📘 PesaPlan Learning Hub – Investing Guide

Introduction to Investing

Investing is the process of putting money into assets with the expectation of earning a profit or generating income over time. Unlike saving, which focuses on preserving money in safe and liquid accounts, investing is about **growth**.

- **Why it matters:** Investing helps your money outpace inflation. If you keep cash in a box or a low-interest account, inflation reduces its purchasing power. But through investing, your money can grow faster than inflation.
- **Risk vs. Return:** Every investment has risk. Higher potential returns usually come with higher risks (e.g., stocks), while lower risks typically mean lower returns (e.g., government bonds).

Types of Investments (Kenyan context)

1. **SACCOs (Savings and Credit Cooperatives)**
   - Members pool resources and receive dividends (average 8–15% per year).
   - Example: A teacher in Mwalimu Sacco can grow savings while borrowing at reduced interest rates.
   - Good for: Long-term savers who also want affordable loans.
2. **Nairobi Securities Exchange (NSE)**
   - You can buy shares in companies like Safaricom or Equity Bank.
   - Historically, NSE stocks average 10–15% returns annually, though volatility is high.
   - Example: Safaricom's stock appreciated over 300% between 2010–2020.
3. **Pension Funds**
   - Designed for retirement savings, with tax advantages.
   - Example: NSSF Tier II or private pension plans like Britam.
4. **Money Market Funds (MMFs)**
   - Pooled investment in treasury bills, bonds, etc.
   - Offer ~8–12% annual returns, with easy withdrawal.
   - Example: Cytonn MMF, CIC MMF.
5. **Real Estate**
   - Property can appreciate, and rentals provide passive income.
   - Downsides: High capital required, risk of vacancy.

Step-by-Step Guide: Getting Started

1. **Set SMART goals**: Save for retirement, school fees, or a house.
2. **Assess your risk profile**: Young people can take higher risks, older savers may prefer stability.
3. **Choose your investment vehicle**:
   - Low risk: MMFs.
   - Medium risk: SACCOs, bonds.
   - Higher risk: NSE equities.
4. **Open accounts**:
   - SACCO membership.
   - CDSC account for NSE trading.
5. **Start small**: Invest Ksh 500–1000 in MMFs or NSE to learn practically.
6. **Track performance**: Use apps like NSE MyStocks or CMA bulletins.

Best Practices

- Diversify: Spread across SACCO, NSE, and MMF.
- Avoid herd mentality: Don't buy shares because "everyone is buying."
- Stay consistent: Investing monthly beats lump sums.
- Review annually: Rebalance your portfolio to match goals.