 years, the Inachee team is passionate about helping Ugandan businesses to succeed. Find out more below about our ethical thought leadership work by visiting the website.

www.inachee.com