FINANCIAL WELLNESS SERIES · SESSION 2

FROM SALARY TO SECURITY

Creating Your Financial Cushions

Centonomy | DTB DIAMOND TRUST BANK

SESSION 1 CHECK-IN

How Did Week 1 Go?

1 Track your spending

Did you track your spending for the week?
What surprised you?

NOT YET | IN PROGRESS | DONE

2 Build your Spending Plan

Have you created a budget using the ABC Budget/other budget?

NOT YET | IN PROGRESS | DONE

3 Earn an extra income

Have you put your time, skills, network, or business to work?
How much did you make?

NOT YET | IN PROGRESS | DONE

Centonomy | DTB DIAMOND TRUST BANK

REFLECTION

Who Is Wealthier?

If your salary/main source if income stopped today — how many months would you comfortably survive?

< 1 month	1–3 months	3–6 months	6–12 months	> 1 year

Person A

KSh 400,000 / month

- Has loans
- No savings

Person B

KSh 90,000 / month

- Six months' expenses saved
- Invests monthly
- No expensive debt

Reality: Person B is far more financially secure.

Income creates options. Security comes from what you do with it.

CONTENTS

What We'll Cover Today

Centonomy | DTB DIAMOND TRUST BANK

A WAKE-UP CALL

Meet James & Grace

James — Salaried Professional

Earns KES 120,000/month. Has a good job, nice car, family of 2. Sends kids to private school.

March 2024: Company restructures.
James is retrenched with 1-month notice.

Savings: KES 18,000 in M-Pesa.
No insurance. No emergency fund.

Result: Rent arrears in 6 weeks.
Kids pulled from school. Debt spiral begins.

Grace — Small Business Owner

Runs a busy salon in the CBD.
Revenue: KES 200,000/month. Life is good.

May 2024: Maandamano happens. Business looted and destroyed
No income protection. Business stalls.
Grace develops high blood pressure

Hospital bill: KES 380,000.
No health cover. Used supplier credit.

Result: Loan debt to clear bills.
Business nearly collapses. 2 years to recover.

Both had income. Neither had a safety net.

FRAMEWORK

The Three Financial Cushions

Cash Cushion

Protects your present

Your emergency fund — buys time, options, and peace of mind: job loss, medical emergencies, repairs, family emergencies.

Protection Cushion

Protects what you've built

Transfers financial risk to an insurer, so one bad event doesn't undo years of progress: health, life, disability/income, assets.

Growth Cushion

Protects your future

Saving alone won't build lasting wealth — inflation quietly erodes it. Growth investments help outpace inflation (Module 4).

WHY SAFETY NETS FAIL

Understanding The Gaps Before We Can Fix Them

The 6 Gaps That Leave People Exposed

1

No Emergency Fund

Living paycheck-to-paycheck with no buffer.

2

Underinsured or Uninsured

Relying on SHIF alone. No income or life cover.

3

High Consumer Debt

Loans and credit card debt eat savings first.

4

Mixed Business & Personal

Business owners drain personal funds in a struggle.

5

Social Pressure Spending

Funerals, weddings & harambees erode discipline.

6

No Written Plan

Good intentions without a strategy lead nowhere.

7

Single source of income

No other source, & dependents only depend on you financially.

EMERGENCY FUND FRAMEWORK

Your First And Most Important Financial Safety Net

Why an Emergency Fund Is Non-Negotiable

Job/Income Loss / Retrenchment

The average Kenyan professional takes 3–6 months to find new employment. Without a buffer, debt begins in week two.

Medical Emergency

A single hospitalisation can cost KES 100,000–500,000+. Even with insurance, there are gaps, co-pays, and exclusions.

Unexpected Home / Car Expense

A roof repair, burst pipe, or engine failure can't wait. Without a fund, you borrow — and pay interest on top.

WITHOUT an Emergency Fund

- High-interest emergency loan
- Borrow from family — strained relationships
- Default on rent, school fees, or utilities
- Sell assets at a loss under pressure

WITH an Emergency Fund

- Cover the crisis without going into debt
- Buy time to make calm, rational decisions
- Maintain your credit score and reputation
- Recover faster — weeks, not years

An emergency fund doesn't earn you wealth — it protects the wealth you're building.

Building Your Emergency Fund

3–6
months

months of essential expenses for employees

6–12
months

months recommended for business owners

What counts as essential expenses? What does your budget say?

- Rent / mortgage
- School fees
- Food & utilities
- Loan repayments
- Transport
- Basic medical

STEP 1

Start small

Open a dedicated savings account. Target KES 5,000 first. Don't touch it.

STEP 2

Automate it

Set a standing order on payday. Even 5% of income works.

STEP 3

Keep it liquid

Use a Money Market Fund or lock savings —separated.

Goal - Access and Security

Emergency Fund — 5-Year Build Example

	Year 1	Year 2	Year 3	Year 4	Year 5
Monthly Lifestyle (KES)	100,000				
Target No. of Months	6				
Total EF Target (KES)	600,000				
Total Emergency Fund (KES)					
Shortfall (KES)					

A sinking fund is different from an emergency fund — irregular is not the same as unexpected. Keep them separate.

The sinking fund — for irregular expenses.

A **sinking fund** is a dedicated pool of money set aside over time to pay for a specific, planned future expense or to retire a long-term debt. It helps individuals, businesses, and organizations spread out costs, avoid sudden budget shocks, and stay out of debt.

The key insight: *irregular is not the same as unexpected.*

School fees, annual premiums, car service, land rates, back-to-school, family events, December and "njaa-nuary."

Predictable but lumpy — treated as emergencies only because nobody saved monthly.

1 List

Write every known lumpy cost for the year.

2 Total ÷ 12

Divide the yearly total by twelve.

3 Save monthly

Into a separate, labelled pot — automatically.

Keep it SEPARATE from the emergency fund. Emergency = for the unknown. Sinking = for the known-but-lumpy.

IRREGULAR EXPENSES

	Monthly savings	School Fees	Car Repairs/ Insurance	Holiday	Accumulated Savings/ Balance
January	30,000				30,000
February	30,000				60,000
March	30,000		25,000		65,000
April	30,000	70,000			25,000
May	30,000				55,000
June	30,000		50,000		35,000
July	30,000				65,000
August	30,000	70,000			25,000
September	30,000				55,000
October	30,000		25,000		60,000
November	30,000			50,000	40,000
December	30,000	70,000			-

Where to keep it — and what to avoid.

The criteria: liquid enough for the job, safe (don't risk the capital), enough return to fight inflation, and a little friction to beat temptation. Match the money to the timeline. (NOTE: Access and Security; and Separate)

Money Market Funds

The workhorse. Liquid in 1–3 days, low risk, beats a savings rate. Check CMA website for list of regulated MMFs

Start from your phone

M-PESA-accessible MMFs like Ziidi and Mali - perfect for starting small.

SACCO (FOSA) & locked savings

Stima, Mwalimu, Unaitas, Hazina; or a bank lock for the instant-access slice.

Bank Accounts

For the short-term sinking-fund slice (0–9 months out). More liquid.

Avoid for cushions: shares/crypto (volatile), business or land (illiquid), flossets, and your everyday wallet (too tempting). Examples only — compare current rates; not endorsements.

UNDERSTANDING INSURANCE

Transferring Risk You Can't Afford To Carry Alone

Insurance: What You Need & Why

Health Insurance

MUST HAVE

- Covers hospitalisation, surgery & outpatient.
- SHIF is a start but inadequate — supplement with private cover
- Employer group schemes are cost-efficient.

Life Insurance

MUST HAVE

- Pays your dependents if you die.
- Term life is affordable.
- Aim for 5–10× your annual income. Critical for breadwinners with dependents.

Income Protection

CRITICAL

- Pays a monthly income if you're unable to work due to illness or disability.
- Often overlooked.
- For those in business – Business Interruption (Loss of Profits Insurance and/or Personal Accident and Disability Income Replacement

Property Insurance

CRITICAL

Covers your home, business premises, vehicle. Fire, theft, flood. Check if your landlord's policy covers your contents — usually it doesn't.

Alternative — Handle With Care

Risk-pooling, the Kenyan way.

Friends & Family Groups

A kitty that helps in emergencies - without dependence or burden.

SACCO Welfare / Benevolent Funds

Last-expense benefits; sometimes loan write-off on death.

Chama / Group Welfare Kitty

Set aside for members' emergencies: hospital, bereavement, weddings.

Good governance checklist: written rules & a constitution · transparent records · multiple signatories · keep welfare money separate from investment money.

A complement — never a replacement.

Education & endowment policies.

THE CASE FOR (as sold)

- Forced discipline
- A guaranteed maturity payout for fees
- Usually a waiver rider - if the parent dies, it still pays
- Comfort of ring-fenced school money

THE CASE AGAINST (the critique)

- High charges and commissions eat returns
- Maturity often lags a simple MMF - even inflation
- Harsh penalties / poor surrender value if you stop early
- Bundling hides the true cost; illiquid and inflexible

"Insurance is not an investment. Insurance is protection."

Keep protection and wealth-building separate. We handle the investing side in Session 4.

BUSINESS OWNER CONSIDERATIONS

SEPARATING PERSONAL & BUSINESS RISK

Protecting Both Worlds

Rule #1: Your personal finances and business finances must be structurally separated.

Separate Business Emergency Fund

Maintain 3 months of business operating costs separately.

Loan Protection (esp for business assets)

Income protection replaces your personal income if the business has a bad month.

Business Interruption Insurance

Covers lost income if forced to close due to fire, disaster, etc.

Avoid Personal Guarantees

Resist signing personal guarantees on business debt.

Director's Life Cover

Key person insurance pays the business if a key person dies or is incapacitated.

Formalise Business Structure

A registered Ltd company separates personal & business liability.

WHAT DERAILS EVEN GOOD PLANNERS

Behavioural Traps That Derail Good Plans

1

Social Pressure Spending

Set a monthly 'social contribution' budget and stick to it.

2

Lifestyle Inflation

Automate your savings increase right after every raise.

3

Lending to Family & Friends

Only lend what you can afford to gift.

4

The 'I'll Start When...' Trap

KES 2,000/month today beats KES 10,000/month in 5 years.

5

Over-Relying on One Income

Explore side income or spousal income participation.

Beyond the Salary

Security grows faster when income grows.

- Upskilling
- Side income
- Freelancing
- Small business
- Passive income
- Career growth

You can only cut expenses so much. Live Abundantly!

YOUR 90-DAY ACTION PLAN

LEAVE WITH A CLEAR COMMITMENT

Your 90-Day Safety Net Plan

MONTH 1

Assess & Start

- Calculate monthly essential expenses
- Open a dedicated emergency savings account
- Set a standing order for 5% of income
- Review current insurance cover gaps

MONTH 2

Protect & Cover

- Enrol in or upgrade health insurance
- Get a life insurance quote (5–10× income)
- Join or start a SACCO / chama if this is according to your financial plan

MONTH 3

Strengthen & Automate

- Increase EF contribution by 2–3%
- Review and reduce one unnecessary expense
- Set a fixed social-contribution budget
- Share progress with an accountability partner

Remember This

Five things to carry with you

- An emergency fund is your first line of defence — start with one, build to six months.
- Insurance transfers the risks you cannot afford to absorb. Health & life cover are non-negotiable.
- Business owners: manage your personal and business safety nets separately.
- Use local tools — SACCOs, MMFs, mobile insurance. Affordable and accessible.
- Start today, not when conditions are perfect.

THE RULE OF MONEY

Money only speaks one language:

"Save me today, I will save you tomorrow."

Let's Keep Building.

PHONE / EMAIL	0700 036 433 / talkcents@centonomy.com
FACEBOOK	/Centonomy
X (TWITTER) | IG	@centonomy
WEB	www.centonomy.com
ADDRESS	Dale House, Rhapta Road, Westlands