

ATTITUDES TO INHERITANCE IN KENYA: LEAVING A LEGACY, STATEMENTS OF INTENTIONS & NOMINATION OF BENEFICIARIES

EXECUTIVE SUMMARY

The survey results indicate that 84% of the respondents want to leave an inheritance for their children. The most important reasons are so that their children get an education. 67% of the respondents have not thought of leaving their wealth to any institution or anyone outside their family. In addition, most of the respondents expect to leave the same or a better lifestyle on retirement.

Only 41% of the respondents have a written will and nomination of beneficiaries is the most common method the respondents use to indicate their intentions. In addition, verbal communication of the intentions of the individual on how they intend to bequeath their wealth is still a popular method with the respondents.

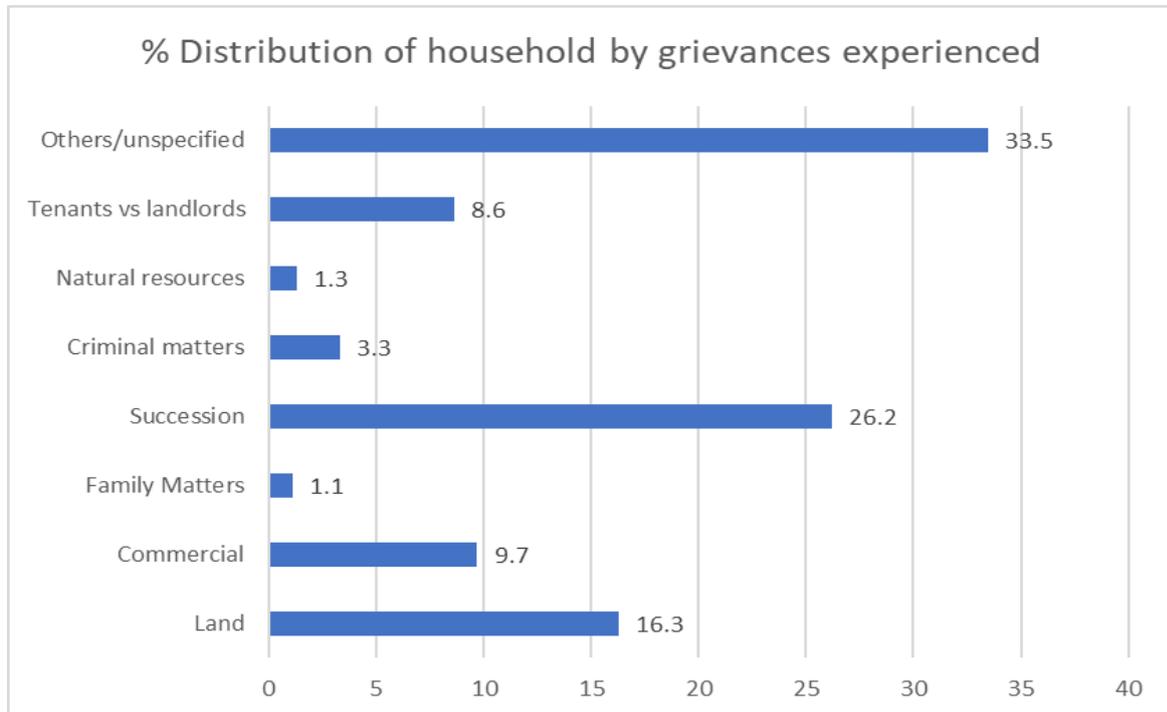
Most of the respondents nominate their immediate family that is spouse and children as the immediate beneficiaries in the pension funds. This provides evidence against popular opinion that claims that women are not likely nominate their spouses as beneficiaries.

Finally, most respondents indicated that they require legal and financial planning skills to plan for their estate. This should prompt the organisations and individuals in these areas to re-look at the way they provide this information to their clients. The way the information and training is currently being done may not be effective.

INTRODUCTION

Inheritance is becoming a common debate in Kenya especially with the promulgation of the new Kenyan Constitution in 2010, which states more clearly the laws of inheritance moving away from common or customary law which was used before then.

According to the Kenya National Bureau of statistics 26.2% of households in Kenya have experienced conflicts due to succession.



Source: KNBS (2018)

However very little is known about attitudes towards inheritance and whether people have written wills or statements of intentions declaring how they intend to distribute their wealth.

Research Objectives:

The objectives of this research were;

1. To investigate the attitudes of Kenyans in relation to leaving an inheritance
2. To assess the attitudes of Kenyans towards wills or formalised statements of intentions on how they will bequeath their wealth.
3. To investigate who Kenyans nominate as beneficiaries to their financial assets.
4. To understand if there is a gap in the knowledge required to write wills and what help specific knowledge is required to bridge this gap.

Research Methodology

The research was conducted through an online survey that run for 2 weeks in February 2018.

Members of pension schemes were invited to participate in the survey via email. 429 complete responses were received and after data cleaning and checking for validity we ended up with 361 data points that were used for analysis

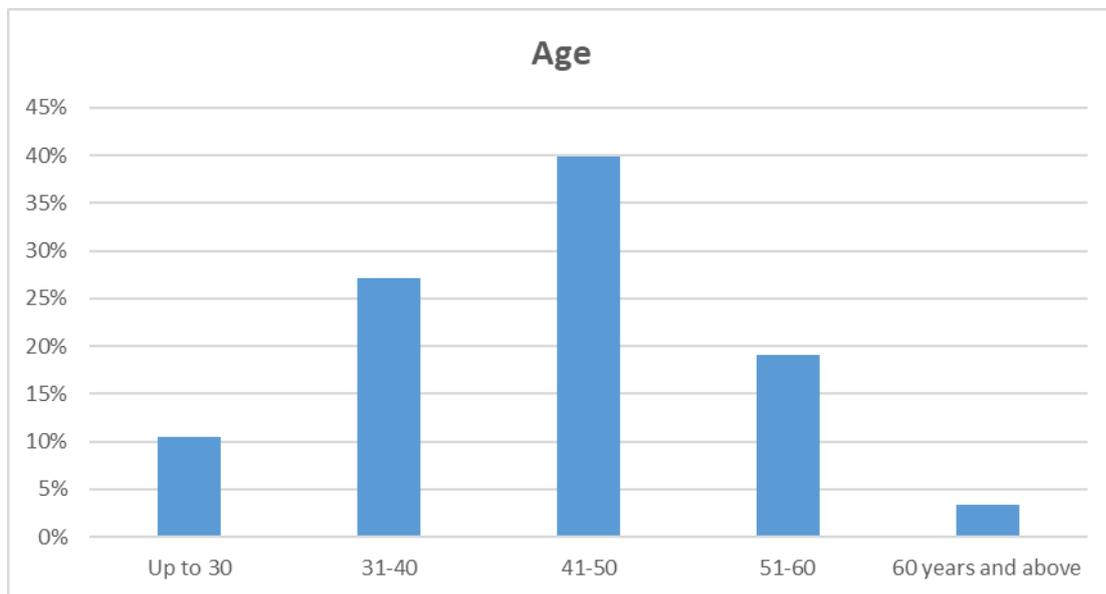
Alongside this data, secondary data available from the nomination of beneficiaries' form was analysed further to investigate the familial relationship between the principle member and who they nominate as beneficiaries.

Descriptive Statistics

The characteristics of the respondents were as follows:

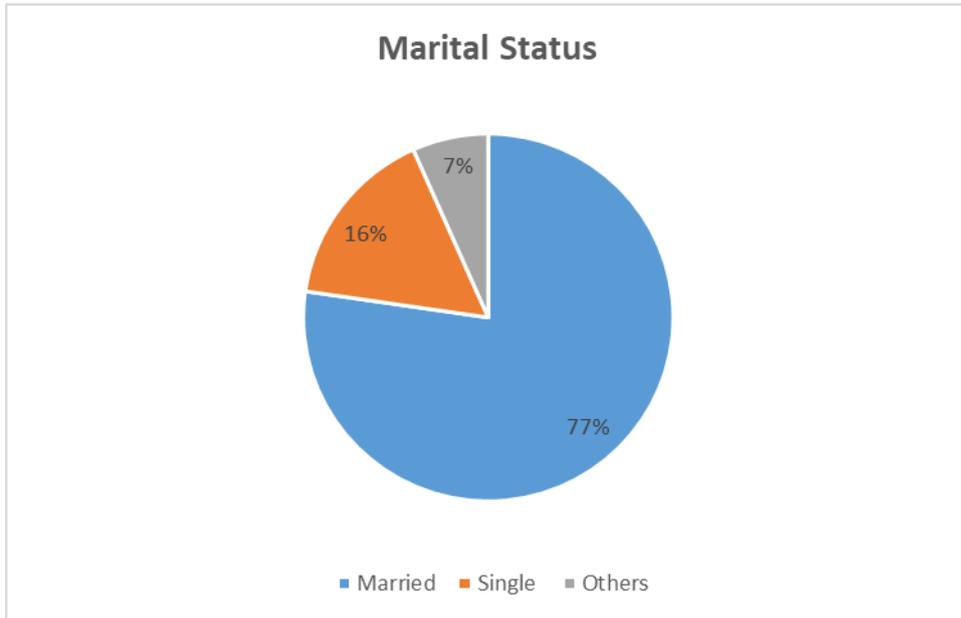
a) Age

The highest percentage of respondents were those aged between 41-50 years were 40% of the respondents. The average age of the respondents was 43 years.



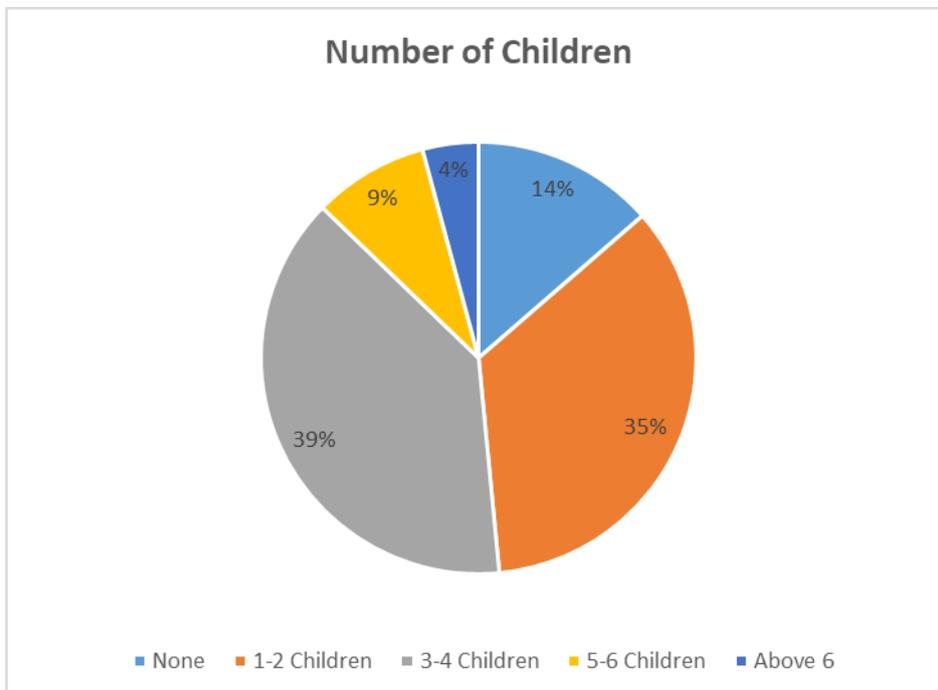
b) Marital Status

Majority of the respondents 77% are married.

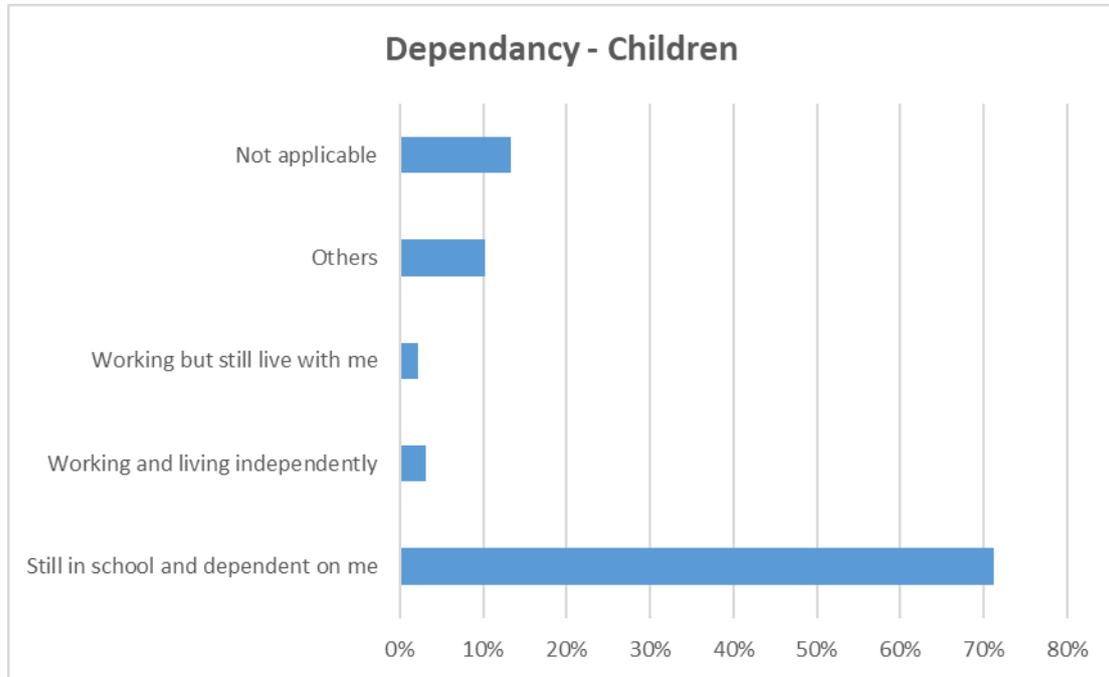


c) Children

39% of the respondents have 3-4 children while 35% have 1-2 children.



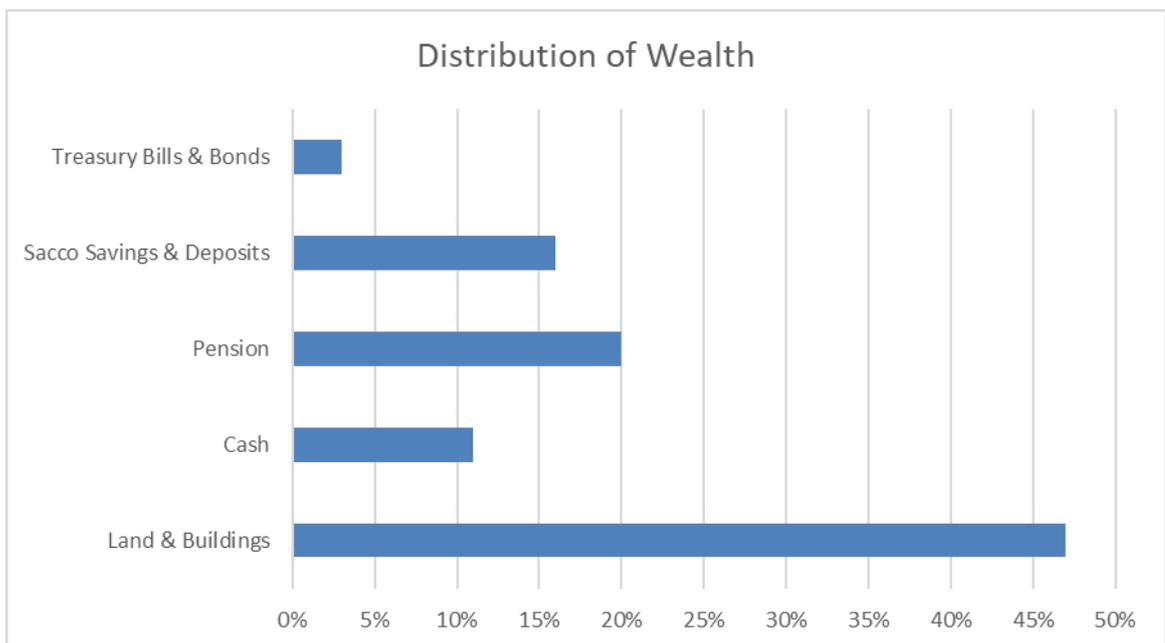
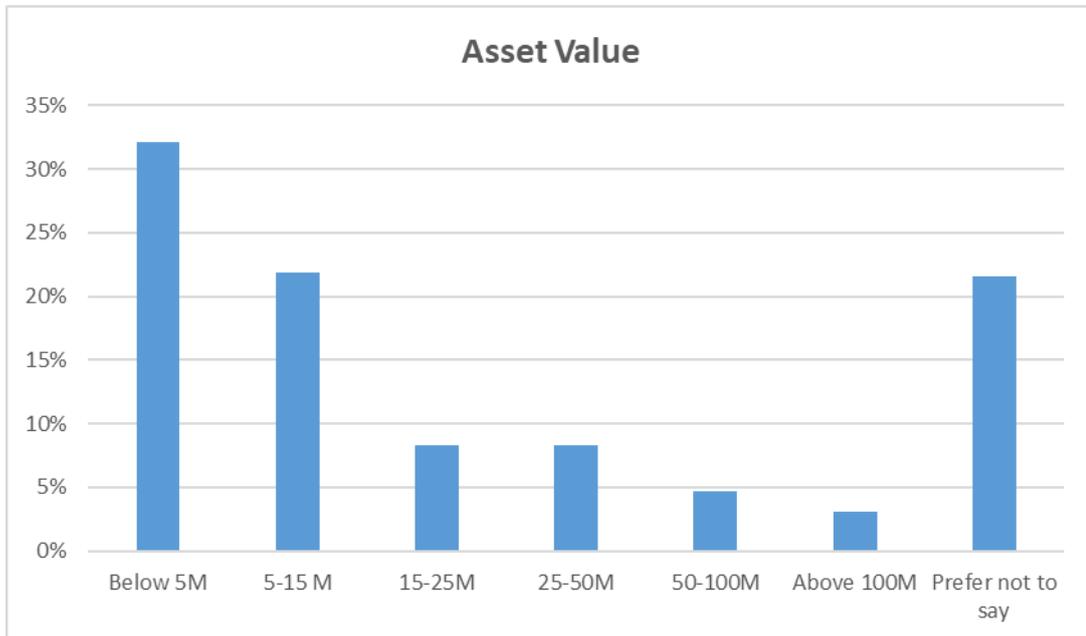
71% of the respondents had children who are still very dependent on them as they are still in school. Hence the future of these children and leaving an inheritance should be important.



Objective 1: ATTITUDES TO LEAVING INHERITANCE

Though the Kenya Constitution (2010) has made provision for inheritance, individuals are free to leave their wealth to who ever they wish including their children especially if they are below 18 years. In many Sub -Saharan African countries inheritance is the way in which property is distributed among beneficiaries and this can affect an individuals’ economic status either in positive or negative way (Cooper, 2012).

From this study, 32% of the respondents indicated they have assets valued between Kshs. 0-5M, 22% had assets valued between Kshs. 5-15M. Respondents with assets valued more than Kshs. 100M were less than 5%

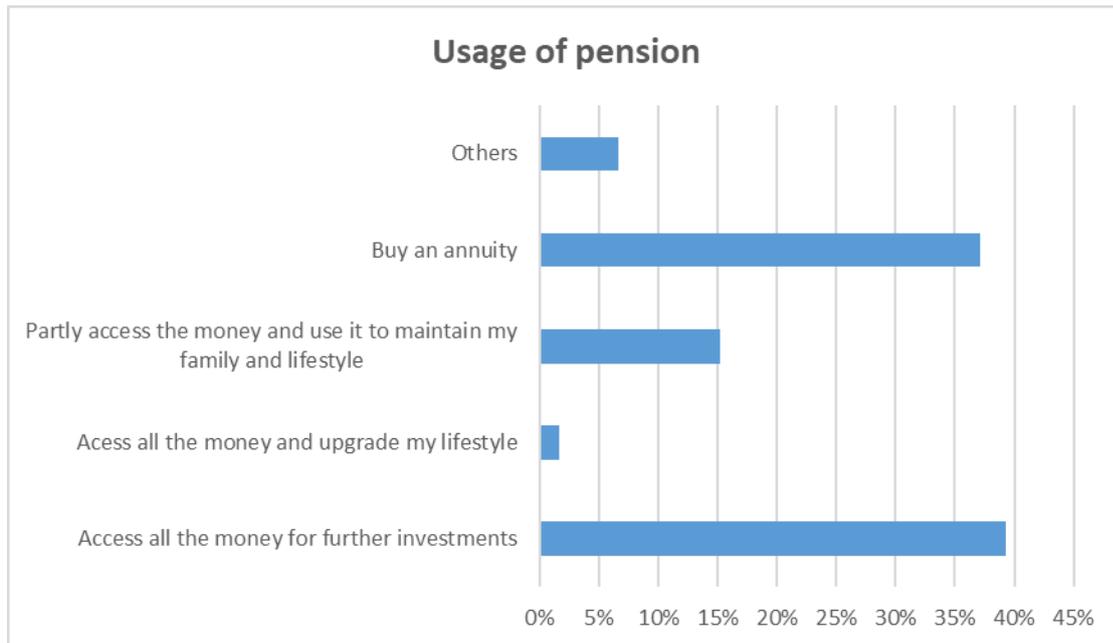


The respondents hold up to 47% of their wealth in land and buildings, 20% is in pension funds, 16% in Savings and Credit Societies as savings and deposits and 11% in cash.

Usage of pension on retirement

People accumulate wealth over their productive / working years to ensure they have an income to live on. This is becoming more important with the changing family and social - cultural structures in Kenya which has affected how the elderly are taken care of.

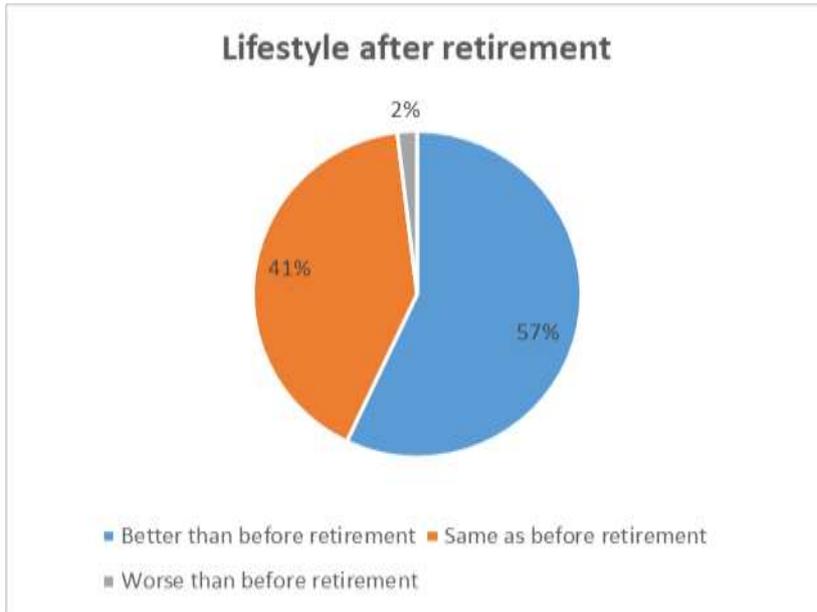
The study sort to find out how the respondents intend to access their pension money on retirement.



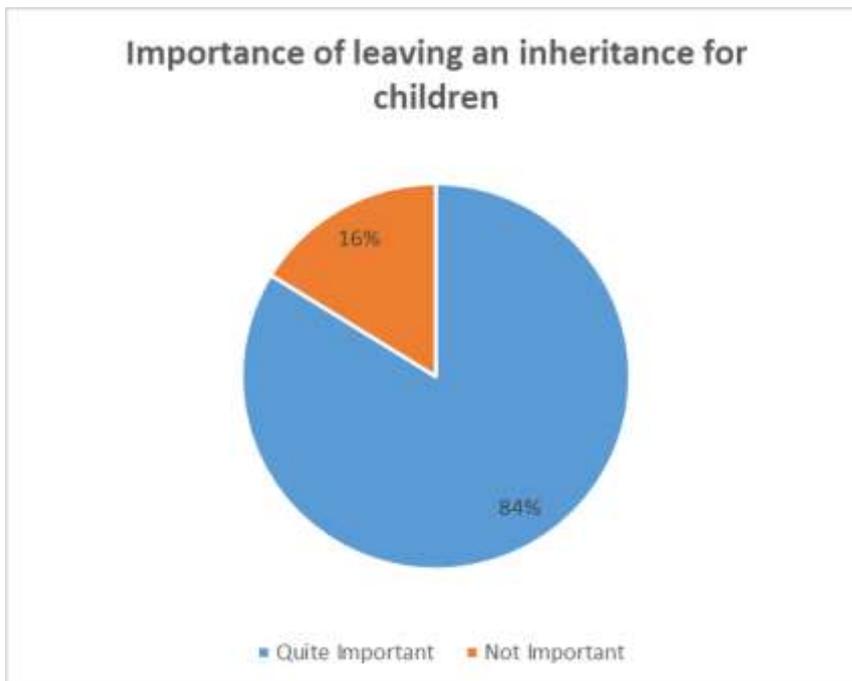
39% of the respondents indicated that they will access all the money in their pension plan and use it for further investments and 37% will buy an annuity.

This gives the perception that the respondents are interested in having a decent income and lifestyle after retirement.

In addition, 98% the respondents expect their lifestyle to be the same or better on retirement. This is in line with the findings above that they expect to continue earning a decent income after retirement.



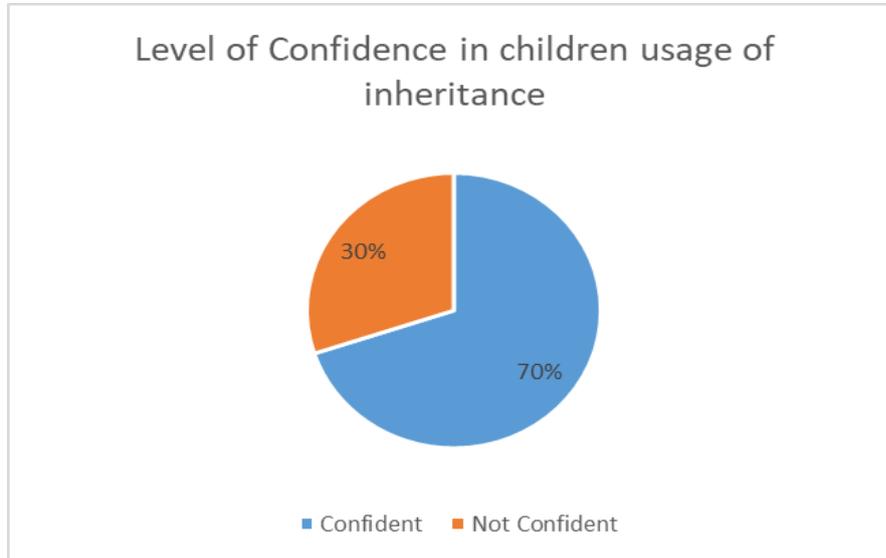
Importance of leaving wealth for children



84% of the respondents indicated that leaving wealth for children is important to leave wealth for their children.

According to the respondents, most important reason why they want to leave an inheritance for their children was, so they could get a good education, closely followed by the need to leave a business for prosperity.

70 % of the respondents are confident in their children’s ability to use inherited wealth while 30% of the respondents are not confident.



The importance of leaving an inheritance is highest among the respondents aged 31-40 years.

In addition, those with assets valued below 5M and above 100M perceive it to be important that they leave an inheritance for their children.

The importance of leaving an inheritance was highest among the following categories of respondents;

- Aged between 31-40 years
- With an asset value below 5 Million
- With an asset value above 100 Million

Conclusions and Recommendations

In conclusion, the research shows that the respondents are interested in leaving an inheritance for their beneficiaries. It’s possible that they intend to mainly bequeath them land given that up to 47% of the assets are in land and buildings. It would be interesting to do further research and find out if the land and buildings are income generating assets or dormant assets.

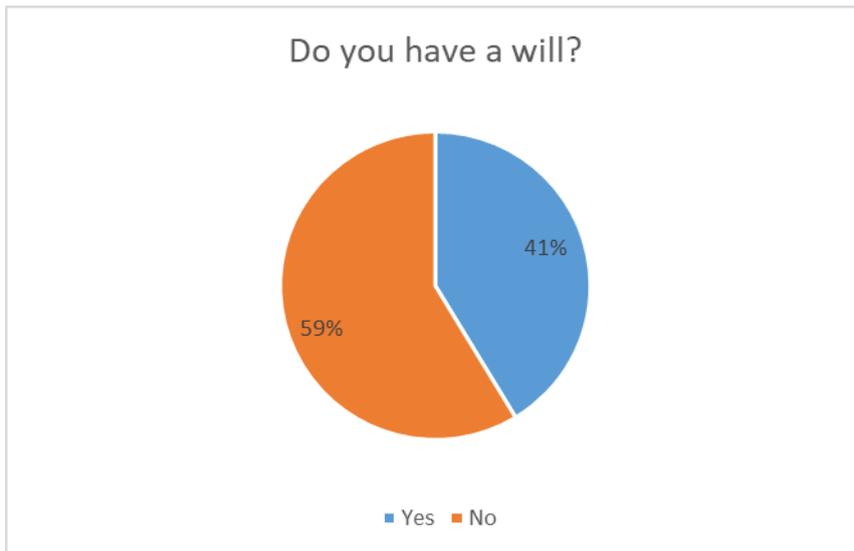
The respondents intend to use their pension money to fund their lifestyle after retirement which they expect will be the same or better than before retirement. The question of adequacy of the income generated is pertinent given the rise in medical costs as people age and generally the cost of living. Would the pension received be adequate to cover all the costs?

Finally, it would be interesting to investigate what investments the respondents get into should they choose to withdraw all the money from the pension scheme.

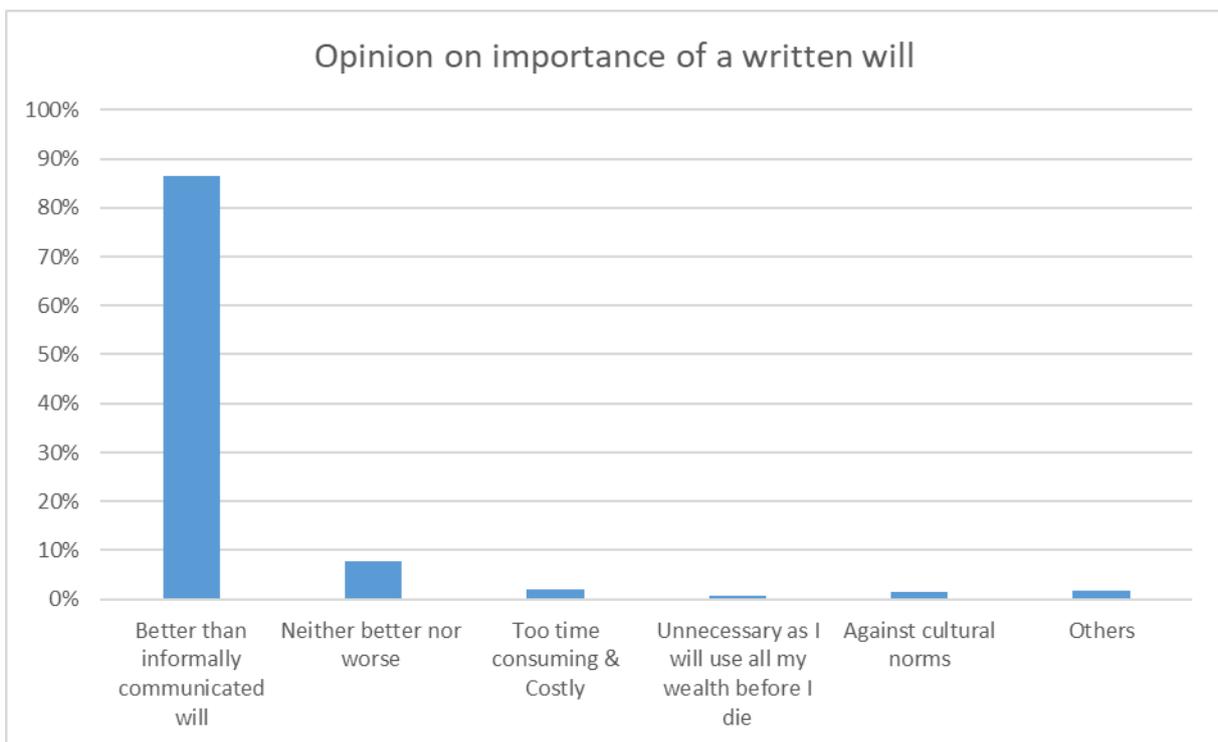
Objective 2: ATTITUDES TOWARDS MAKING A WILL

Conflicts in families are often regarding the distribution of property and who has a right to inheritance. (Cooper, 2012)

In this study only 41% of the respondents indicated they have a written will.

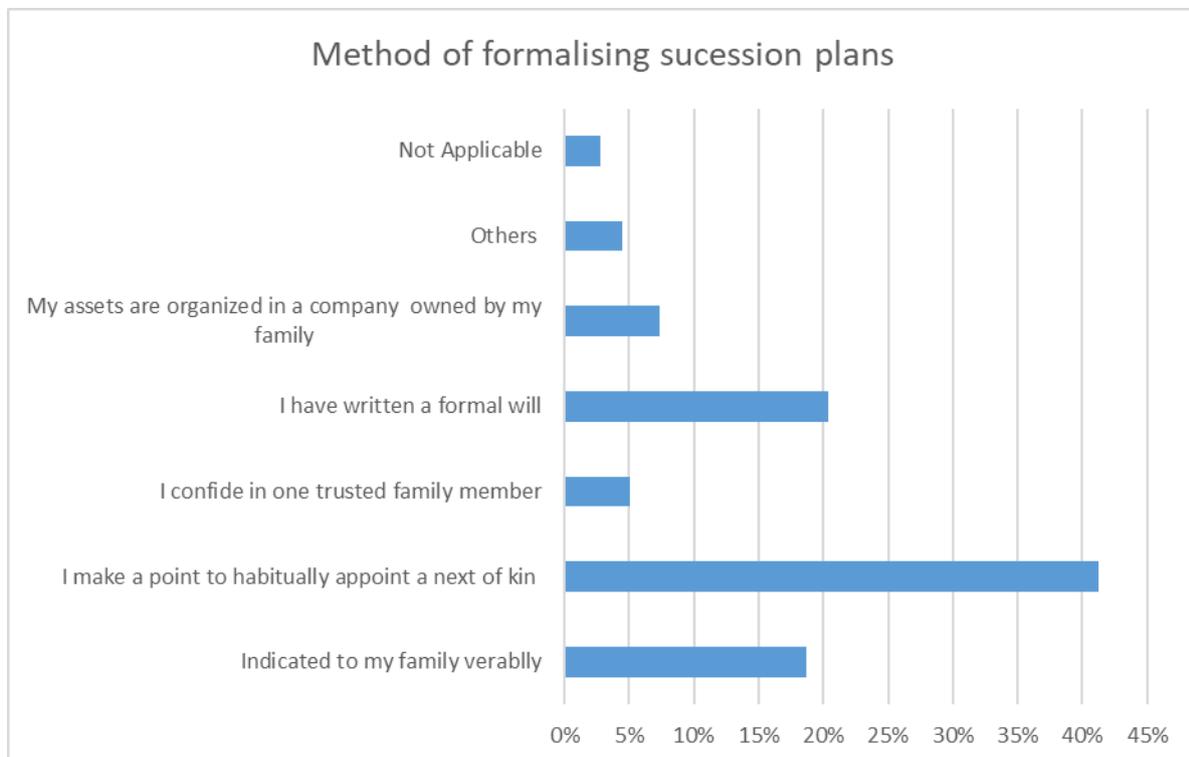


This is even though more than 80% the respondents, indicating that written wills are important.



If the case of this study is right, then there has to be a system of communicating how property is inherited among beneficiaries. Before the 1981 Law of succession came into force, inheritance in Kenya was determined by customary law or the Muslim law. Therefore, it's in the last 30 -40 years that the law has been put in place hence compelling individuals to write wills or statements of intention regarding who will inherit their properties.

From this survey, more than 40% of the respondents indicated that they make it a habit to appoint a next of kin. This is closely followed by writing a will and verbal communication to family members.



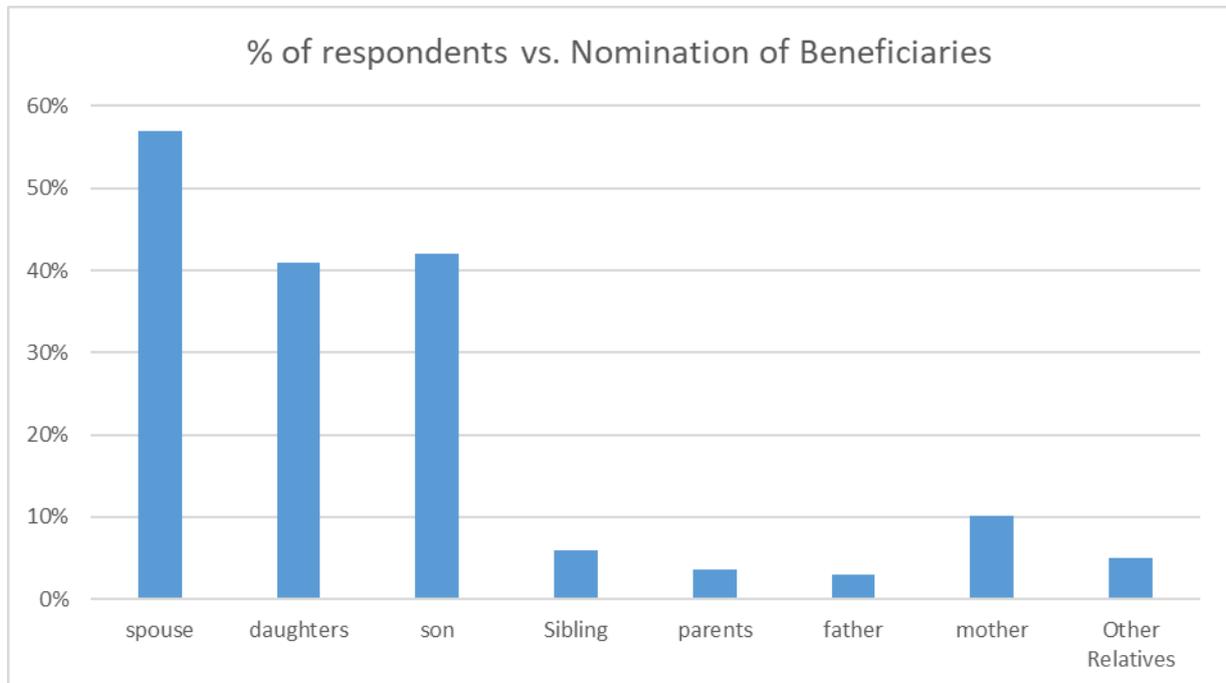
Conclusions and Recommendations:

With the many disputes that arise due to inheritance, it's important that there is a legal system of nominating beneficiaries. Though a will is a legal document, the system of nominating beneficiaries seems to be popular and many of the respondents recognised as a valid indication of the intention of how their assets would be shared in case of their demise.

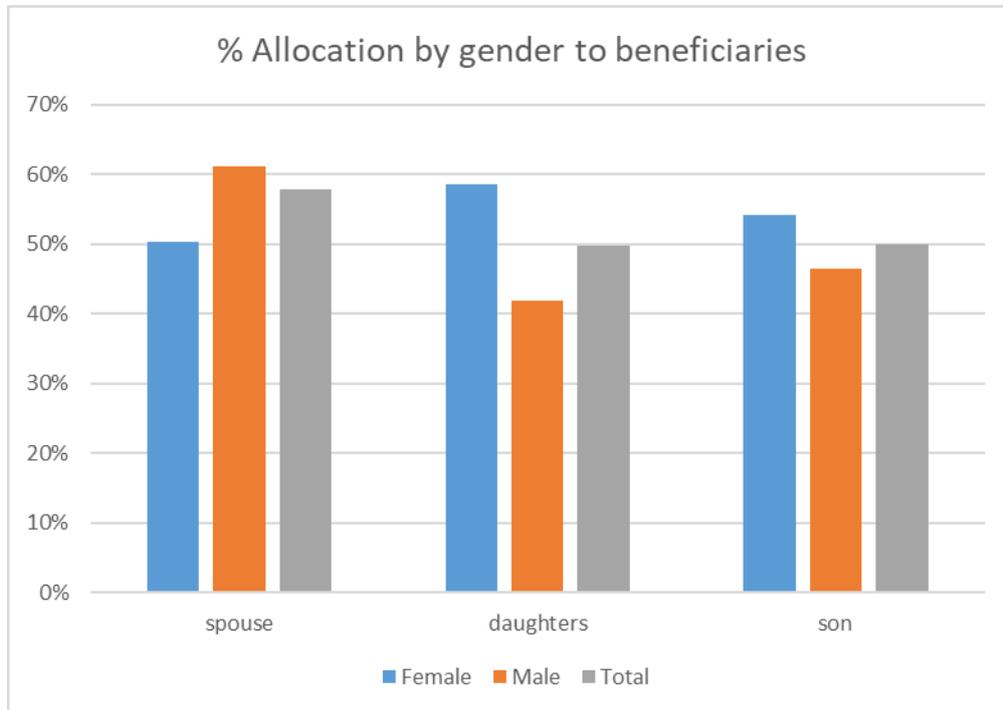
Objective 3: NOMINATION OF BENEFICIARIES

The study further sort to find out who the respondents are nominating as beneficiaries in the pension fund. The data was collected from the information given by members of pension

beneficiaries' form. The data is from the same group of people who had filled in the questionnaire.



57% of the respondents have nominated their spouses as beneficiaries to the pension fund, 41% and 42% have nominated their daughters and sons respectively. The average percentage allocation to the spouses is 58%, while the sons and daughter's average allocation is 50%.



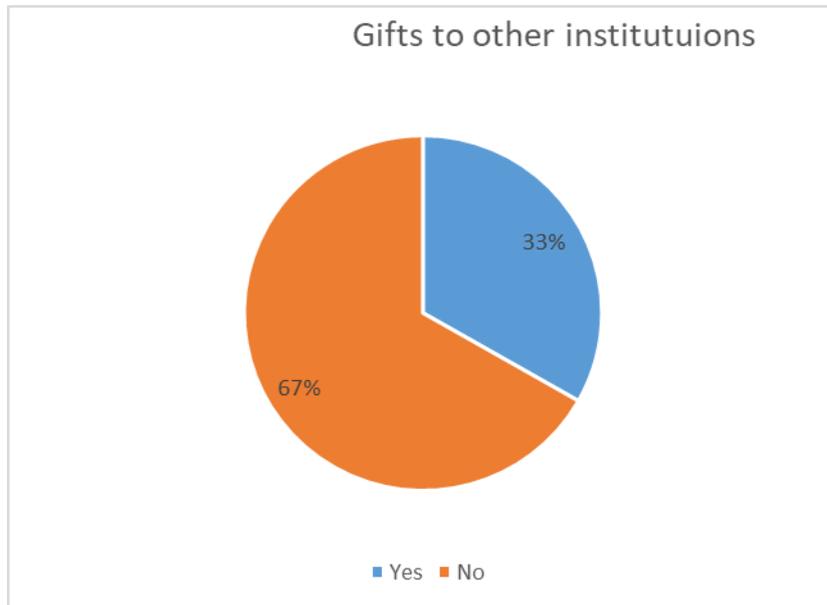
On average, should a woman choose to nominate her spouse as a beneficiary, she will allocate 50% portion of the pension benefit on average, while a man who chooses to nominate his spouse as a beneficiary will on average allocate 61% of the pension.

Though men seem to be more generous in the amount they apportion to their spouses from the pension fund, statistically speaking this difference is not significant. That is, they are leaving relatively the same for their spouses.

Women who choose to nominate their sons/daughters as beneficiaries will allocate on average 54% and 59% respectively. On the other hand, men who choose to nominate their sons/daughters will allocate on average 42% and 47% respectively. This is not statistically significant

Altruism

Some people may also leave their wealth to other parties outside their families, driven by altruism or a concern to leave a mark in the society. Only 1/3 of the respondents have thought of leaving their wealth to other parties or organisations apart from their family members.



Conclusions and Recommendations:

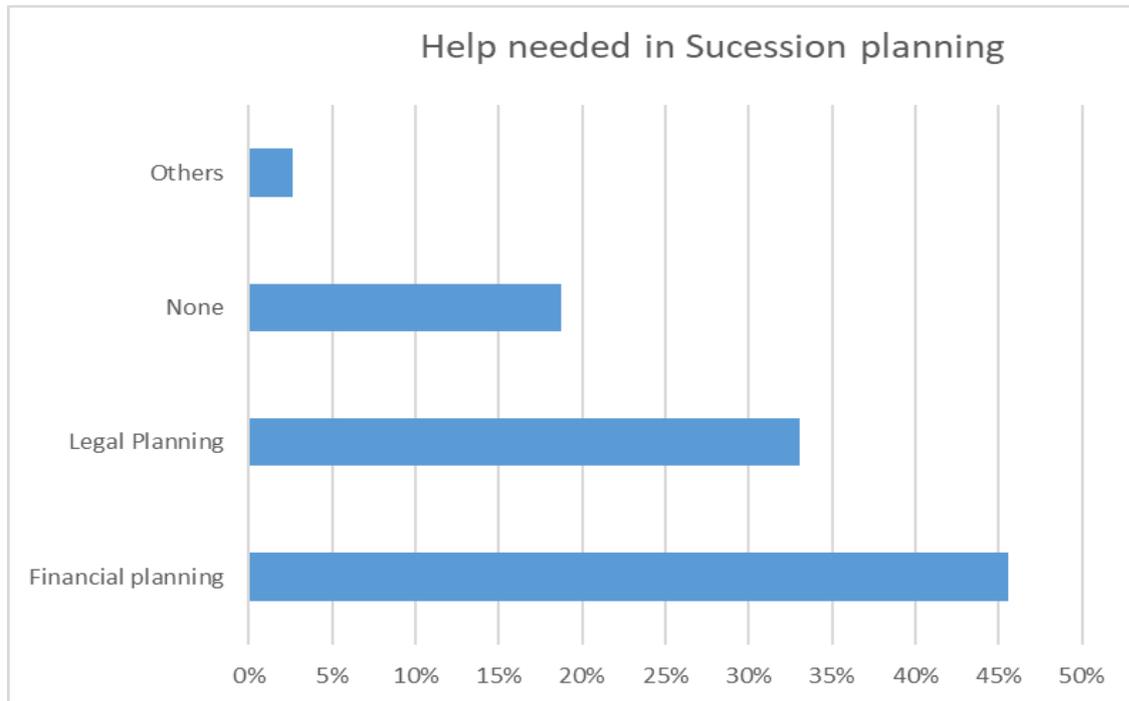
In Kenya the nomination of beneficiaries is required for all transactions of a financial nature. However, these statements are with different financial institutions. Presently there is no way of consolidating this information to have a holistic picture. Financial institutions should consider putting in place a system that can consolidate all the information on nomination of beneficiaries to form one single document that can be used as a point of reference.

In addition, most of the respondents haven't considered leaving their wealth to anyone outside their immediate family.

Objective 4: WHAT INFORMATION DO PEOPLE NEED FOR SUCCESSION PLANNING

A will is a legal document indicating how an individual would like to distribute their wealth. One of the reasons why people may not have written a will is due to a knowledge gap.

46 % of the respondents indicated they would like further advice in financial planning, while 32% indicated they require legal advice. Less than 20% of the respondents were confident with the knowledge they have to plan for succession planning.



Conclusions and Recommendations:

From this study there seems to be a gap in information specifically in legal planning and financial planning to enable people create a succession plan for their wealth. This could be because the two are separate knowledge areas and are provided separately by professionals. Providing information on the two areas together may be better.