

**Carlyle Partners**  
Health - Life - Pensions

# MONTHLY NEWSLETTER

ISSUE 1 VOL.1

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# Planting Trees

by Allister Langford



Retirement. What does it really mean to be retired and can you afford it?

Hi – my name is Allister. I have always been close to the retirement fund industry in one form or another and at one point in my journey, I consulted to and advised members of retirement funds as they entered their retirement years, helping them structure their financial affairs to cope with what everyone believes to be ‘the golden years’. Unfortunately, for most working people, that could not be further from the truth. The reality of retirement for most people is a life of penny pinching, relying on family for support and living out their days with little or no money to enjoy their ‘golden years’ after a lifetime of hard work.

There are many reasons for this sad state of affairs. For the purposes of this article, I refer to people who are employed for the full duration of their working life.

- Not saving enough
- Retiring too early
- Taking debt into retirement
- Retiring with dependents
- Spending hard earned savings before retirement

The harsh reality of retirement is that your salary ends. No more income. The question people fail to ask is, how will I be able to pay my monthly expenses without a salary? It’s hard enough to do that with a salary. The answer is to save enough money over your lifetime in order to buy a monthly pension that can replace the salary you were earning.

Saving is like planting a tree. It takes many years for a fruit tree to produce fruit. It takes many more years for an oak tree to grow big enough to provide shade from the hot sun, and shelter from the rain.

When you contribute to your pension fund every month, it is like planting a tree that will one day bear fruit to sustain you and shelter you from the elements. Your salary is like a monthly harvest. The fruit of your labor. But your labor will end and so will the harvest. Use your harvest while you have it to plant a savings tree every month.

The best time to plant a tree was 20 years ago. The second-best time is now.  
Chinese Proverb.

Plant one today. And don't cut them down.

And remember to ask your financial advisor for help if you need it.

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# Dreaming of Retirement



The wishful thinking to live a joyful retirement, with no financial constraints, or at least one that has the same lifestyle achieved while working is ever present. But how do we make the dream a reality? How do we make it? Through saving and investing.

Savings is the portion of the salary that we do not spend immediately. It's the portion that we get to keep for unforeseen circumstances, future spending (with studies, travelling, etc.), or to generate interest. During our active years, the aim is to work towards retirement while creating a snowball effect with our savings so that they can grow over time. That can be created by contributing to a pension fund. Mozambique has the social security scheme, whereby the state provides for retirement, however, private pension funds also act as a complimentary benefit to our retirement pension.

We could share a huge list of investment options available. But, for the sake of this article, we'll talk about the term deposit. A simple investment that generates interest and is accessible to the vast majority of the population. Any savings invested at a 5% interest per annum, will double every 15 years. 100 Meticaís today, will be 200 Meticaís in 2036. With the increase in the interest rates, and with inflation below 5%, the investor can get a real rate of return with the potential of doubling the savings in 15 years, with no additional effort.

The process is easy, however, be mindful not to put all your eggs in one basket and when necessary consult with a financial advisor to help you make the best decisions. See you next time!

Alberto Pitoro - Head of Treasury at Absa Bank Mozambique

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# The Importance of Life Insurance



Life insurance is a benefit that is still largely ignored by employers, however, one of extreme importance for the financial security of employees and their families. In recent years, the increase in the number of companies offering life insurance cover has resulted in a significant drop in pricing, while improving the benefits.

In the event of death of an employee, the life insurance policy pays, to the beneficiaries, a lump sum that varies from 12 to 60 salaries – 1 to 5 years of salary.

In the event of death of the bread winner, and the family doesn't have financial reserves, the family income will reduce, and it may negatively impact the lifestyle. A life insurance cover ensures that, even after the death of the bread winner, the family can put food on the table and meet its financial commitments such as paying rent, bank loans, school fees, etc.

The life insurance cover normally comes embedded with a funeral cover, that covers the main member, being the employee, the spouse, and up to 4 children. The amounts vary from MZN 30,000 up to MZN 100,000. In some cases more.

As an employer, it is key to ensure that, in the event of an unforeseen circumstance, the family of the employee will be taken care of.

Nácer Mondlane - Employee Benefits Director at Carlyle Partners

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# Market Information



According to the 2019 Annual Insurance Market Report, from the Insurance Supervision Institute of Mozambique:

- There are 13,390 members from Private Pension Funds in Mozambique:
- 11,591 Active members
- 1,799 Pensioners
- The 3 main retirement fund providers are Sanlam, Global Alliance and Moçambique Previdente.
- There are 8 insurance companies that offer Life Insurance products.

source: [www.issm.gov.mz](http://www.issm.gov.mz)

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Carlyle Partners is an insurance advisory brokerage specialized in Health, Life and Pensions, licensed under the Insurance Supervision Institute of Mozambique (ISSM).

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