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# POST-RETIREMENT MEDICAL FUND (PRMF)

**Secure Healthcare Coverage for Retirement**



**For Pre-Retirees & Recent Retirees**

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## Table of Contents

<b>THE RETIREMENT HEALTHCARE CRISIS</b> .....	3
<b>The Retirement Healthcare Gap</b> .....	3
<b>The Numbers Tell the Story</b> .....	3
<b>THE SOLUTION: POST-RETIREMENT MEDICAL FUND (PRMF)</b> .....	4
<b>What is PRMF?</b> .....	4
<b>Establishing a PRMF</b> .....	4
<b>Contributions to PRMF</b> .....	4
<b>Employer set up PRMF</b> .....	4
<b>Individual setup PRMF</b> .....	5
<b>Capital Requirements</b> .....	5
<b>Tax Benefits of PRMF</b> .....	5
<b>Regulatory Framework &amp; Compliance</b> .....	6
<b>How to Access PRMF Benefits</b> .....	7
<b>Key Benefits of PRMF</b> .....	7
<b>YOUR RETIREMENT SITUATION</b> .....	7
<b>Typical Pre-Retiree Profile:</b> .....	7
<b>What Happens at Retirement:</b> .....	7
<b>WHY PRMF IS YOUR BEST SOLUTION</b> .....	8
<b>The Mathematics of Retirement Healthcare</b> .....	8
<b>MY ROLE AS YOUR INDEPENDENT FINANCIAL ADVISOR:</b> .....	8
<b>REAL CLIENT SUCCESS STORY</b> .....	9
<b>Mr. Kamau - Retired Banking Executive (Age 60)</b> .....	9
<b>COMMON QUESTIONS</b> .....	10
<b>YOUR NEXT ACTION</b> .....	11
<b>Your Retirement Healthcare Starts Now</b> .....	11

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# THE RETIREMENT HEALTHCARE CRISIS

## The Retirement Healthcare Gap

You have spent 25–35 years building your career. Your employer took care of your medical cover throughout. On the day you retire — that protection disappears. What Happens the Day You Retire:

- Employer medical cover terminates immediately (some extend 1–3 months)
- Individual senior medical premiums: Ksh 180,000 – Ksh 420,000/year (2025 market rates)
- Premiums escalate 12–15% every year
- Fixed pension income insufficient for escalating premiums
- Some insurers impose age limits (65–70) or exclude pre-existing conditions for up to 24 months
- Social Hospital Insurance Fund (SHIF) (formerly NHIF) provides only basic, subsidised cover — inadequate for private hospital care
- 20-30+ years of retirement needing healthcare coverage

82% of Kenyan retirees have no plan for post-retirement medical coverage beyond hoping SHIF will suffice (it won't). Within 2-3 years of retirement, most are forced to drop private coverage or deplete savings.

## The Numbers Tell the Story

If your pension is Ksh 150,000/month, here is how a typical individual medical premium erodes your income over time:

Year	Annual Premium	Annual Pension	Premium as % of Income
Year 1	Ksh 200,000	Ksh 1,800,000	11%
Year 5	Ksh 320,000	Ksh 1,800,000	18%
Year 10	Ksh 500,000	Ksh 1,800,000	28%
Year 15	Ksh 800,000	Ksh 1,800,000	44% — Unsustainable

**Most retirees are forced to drop private medical cover between Year 8 and Year 12 — right when their healthcare needs are increasing most.**

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# **THE SOLUTION: POST-RETIREMENT MEDICAL FUND (PRMF)**

## **What is PRMF?**

PRFM is an arrangement that allows individuals to save funds that will specifically cover the cost of their medical needs during retirement. It is a savings scheme created as a fund enabling individual members to contribute and in return, it will provide health insurance to a member of the scheme upon retirement. This way, retirees can purchase medical insurance, giving them peace of mind knowing that their health needs in old age will be taken care of.

## **Establishing a PRMF**

To participate in a PRMF, an individual must be a member of a retirement benefits scheme registered by the Retirement Benefits Authority (RBA). Therefore, the PRMF must be set up within an existing Retirement Benefits Scheme. The details for this are outlined in the Retirement Benefits (Post-Retirement Medical Funds) Regulations, 2023. All members of any retirement benefit scheme that is authorised to receive the post-retirement medical funds are eligible to contribute to the PRMF. This can be either schemes set up by employers or individual retirement schemes.

We help employers and individuals enrol on RBA regulated Retirement Benefits Scheme and Post-Retirement Medical Funds.

## **Contributions to PRMF**

A member of PRMF decides the rate or amount of contribution based on her/his target benefit. Practically, you decide which amount of your contribution goes to PRFM and the portion that goes to retirement scheme. The contributions may be made by the member, sponsor/employer or both. The contributions are done over and above the normal pension contributions. All contributions (from sponsor/employer and/or members) shall vest to the member immediately – it's all yours.

The law requires the PRMF funds to be segregated from the main retirement benefits scheme funds in order to allow for targeted investment approach and a fit for purpose investment policy to achieve maximum value for the members of the scheme in line with objective of the fund.

## **Employer set up PRMF**

This is recommended for all employed people – to start preparing early enough for post-retirement medical insurance needs. If your employer set up PRMF:

- Lump sum is paid at retirement (e.g., Ksh 500K - 2M)
- Use it to pay individual medical premiums
- Tax-free benefit
- Covers 5-15 years of premiums

- Example:
  - PRMF benefit: Ksh 1,500,000
  - Annual senior covers premium: Ksh 150,000
  - Covers 10 years of medical insurance

## Individual setup PRMF

For seniors with lump sum capital (Ksh 3-5M from retirement savings, property sale, inheritance etc.):

- Set up PRMF as one-time investment generating a return of Ksh 360,000-600,000/year
- Returns pay medical premiums for life
- Capital contributed is preserved and grows
- Tax benefit: PRMF contributions qualify for Ksh 180,000/year (Ksh 15,000 per month) tax deduction

## Capital Requirements

Your PRMF capital requirement depends on your age, health status, coverage level, and how many years of retirement you are planning for. Below are indicative ranges based on 2025 market premiums and a 12% investment return assumption.

### Recommended PRMF Capital by Age & Coverage (2025 Market Rates)

Age at Retirement	Coverage Level	Est. Year 1 Premium	PRMF Capital Needed	Capital Covers
60 yrs	Basic — Ksh 1M limit	Ksh 150,000	<b>Ksh 3.0M</b>	30+ years
60 yrs	Standard — Ksh 3M limit	Ksh 230,000	<b>Ksh 4.5M</b>	30+ years
65 yrs	Standard — Ksh 3M limit	Ksh 290,000	<b>Ksh 5.5M</b>	25+ years
65 yrs	Comprehensive — Ksh 5M limit	Ksh 390,000	<b>Ksh 6.5M</b>	25+ years
60 yrs (couple)	Standard — Ksh 3M each	Ksh 420,000	<b>Ksh 7.0M</b>	30+ years

## Tax Benefits of PRMF

The Tax Laws (Amendment) Act, 2024, which came into force in December 2024, introduced powerful tax incentives specifically for PRMF contributions. This makes the PRMF one of the most tax-efficient retirement planning structures available in Kenya today.

### PRMF Tax Benefits at a Glance

- Contributions up to Ksh 15,000/month (Ksh 180,000/year) are fully tax-deductible from taxable income
- All investment income earned within the PRMF is tax-exempt
- Disbursements from PRMF used for medical expenses are tax-exempt
- Can be combined with existing pension contribution deductions (Ksh 30,000/month)
- Medical insurance premiums paid by beneficiaries from PRMF may additionally qualify for 15% insurance relief (up to Ksh 60,000/year)

### Practical Tax Savings Example

Scenario: A retiree earning Ksh 600,000/year from occasional consultancy, making PRMF contributions:

Item	Amount
Gross consultancy income	Ksh 600,000
Less: PRMF contribution deduction	(Ksh 180,000)
Taxable income	Ksh 420,000
Tax saved (at 25–30% marginal rate)	Ksh 45,000 – Ksh 54,000/year
Additional: potential insurance relief	Up to Ksh 60,000/year
<b>Total potential tax benefit</b>	<b>Up to Ksh 114,000/year</b>

*How to claim: PRMF deductions are claimed via your annual i-Tax return. Proper documentation of contributions from your RBA-registered scheme is required.*

### Regulatory Framework & Compliance

The PRMF is a fully regulated, legally established savings arrangement — not a private scheme or ad-hoc investment. Your funds enjoy the full protection of Kenya's financial regulatory environment.

Regulation / Authority	What It Means for You
<b>Retirement Benefits Act</b>	PRMF established under legal statute — your savings are protected
<b>RBA Regulations 2023</b>	Retirement Benefits (Post-Retirement Medical Funds) Regulations 2023 formally govern structure, administration, and access
<b>Tax Laws Amendment Act 2024</b>	Ksh 180,000/year contribution deduction, tax-exempt investment income, tax-exempt disbursements for medical use
<b>IRA Licensing</b>	All insurance products used within PRMF from IRA-licensed insurers — full consumer protection applies

### Trust / Scheme Structure

Funds ring-fenced within RBA-registered scheme; legally separate from advisor, employer, or any third party

## How to Access PRMF Benefits

Under RBA Regulations 2023, you may access your PRMF in any of the following ways:

- Retain funds in PRMF and withdraw annually to purchase medical cover
- Use funds directly to offset medical bills (hospital admissions, specialist care)
- Transfer the full accumulated amount to a medical cover provider for lifetime coverage
- Purchase a medical annuity to pay premiums automatically

Benefits become payable on **retirement**, **resignation**, or **death**. In the event of death, nominated beneficiaries receive the full fund value.

## Key Benefits of PRMF

- Uninterrupted Healthcare – seamless transition from employer to individual cover
- Lifetime Premium Coverage – investment returns pay premiums for 20-30+ years
- Capital Preservation – your principal grows while paying premiums
- Inflation Protected – portfolio returns offset medical inflation
- Estate Legacy – unused capital transfers to heirs
- Tax Benefits – PRMF contributions qualify for tax deduction (Ksh 15,000/month or Ksh 180,000/year)

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## YOUR RETIREMENT SITUATION

### Typical Pre-Retiree Profile:

- Age: 58-65 years
- Career: 25-35 years with employer medical benefits
- Retirement Lump Sum: Ksh 5M - Ksh 20M expected
- Current Coverage: Comprehensive employer group medical scheme
- Pension Income: Ksh 80,000 - Ksh 200,000/month
- Health Status: Generally good, possibly chronic conditions (diabetes, hypertension, arthritis)

### What Happens at Retirement:

#### Last Day of Work:

- Employer medical cover terminates (some extend 1-3 months)
- You and spouse/dependents suddenly uninsured
- Any ongoing treatment at risk of interruption

### **Immediate Challenge:**

- Individual senior medical insurance quotes: **Ksh 180,000 - Ksh 400,000/year**
- Pre-existing conditions may increase premiums 30-50%
- Some insurers deny coverage above age 65-70
- Waiting periods restart (12 months for chronic conditions)

### **Long-Term Problem:**

- Medical premiums increase 10-15% annually
- Year 1: Ksh 200,000 (11% of Ksh 1.8M pension)
- Year 10: Ksh 450,000 (25% of pension)
- Year 20: Ksh 800,000+ (44% of pension)
- **Result: Unsustainable—coverage dropped, medical bankruptcy risk**

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## **WHY PRMF IS YOUR BEST SOLUTION**

### **The Mathematics of Retirement Healthcare**

#### **Option A: Pay from Pension (Traditional Approach)**

Pension income: Ksh 150,000/month = Ksh 1,800,000/year

Medical premium Year 1: Ksh 200,000 (11% of income)

Medical premium Year 15: Ksh 600,000 (33% of income)

Other expenses: Ksh 1,200,000 - Ksh 1,800,000/year

**Result: Forced to drop coverage by Year 10-12**

#### **Option B: Post-Retirement Medical Fund (PRMF)**

One-time capital from lump sum: **Ksh 5,000,000**

Conservative investment return: 12% = **Ksh 600,000/year**

Medical premium paid: Ksh 200,000 (Year 1)

Surplus reinvested: Ksh 400,000

**Result: Premiums paid for life, capital grows to Ksh 12M+ over 25 years**

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## **MY ROLE AS YOUR INDEPENDENT FINANCIAL ADVISOR:**

- Compare providers to find best rate (in line with your coverage needs) and terms
- Handle paperwork
- Ensure beneficiary designations are legally correct (prevents disputes)
- Provide claims support when needed most
- Assist with tax relief claims on i-Tax

## No Advisory Fees:

You pay nothing for my services - providers pay me a commission. You pay the same premium direct or through me—but gain expert guidance, needs analysis, and claims advocacy.

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# REAL CLIENT SUCCESS STORY

## Mr. Kamau - Retired Banking Executive (Age 60)

### Situation at Retirement:

- 30 years banking career, retiring at 60
- Excellent employer medical cover ending
- Retirement lump sum: Ksh 8.5M
- Monthly pension: Ksh 120,000
- Pre-existing conditions: Diabetes, hypertension (well-managed)
- Spouse also covered under employer plan (ending)

### Initial Shock:

Individual senior medical insurance quotes for couple:

- Provider A: Ksh 380,000/year
- Provider B: Ksh 420,000/year
- Some providers refused due to pre-existing conditions

### Traditional Approach Would Mean:

- Year 1: Pay Ksh 380,000 from pension (26% of annual income)
- Year 10: Pay Ksh 800,000+ (55% of income)
- Likely forced to drop coverage by Year 8-10
- Risk catastrophic medical expenses

### PRMF Solution Implemented:

#### Capital Allocation:

- PRMF: **Ksh 5,000,000** (59% of lump sum)
- Emergency fund: Ksh 1,500,000
- Home renovation: Ksh 1,000,000
- Investment buffer: Ksh 1,000,000

#### PRMF Structure:

- Conservative investment portfolio established
- Target return: 12% annually = Ksh 600,000
- Provider A comprehensive couple plan selected: Ksh 380,000/year
- Policy activated before retirement (no waiting periods, pre-existing covered)

## Results After 5 Years (Age 65):

- All medical premiums paid from investment returns (now Ksh 480,000/year)
- Annual returns: Ksh 720,000 (fund grew to Ksh 6.2M)
- Surplus Ksh 240,000/year reinvested
- **Zero impact on pension income—used entirely for living**
- Healthcare secured for life without stress

## Tax Benefit Realized:

Mr. Kamau still does occasional consulting (Ksh 400,000/year). His PRMF contributions provide:

- Tax deduction: Ksh 180,000/year
- Tax savings (30% rate): Ksh 54,000/year
- This further reduces the effective cost of his healthcare security

## Mr. Kamau's Reflection:

*"Setting up the PRMF was the smartest retirement decision I made. My friends are struggling with medical costs, cutting coverage, or burning through savings. I sleep knowing my health is covered, my pension is for living, and I'm still leaving my children over Ksh 10M when I'm gone. Plus, the tax deduction on PRMF contributions saves me thousands every year."*

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## COMMON QUESTIONS

### Q: How much of my lump sum should go to PRMF?

A: Typically, 30-50%. Healthcare is your most critical retirement expense. Rule of thumb: If your lump sum is Ksh 10M, allocate Ksh 4-5M to PRMF.

### Q: What if my employer offers extended retirement medical cover?

A: Some employers offer 1-5 years post-retirement cover. Great! This delays your PRMF activation and allows more capital growth (allows your capital more time to compound). We coordinate the transition to ensure zero coverage gaps.

### Q: Can I set up PRMF after I've already retired?

A: Yes, but acting quickly is critical. Medical underwriting may be stricter, premiums higher, and waiting periods longer. The sooner you act, the better the outcome.

### Q: What if I have pre-existing conditions?

A: Apply for your individual medical policy 3–6 months (*best 12 months!*) before retirement, while still employed. This dramatically improves approval rates and often allows pre-existing conditions to be covered without extended waiting periods.

**Q: What happens to my capital if I die early?**

A: Your full fund (often significantly grown) passes to your nominated beneficiaries. They receive both the security of your healthcare provision and a substantial financial inheritance.

**Q: Can PRMF cover my spouse even if they weren't on my employer plan?**

A: Yes. We design PRMF to cover you, your spouse, and even dependent children/parents if needed. Capital requirements adjust accordingly.

**Q: What if investment returns drop below expectations?**

A: We build conservatively — we target 12% but only need 10% to sustain premiums. Portfolios are rebalanced annually. In a worst-case scenario, a small capital draw is still far superior to paying all premiums from your pension.

**Q: Is PRMF only for the wealthy?**

No. If your retirement lump sum is Ksh 5M or more, you can and should establish a PRMF. It is about smart allocation, not total wealth. Even allocating Ksh 3M creates a meaningful lifetime medical fund.

**Q: How do I claim the PRMF tax deduction?**

A: Claim it when filing your annual tax returns (i-Tax system):

- Maximum deduction: Ksh 15,000/month (Ksh 180,000/year)
- Requires documentation of PRMF contributions
- Can be combined with pension contribution deductions (Ksh 30,000/month)

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## YOUR NEXT ACTION

### Your Retirement Healthcare Starts Now

If you just started working, have been working or you're within 24 months of retirement, **this is your most critical planning priority**. Every month of delay means:

- Higher medical premiums due to age
- Less time for portfolio returns to compound
- Risk of medical events before coverage secured
- Potential denial of coverage due to age/conditions
- Missing out on valuable tax deductions (Ksh 180,000/year)

## Get Your Custom Quote Now - Contact Me Today

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*"Your employer medical cover ends the day you retire. Your healthcare needs don't. A Post-Retirement Medical Fund ensures you enjoy retirement with health and dignity—without depleting your savings. Plus, you'll benefit from valuable tax deductions every year." - **Simon Muchiri, Comely Global Insurance Agency Ltd***

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