



“Family and Economics”

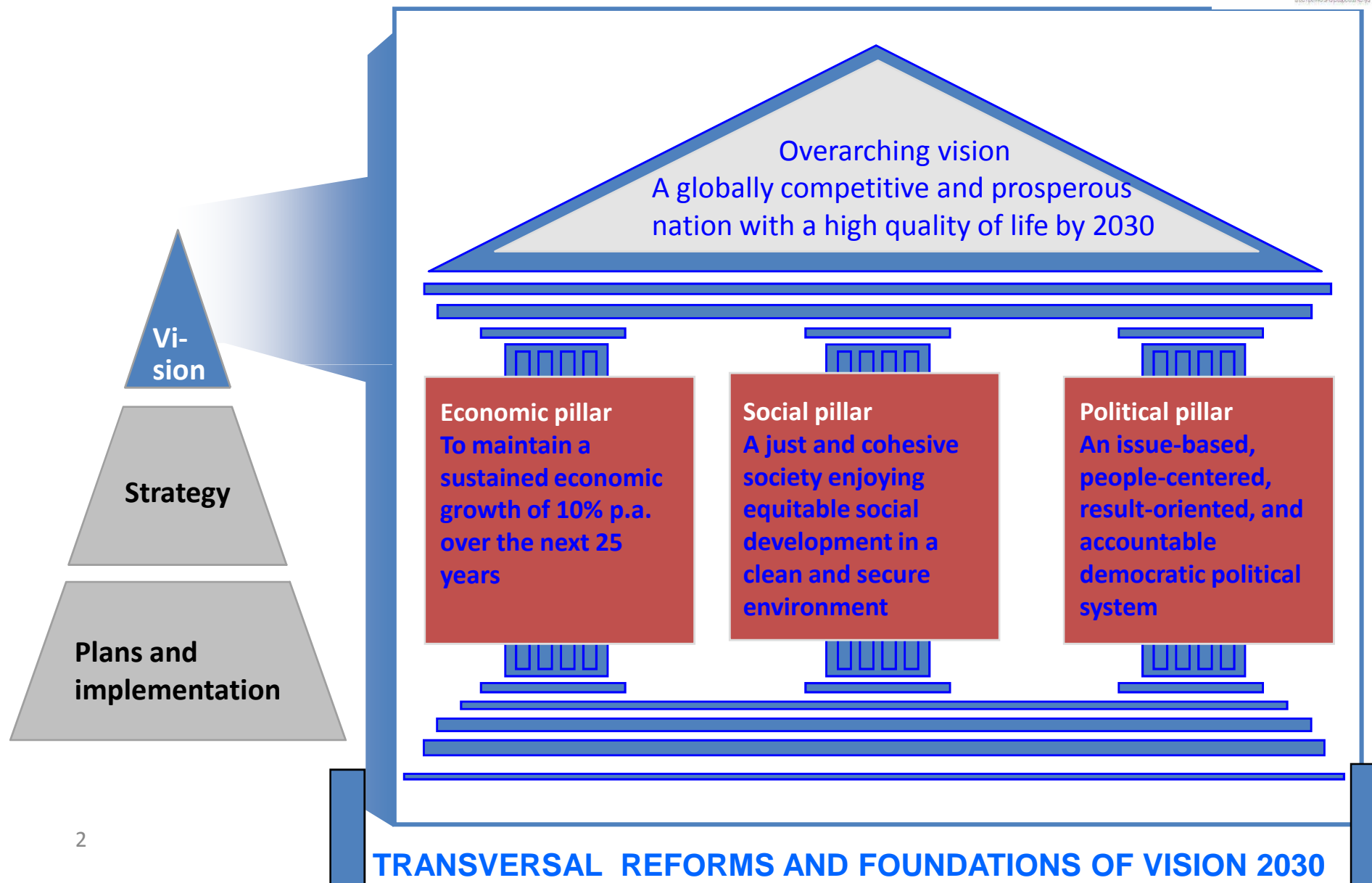
Presentation by

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The Family

- Family: all persons residing in the same dwelling and are related by blood, marriage or adoption*
- Household: a group of persons residing in the same compound, answerable to the same head and pooling and sharing resources for common provisions.
- Variations in house hold size: Kenya 5.1 Urban 4.0 Rural 5.5
- Male headed households 70% : female headed households 30%
- Life cycle considerations

*Chen and Dunn, 1996; Modigliani & Jappelli, 2003

#GoK (2003): Statistical Abstract

Economic Perspectives of Families

- Families earn *INCOME*
- Families spend money on *CONSUMPTION*
- Families pay *TAXES*
- Families *SAVE*
- Families *INVEST*
- Families *BORROW*
- Families *RECEIVE and PROVIDE SUPPORT*

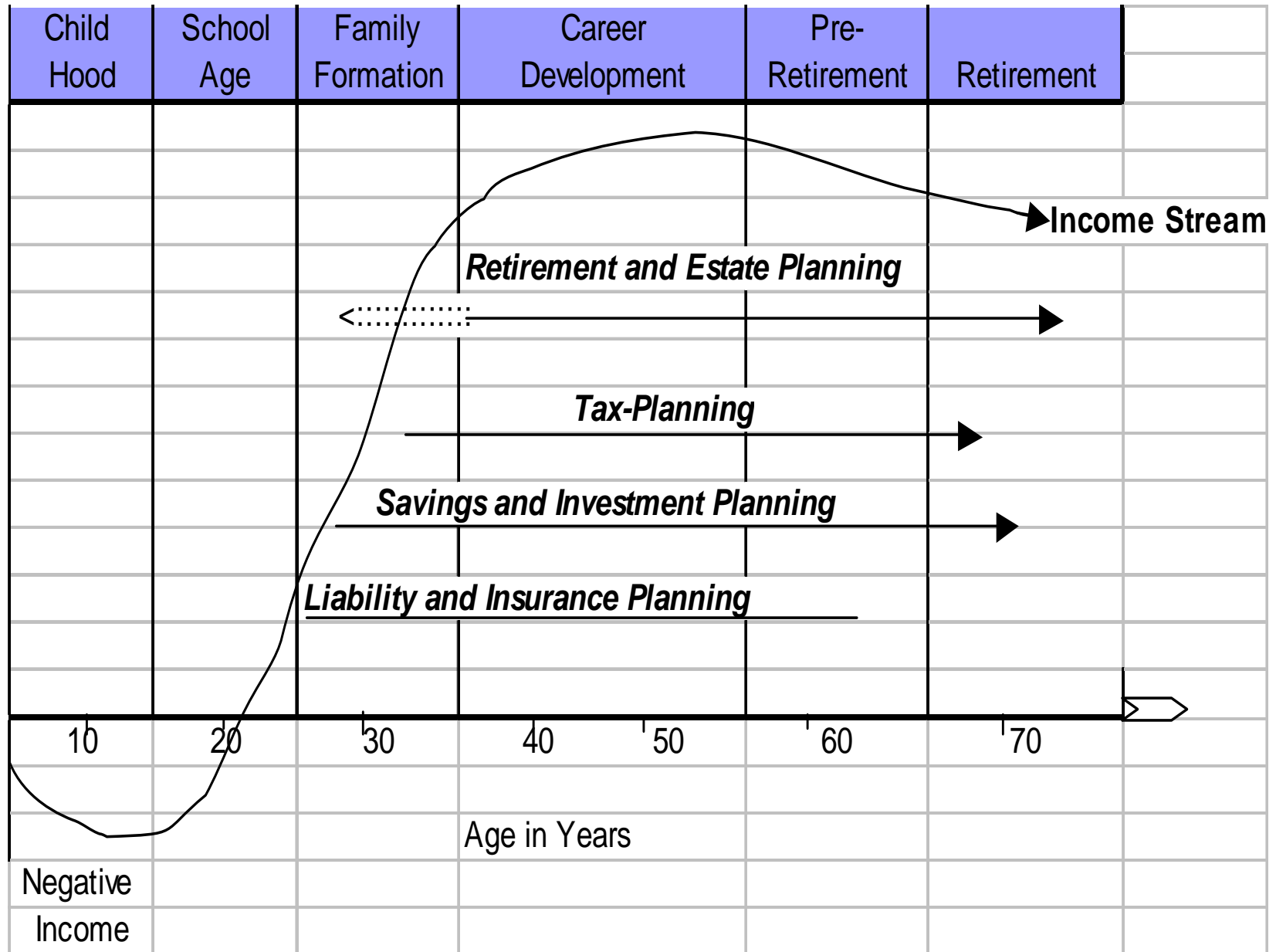
Family: LIFE STYLES

- ✓ Bachelor Stage: Household Head < 40 yrs
- ✓ Young Married: No Kids, Household Head < 40 yrs
- ✓ Young Full nest: Household Head > 40 yrs, 1 Kid
- ✓ Empty Nest Employed: Household Head > 40 yrs no Kids
- ✓ Older Empty nest: One of the Couple retired

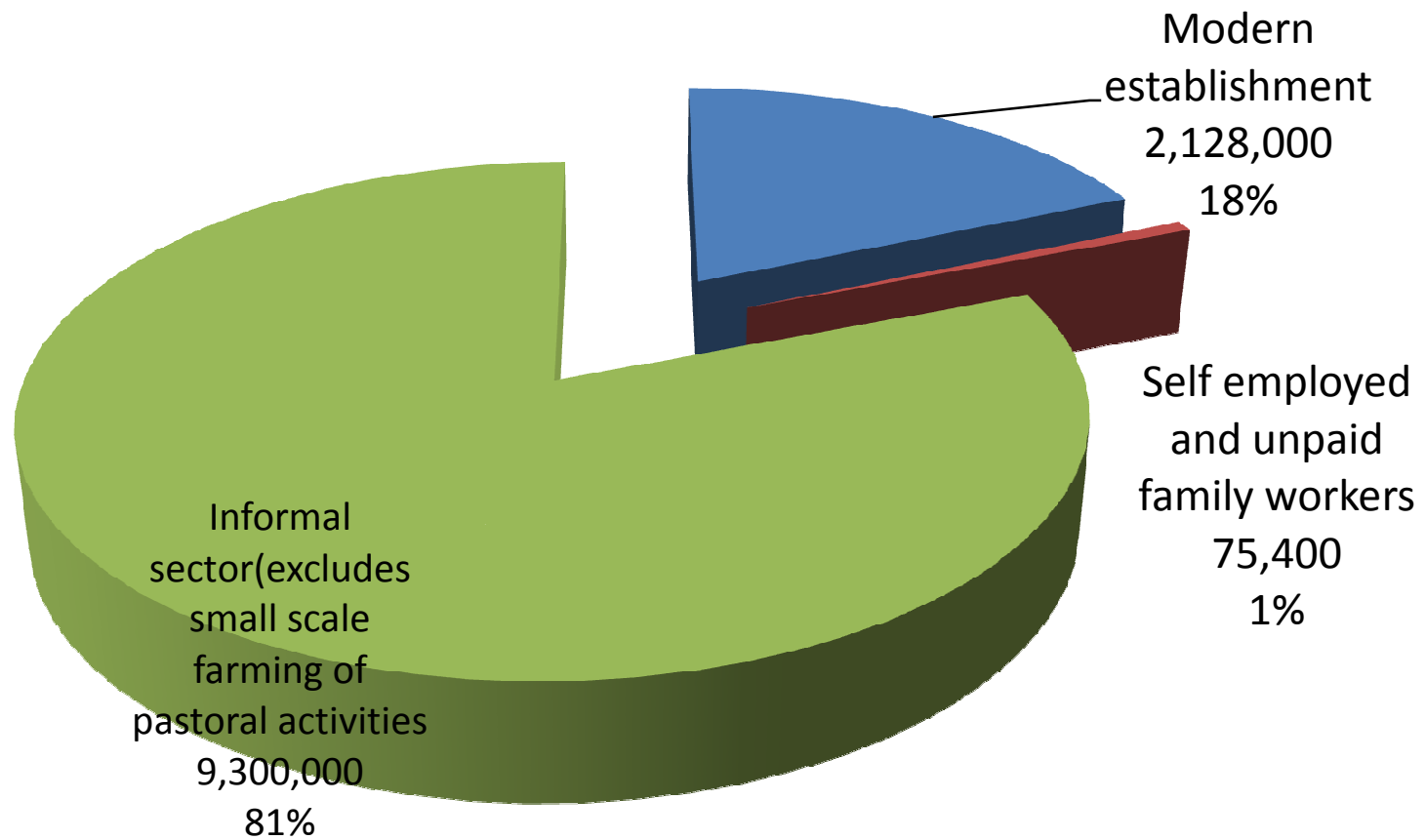
Family LIFE STYLES CONTINUED

- ✓ Young Adult: 18-25 Yrs
- ✓ Family Formation: 26- 35 Yrs
- ✓ Family Development: 26-49 Yrs
- ✓ Family Maturity: 50-60 Yrs
- ✓ Retirement Above 60 Yrs

FAMILY ECONOMICS WITHIN THE LIFE CYCLE

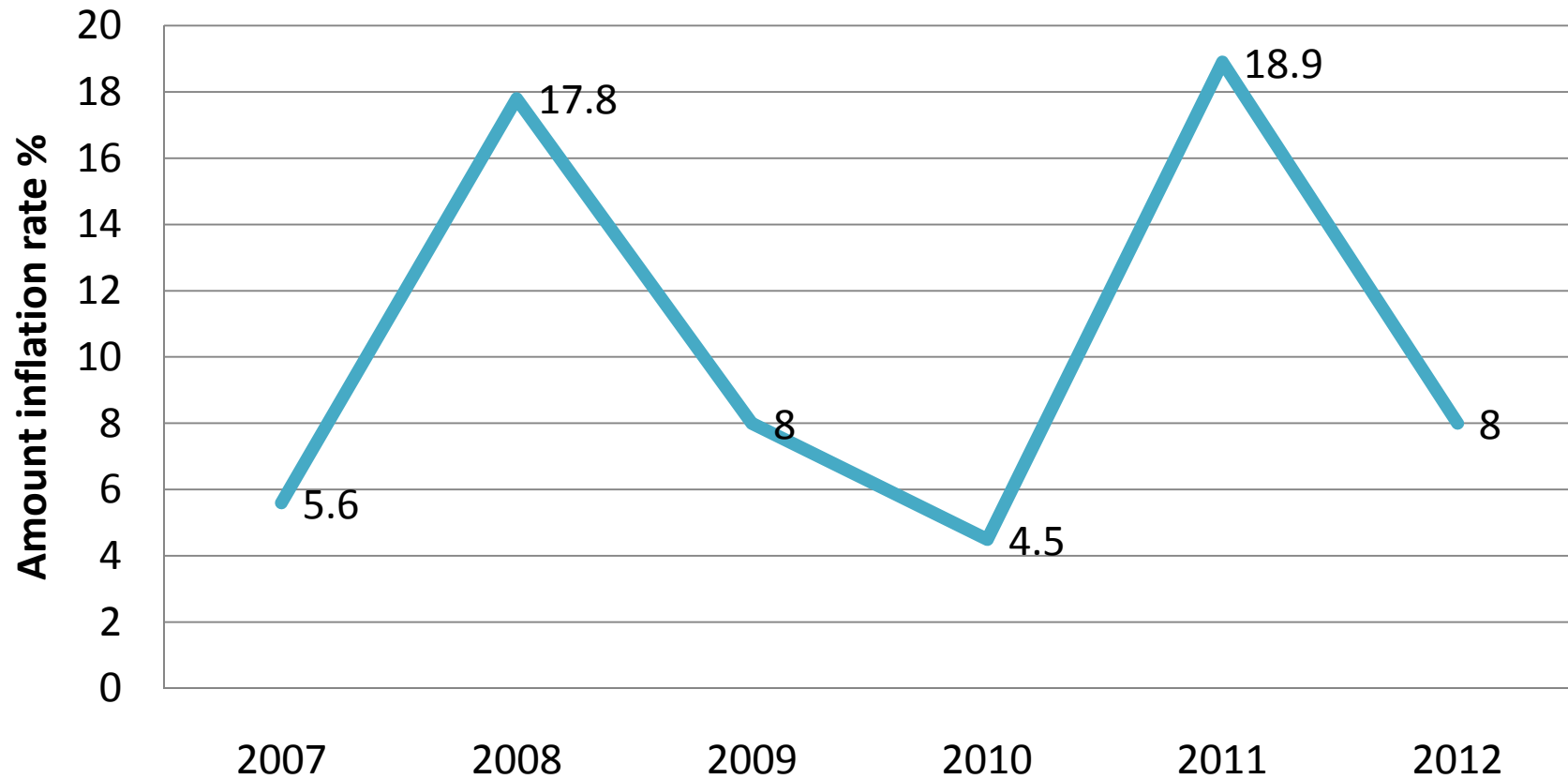


SOURCES OF INCOME FOR FAMILIES
(Recorded Employment Total 11,472,100)

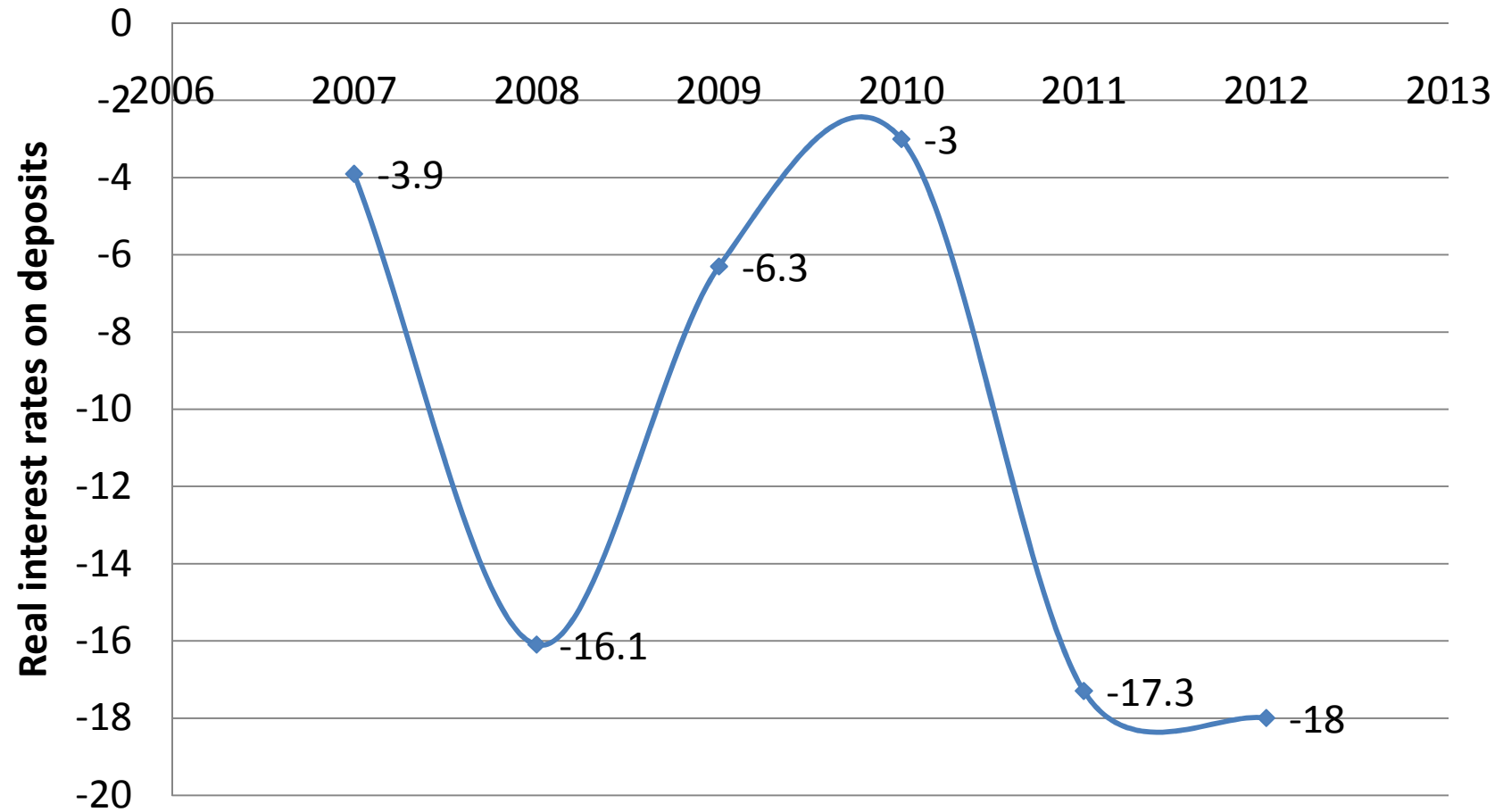


DEPRECIATION OF THE SHILLING

Annual Inflation rate in Kenya



NEGATIVE REAL INTEREST RATES



WHAT DO FAMILIES SPEND MONEY ON?

“THE INFLATION BASKET”

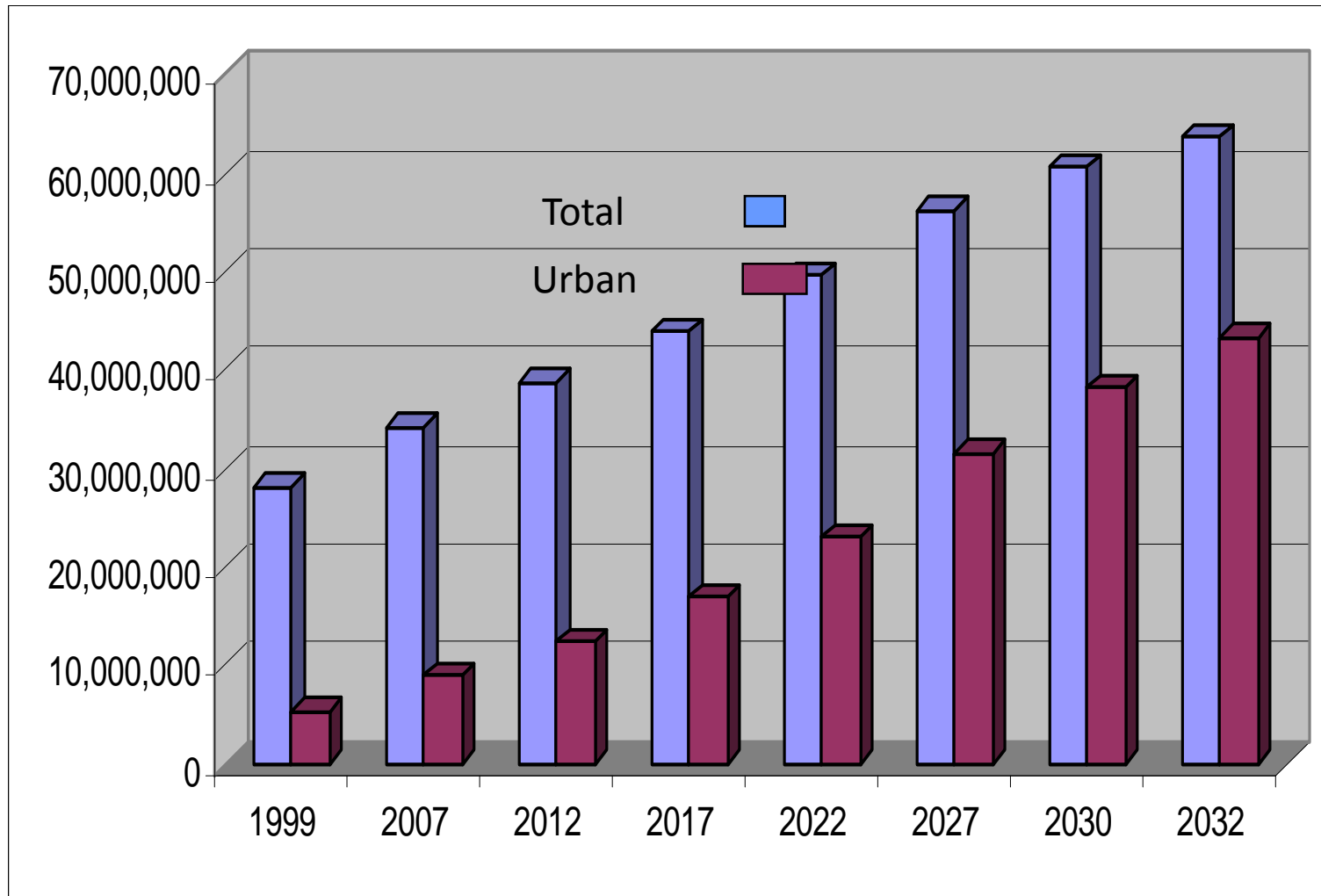
	<u>Weight</u>
Food and non alcoholic beverages	36%
Alcoholic beverages, tobacco & narcotics	2%
Clothing and footwear	7%
Housing, water, electricity, gas and fuels	18%
Furnishings, household equipment & maintenance	6%
Health	3%
Transport	9%
Communication	4%
Recreation and culture	2%
Education	3%
Restaurant and hotels	5%
Miscellaneous goods and services	<u>5%</u>
Total	<u>100%</u>

Family Wealth Creation Challenge-10%

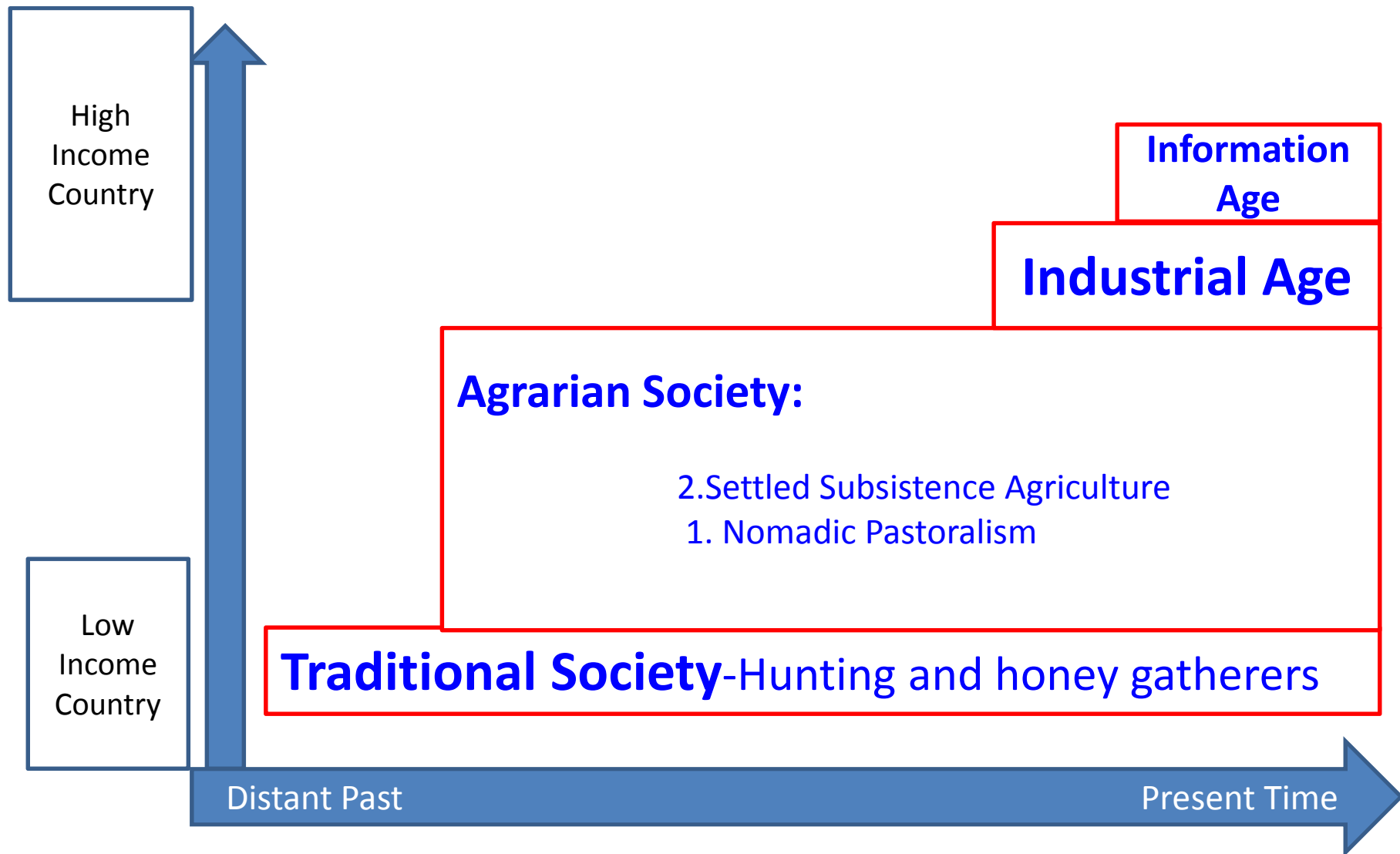
- A study in the US showed that only 10% of households invest for wealth creation!*
- Financial management is a continuum,
 - 75 % of the households practiced cash-flow management;
 - 58 % carried out credit management;
 - 50 % were additionally able to save,
 - 46 % were able to make investments for wealth creation

**Hilgert and Hogarth (2003) who examined Survey of Consumer Finances (SCF) data in USA to explore the connection between financial knowledge and household behaviour*

THE FUTURE PRESENTS SIGNIFICANT CHALLENGES: DEMOGRAPHICS AND POPULATION PROJECTIONS, 1999-2030



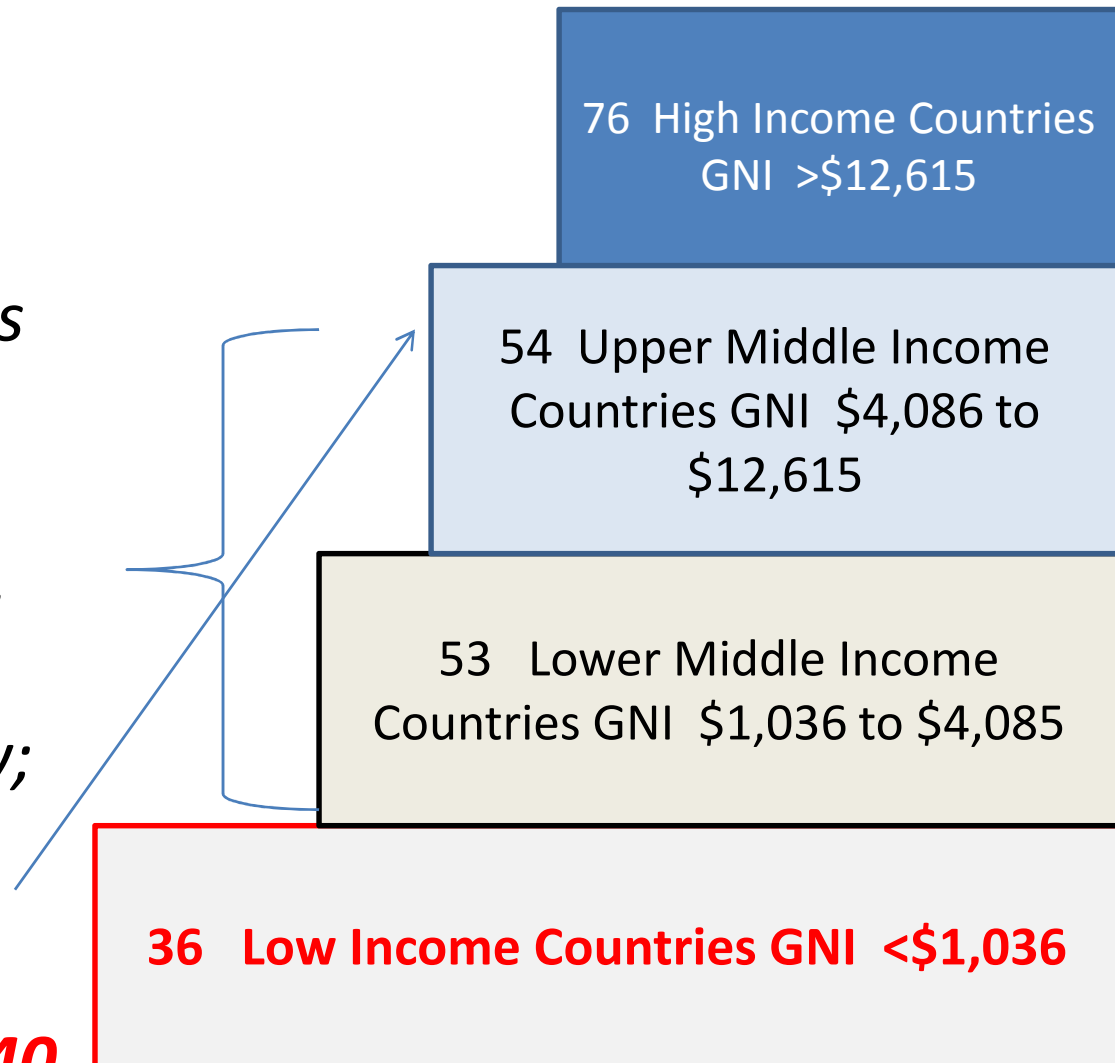
Development and Family Occupation



Vision 2030 Provides the Strategy

- Kenya aspires to be a globally competitive, prosperous country;*
- Rapidly industrialising;*
- Middle income country;*

-In 2012 Kenya GNI \$840



SOCIAL PILLAR: FOCUSES ON SEVEN SECTORS



Science, Technology & Innovation
Equity

RETIREMENT AND SOCIAL PROTECTION

- (i) Many people reach retirement with no adequate savings
- (ii) Official retirement age is 60 years
- (iii) Income needed to support some life style while in retirement is 70% - 100% of pre-retirement: why?
 - Health
 - Inflation
 - Longer lives
 - Dependency
- (iv) Four legged stool of retirement funding
 - State social security (NSSF)
 - Employer pensions
 - Private savings
 - Earnings from personal investments
- (iv) Social Protection Fund to enhance productivity, competence and skills for the poor to participate in the labour market
 - Direct cash transfers for those over 60 years
 - Cash transfers for orphans and vulnerable children

END THANK YOU



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