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Key lessons from the Kampala Investment Group Seminar

On March 12, 2011, Akamai Global with the support of Competitiveness Investment Climate Strategy (CICS) Secretariat at the Ministry of Finance Planning and Economic Development hosted over 250 participants to the Kampala Investment Groups Seminar.

The participants were drawn from various groups including Investment Groups, Saving and Credit Cooperative Organisations, Merry Go Rounds and business leaders.

From his opening challenge to the audience to stop living at work and embrace the concept of investment groups to enable them start working at living, Tony Wainaina, the facilitator for the seminar did not disappoint. Tony is the former CEO of TransCentury Ltd, a firm that started off as an investment group and is now in the process of listing a private equity fund.

He expounded on eight factors that every successful investment group ought to adhere to.

Start with a mindset shift

A successful investment group must ensure a mindset shift by its members and leadership from short term get rich quick objectives to long term wealth

creation objectives; the shift from merry go rounds and investment clubs to investment holding companies; the shift from thinking foreign direct investments to local direct investments.

Have a strategic plan

The successful investment group will have a documented purpose and vision. Members can clearly know what kind of money the investment group will contribute to their retirement for example. The strategic plan will also set out how the group intends to achieve its vision and distribute responsibilities among members.

Separate ownership from management

It is inefficient and ineffective for all members of the investment group to agree on every operational detail. Successful investment groups appoint a board comprised of 5 to 7 members and the board is given the responsibility of driving the group forward.

Professionalise management and execution of investments

It has to be recognised that members of investment groups have full time jobs and do not have the time to effectively

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manage the group and execute investment opportunities. Hiring a dedicated management person or team is the right way for the group to go. This is in recognition of the fact that no successful business has ever been built using part time management.

The money commitment

Members of the investment group must save money regularly as required; additionally the members should only save what they cannot afford to lose.

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Distinguish between business and friendship

Often times investment groups arise out of social groupings such as work mates or friends attending the same church. It is vital however to make a distinction between the two activities by setting aside separate times for doing business and socialising.

Formalise or legalise the relationship

The relationship in the investment group should be formalised and legalised. This will be done by drawing up and executing a shareholders agreement which spells out the rights and responsibilities of shareholders; appointing an

external auditor; appointing a company secretary; submitting annual returns and issuing share certificates to members.

Strong leadership

The last but not least success factor for investment groups is strong leadership. The group needs strong leadership to ensure that the success factors enumerated above are made part and parcel of the way the group conducts its business. *AM*

Editors Note. Recordings of Tony Wainaina's presentation are available in CD and DVD format at Akamai Global

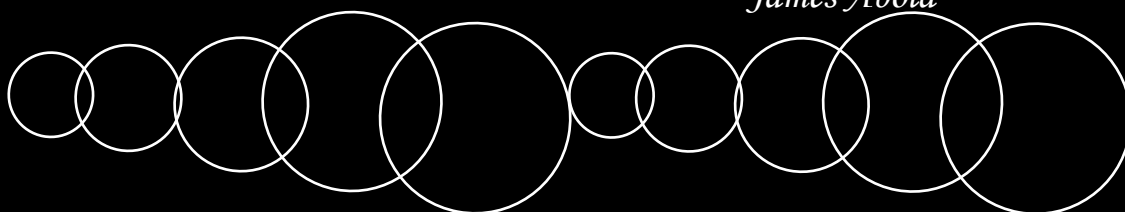
Editor's Note— Be wise, be hopeful

There is a lot of gloom around, courtesy of the roaring inflation that hit 11% during the period February to March 2011. The cost of living is going up as households lose purchasing power. A litre of petrol is costing Shs 500 more now than what it cost at the beginning of the year. The cost of food and other things such as transport has gone up too.

A story is told that one day mother bed bug and her children were resting in a mattress when they were suddenly hit by scalding hot water. A young bed bug was so scared by the water attack and cried out to mother bed bug who gave it this assurance, "every hot thing will eventually become cold." We can also take heart that the inflationary pressure will eventually ease of.

Economic challenges are like cold winds blowing into a room. An Arab proverb provides useful wisdom, "Close the door from which the wind blows and relax." Let us take encouragement from the current economically difficult times and acquire attitudes and habits that will lead to future financial success. Attainment of financial literacy is an effective way of closing the door through which the wind of financial challenges blows. We need to acquire knowledge about financial systems and services on the one hand and then go on to apply that knowledge to earn better income, save part of the earnings and invest effectively.

Just like the resurrection of Jesus gives hope of a better future to the christian, let us be hopeful as we look forward to the Uganda of tomorrow and begin to live out that hope by investing even if it is in a vegetable garden for starters.

*James Abola*

Teens and Money: By Akamai Team

Have you ever wondered about the experiences and challenges that teenagers go through with regard to money? Every December and April holiday, Akamai Global holds financial literacy classes for teenagers in a programme dubbed 'Money Head Start'.

In this article we highlight the testimonies of three teenagers regarding their first experience with money. We bring you excerpts of the discussion to help you appreciate what both the parents and teenagers need to be aware of as far as teen money management is concerned.

Some readers may find some of the stories disturbing while others are definitely uplifting. Our aim is to let you know the real life money issues that teenagers are wrestling with. The names used in this article are not real.

Jim

My story is about my first effort to earn money and how I spent the income. The first time my parents allowed me to go alone into a shop is still etched in my memory.

The experience of being left alone to decide what to buy or not buy was a big deal for me. Most of my early purchases rotated around games and entertainment.

As my interest in movies and games grew, so did my desire to earn money. I started selling my lunch boxes and drinks to other students; I earned between Shs 7,000 and Shs 15,000 from the sales. I noticed that I was not the only person selling items; other students were busy selling sodas, games, movies and sometimes music video downloads; they do all that behind the teachers backs since all these items are forbidden in the school rules.

In a bid to earn more money, I sometimes allowed other students to copy parts of my homework at a fee of Shs 5,000; during brisk periods I earned up to Shs 40,000 a week.

Gabriel

Since the time I was in lower primary (P1 to P4), my parents gave money to appreciate my academic performance. In addition to money I got other gifts such as video games and new movies. Overtime I got a piggy bank in which I would save the money but with no clear goal



Teens playing an educational game in an earlier Money Headstart class

for the money I would later open the piggy bank and spend my savings on things like sweets and chewing gum.

When I attained my twelfth birthday, my parents surprised me with the gift of a kids bank account with an initial balance of Shs 50,000. I had also saved Shs 50,000 in my piggy bank which I deposited in the bank account as well. I am happy to say that in a little while my bank balance has grown to Shs 200,000.

When I grow up and become a successful civil engineer I will invest the money I have saved into businesses such as farming, rental houses and an educational institution.

Jean

One of my early money memories was a time when my mother gave me Shs 5,000 and advised that I use it wisely.

I arrived at school at 7:30 am and had a 10 minute break before going to class; I headed straight to the school canteen from where I bought several chocolate bars worth Shs 2,000.

The chocolate had a layer of butter and salt which gave it a very delicious taste. I also bought packs of juice in flavours of apple, black berry and mango at a total cost of Shs 3,000.

After eating the chocolate and taking the juice, I felt thirsty but I could not afford to raise Shs 500 to buy a bottle of water.

I believe the reason why mother enrolled me in the money management lesson at Akamai Global is so that I don't experience a repeat of the above situation. *AM*

MONEY HEADSTART for young people

"...a very rich person should leave his kids enough to do anything but not enough to do nothing." Warren Buffett

Teaching Teens & Tweens About Money

April/May 2011 Holiday Intake

To find answers to these questions:

- ❧ **Am I financially intelligent?**
- ❧ **How can I have a working savings plan?**
- ❧ **How can I attain one significant financial goal within 12 months?**
- ❧ **How can I build an investment portfolio?**

Akamai Money Head Start is a fun, informative and life transforming financial literacy activity developed by Akamai Global to teach children and youth effective principles and habits for handling money.

Money Head Start helps parents to stop worrying that their children will not know how to handle money when they grow up. The course gives Children and Youth knowledge and attitudes to transform their current and future financial situation.

Course Content

#	Topic	#	Topic
1	Introduction to Managing Money	5	Goal Setting
2	Financial Literacy Game	6	Financial Literacy Game
3	Saving & Expenses	7	Investments for Youth
4	Financial Literacy Game	8	Wrap Up Session

Days Classes will be on Tuesday and Thursday

Time 10 am to 12.30 pm

Venue Akamai Global, 2nd Floor, Amber House

Fee Shs 160,000 per person

Contact

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Akamai Global, 2nd Floor, Amber House

TIPS FOR HANDLING INFLATION: By Akamai Team

MANAGING MY MONEY COURSE

Target Group

Adults between 20 and 55 years

Course Approach

Classes meet in 2 hr sessions spaced a week apart, over a period of 8 weeks. Group or Corporate Classes can be scheduled at your location.

Session/Week 1:

Introduction to the financial planning process & concepts

Session/Week 2:

Managing Expenses & Savings

Session/Week 3:

Managing Personal Debt

Session/Week 4:

Setting Financial Goals

Session/Week 5:

Financial stuff you must know

Session/Week 6:

Investment Principles

Session/Week 7&8:

Interaction with experts and people with investment experience

Session/Week 8:

Wrap up session

Enrolment Details

Fees Shs 260,000 per person.

Book with Akamai Global

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In the last issue of Akamai News we discussed four issues that may affect money and life during 2011, namely increase in local food prices; higher inflation; increased Treasury Bill rates and the wind of change blowing through the Arab world.

True to our word, food prices grew by some 11 percent in March 2011 alone. Inflation became a common word in Uganda as price of commodities and services such as fuel, food and transport shot up. The winds of political change blowing over Libya have affected Uganda as well. The government was forced to effect changes in the top management of Libyan owned businesses such as the Lake Victoria Hotel and Tropical Bank of Uganda.

What is inflation? Inflation is the general increase in price levels. When prices go up by a few percent it is not a source of worry but when the increase goes into double digits then it raises concern.

In this article we pick up the thread of inflation and propose some tips to help households and businesses sail through these times.

During times of high inflation, practising financial ingenuity is of great importance if you are to escape the harsh realities that will surely come. Here are some tips to consider.

Diversify and increase your Income

Diversify your income to include some form of business. If you solely depend on salary you will be horrified as you watch your purchasing power decline. Think and act about diversifying your income to include business and this does not have to be big. When you get into business remember one fact: during times of inflation its not about marking your sales price using the cost price; instead set your sales price basing on the amount of money you will require to restock plus the profit you want to make.

Turn Cash into Assets

Transform cash holdings into assets, because cash loses value by the day. If you must hold cash then consider holding convertible currency such as sterling, dollar or euro. To avoid any doubt, what I mean by asset here is something that can put money into your pocket for example livestock, real estate, shares and the like. Look for assets whose value goes up with inflation to help cushion your money from getting its value eroded.

Do it yourself

Cut down expenses by doing things you can handle personally. For example if you have a plot of land on which you could grow your vegetables and other food items or even rear some chicken, go ahead and do it. For urban workers, you can improve your health and cut down your transport expenses by walking some of the time either to office or back home.

I hope you will come up with other better tips to make you swim instead of sink as you navigate this period. *AM*

BOOK REVIEW: By Phillip Karugaba

What Rich People Know & Desperately Want to Keep Secret By Brian Sher

Uganda was recently recognized as one of the countries with the highest number of entrepreneurs per capita. Let me latch onto this as a pretext to review a book not in personal finance but in business. Presumably we all aspire to run our own conglomerates.

Starting with an intriguing discussion on success as ultimately being about striving for balance in all aspects of your life, Sher recommends going into business as the best way to get rich. He derives his list of business areas from Maslow's hierarchy of needs making the point that customers give you money only as a means of getting what they want. Test this on Uganda! Who is providing food (& water), shelter, clothing, security, entertainment (including affection), prestige or adding value to people's lives?

Sher identifies 4 key aspects of your business that your competitors can never ever have and advises that by focusing on these key areas you can grow your business. These are your knowledge, your marketing, your people, and your systems. Old lessons are re-packaged and brought back to us with a new dimension. Yes we all know if at first we do not succeed try try try again. But Sher adds that we should not try again until we find out why we failed. How about his novel view of failure?

Past failure is no reflection of the future just as past success is no guarantee of continued success (share prices come to mind!)

As with Wavamunno, Schwartz and Bach, Sher also underscores the importance of dreaming big. Dreaming costs you nothing while not dreaming costs you everything. If you do not dream you cannot have a goal, if you don't have a goal you cannot take positive action to achieve your dream and you don't get anywhere. He adds a caution though about dream takers, the kind of people who when you share your dreams only pour cold water on them and kill your spirit.

Now here is a bomb! If you want to be rich and happy, don't go to school!! (Sssh! Don't show this to the kids!) Sher's point in this is that while formal education may affect your earnings in a salaried job, it doesn't affect your chances of real financial independence. He finds no correlation between levels of formal education and the ability to make money! Uganda oye?

Talk about paradigm shifting! The book comes with the author's personal money back guarantee, if it does not contribute to improving your financial prospects. Need I say more?

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E n e r g i s e r

Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time. ~ Johann Wolfgang von Goethe

Close the door from which the wind blows and relax. ~ Arabic proverb

After every darkness is light. ~ Afghanistan proverb

A certain amount of opposition is of great help to a man. Kites rise against, not with the wind. ~ John Neal

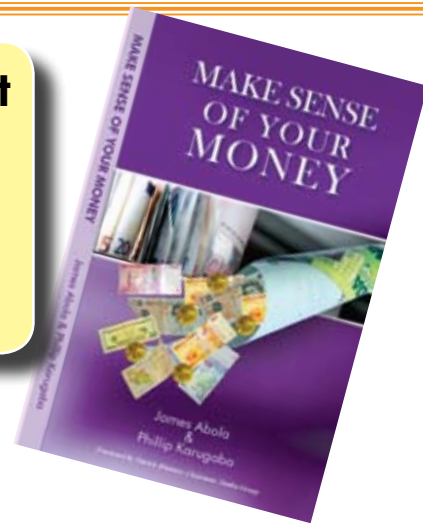
A man should never be ashamed to own he has been wrong, which is but saying, in other words, that he is wiser today than he was yesterday. ~ Alexander Pope

Adversity has the effect of eliciting talents, which in prosperous circumstances would have lain dormant ~ Horace

A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty ~ Winston Churchill

A smooth sea never made a skilled mariner. ~ English proverb

Make Sense of Your Money is a bestseller at Aristoc Booklex and available in Ugandan bookstores. Order one or bulk number of copies directly from Akamai Global



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Power of Goal Setting	Dorothy Kisaka	CD
Power of Persistence	Andrew Rugasira	CD & DVD
Seizing Opportunities	Peter Sematimba	CD & DVD
Succeeding in Crisis	Peter Sematimba	CD & DVD
Becoming a Dollar Millionaire	Patrick Bitature	CD & DVD
Stretching to the next level	Peter Kimbowa	CD & DVD
Capital, Capital, Capital	Evans Mayambala	CD & DVD
Capital, Capital, Capital	Sekaran Vellasamy	CD & DVD
Creating Wealth Thru Investment Groups	Tony Wainaina	CD & DVD

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Next intake commences on May 2, 2011.

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8 sessions involving games, research and discussions

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BUSINESS FOCUS

Merry Go Rounds and Investment Groups: By James Abola

The cooperative society whether it is a producers, marketing, saving or credit group is intended to create synergy for the members. The cooperative system has been around since the 1950s and 1960s.

Throughout many African countries a concept has been growing in the last 10 or so years, it is called the 'merry-go-round'. The merry go round is a rotating savings group. Members collect money daily, weekly or monthly and at the end of the week or month the money goes to one member. A merry go round does not charge interest to members and members use the money received from the group as they see fit. Some use the money for consumption or investment purpose.

Investment groups are another form of joint financial effort that is becoming popular in many African countries. Members of an investment group save money every month but instead of giving the collected money to a member like in the case of a merry go round, the group invests the money jointly.

Investment groups offer a number of advantages to members. Investment groups help to promote both savings and investments because the group is usually committed to regular saving and long term investing. Members who are new to investing can learn from more experienced colleagues and those lacking time to research investment options can share in research done by others. Even though members contribute little money, the bundling effect enables them to buy into big investments because of working as group.

Investment group membership comes with responsibilities. First is commitment to attend meetings and hold positions like chairman, secretary and treasurer. Perhaps the biggest challenge faced by most investment groups is the issue of values: the group is made up of members with different sets of values and it is feasible



Section of participants at March 12, 2011, Akamai Global Success Series Breakfast Event in Kampala Uganda.

that there will not be consensus on all issues. Some groups agree ahead of time on values to be followed by the group and whenever there is conflict members agree to abide the decision taken by the majority.

There are three areas that any people who are interested in forming investment groups need to handle properly.

a) The legal form of the group. In the USA most investment clubs are registered as partnerships. Other forms that groups can take are private limited liability companies and cooperative societies. When choosing a form you have to take into consideration regulatory and tax requirements for the form as well as legal protection offered by the form.

b) Accounting. Proper accounting is vital for successful performance of any investment group.

c) Investment strategy. Developing and regularly reviewing the group's investment strategy is vital for successful group investment.

d) Group policy or rules. The group should have clear rules to address issues like joining and leaving the group, payment of dividends, member contributions.

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