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ENDOWMENT INSURANCE

Save Systematically, Get Life Protection, Receive Guaranteed Maturity Benefit



For Disciplined Savers with Medium-Term Goals

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EXECUTIVE SUMMARY

Your Challenge:

You have medium-term financial goals (10-20 years): buying land, building a home, starting a business, funding a major life event. You need to save systematically but lack discipline. Regular savings accounts tempt withdrawals. You also need life insurance to protect your family. Can one solution address both needs?

The Common Problem:

- Start saving enthusiastically, then dip into funds for "emergencies"
- Money in bank account feels accessible—spent on non-essentials
- No forced savings mechanism
- Life insurance purchased separately (if at all)
- Goals remain unmet year after year

Our Solution: Endowment Insurance

A hybrid product combining **disciplined savings + life insurance protection + guaranteed maturity benefit**. You commit to fixed contributions (10-20 years). If you die during the term, your family receives the full maturity amount immediately. If you live, you receive your contributions + bonuses at maturity. Either way, your goal is achieved.

Key Benefits

- Forced Savings – commitment mechanism prevents casual withdrawals
- Life Insurance Protection – family receives maturity benefit even if you die early
- Guaranteed Returns – 5-7% base returns + bonuses (7-9% total)
- Tax-Free Maturity – receive full benefit without tax deductions
- Dual Purpose – protection + wealth accumulation in one product
- Premium Tax Relief – 15% relief on premiums (max Ksh 60,000/year) for qualifying policies

Investment

From Ksh 5,000/month for 10-20 years = Ksh 1M-3M maturity benefit. **Note:** This is indicative rate, actual premiums vary by age, health, provider and other premium factors.

Who This Is for:

Salaried employees, disciplined savers with 10-20 year goals, people needing forced savings mechanisms, those wanting life protection + savings combined.

TAX BENEFITS

Insurance Premium Relief (Section 31, Income Tax Act - Updated Dec 2024)

15% relief on endowment insurance premiums:

Requirements for Tax Relief:

- Policy must be for yourself, your spouse, or child
- Relief rate: 15% of premiums paid
- Maximum relief: Ksh 5,000 per month (Ksh 60,000 per annum)
- Applies to life insurance policies (including endowment)

Practical Example:

- Annual endowment premium: Ksh 144,000 (Ksh 12,000/month)
- Tax relief (15% of Ksh 144,000): Ksh 21,600
- **Effective premium after relief: Ksh 122,400**

Maturity Benefit - Tax Free

Important: The maturity benefit you receive is paid **completely tax-free**. Whether it's Ksh 1 million or Ksh 5 million, you get the full amount with no deductions.

Combined Tax Benefits:

- **During accumulation:** 15% relief on premiums (save up to Ksh 60,000/year)
- **At maturity:** Entire benefit received tax-free
- **If you die early:** Full maturity benefit paid tax-free to family

YOUR SITUATION & GOALS

Typical Client Profile:

- Age: 25-45 years
- Income: Ksh 80,000-400,000/month
- Goal: Land purchase, home construction, business capital, retirement supplement
- Timeline: 10-20 years
- Challenge: Struggle with savings discipline, need life protection

Common Medium-Term Goals (10-20 Years):

Goal	Amount Needed	Timeline	Challenge
Land Purchase (1/4 acre, outskirts)	Ksh 2-4M	10-15 years	Saving Ksh 15-25K/month consistently
Home Construction (3BR)	Ksh 4-6M	12-18 years	Accumulating capital without borrowing
Business Capital	Ksh 2-5M	10-15 years	Avoiding premature withdrawals
Retirement Supplement	Ksh 3-8M	15-20 years	Long-term discipline needed
Children's Wedding Fund	Ksh 1-3M	15-20 years	Systematic saving from when kids are young

Why Regular Savings Fail.

The Pattern:

- Month 1-6: Save enthusiastically (Ksh 10K-20K/month)
- Month 7-12: "Emergency" arises—withdraw Ksh 150K
- Month 13-18: Rebuild savings slowly
- Month 19-24: Another "need"—withdraw again
- Year 5-10: Minimal progress, goal still distant
- Year 15: Goal abandoned or forced to borrow at high interest

What You Need.

A commitment device that:

- Prevents casual withdrawals
- Enforces discipline through structure
- Provides life insurance protection
- Guarantees your goal is met (whether you live or die)
- Offers tax relief to reduce effective cost

HOW ENDOWMENT INSURANCE WORKS

The Structure

Phase 1: Accumulation (10-20 Years)

- You commit to fixed contributions (monthly/annual)
- Contributions cannot be withdrawn (except surrender with penalties)
- Your fund grows with guaranteed bonuses (5-7% base + 2-3% additional)
- Life insurance protection active throughout term
- Annual tax relief reduces your effective cost by 15%

Phase 2: Maturity

- At end of term (e.g., 15 years), you receive:
 - All your contributions
 - Guaranteed bonuses accumulated
 - Possible terminal bonus (if insurer performed well)
- Lump sum paid **tax-free**

The Life Insurance Component.

If You Die During Term:

- Your family receives the **full maturity benefit immediately**
- No more premiums required from family
- Goal achieved despite your death

Example:

- Plan: Ksh 10,000/month × 15 years
- Total contributions planned: Ksh 1,800,000
- Projected maturity: Ksh 2,500,000
- **You die in Year 5** (paid only Ksh 600,000)
- **Family receives: Ksh 2,500,000** (not just Ksh 600K) - tax-free

This is the power of endowment: Your goal is protected whether you live or die.

Sample Illustration

Your Profile:

- Age: 35
- Goal: Accumulate Ksh 3M for land purchase
- Timeline: 15 years (by age 50)
- Monthly contribution: Ksh 12,000
- Annual premium: Ksh 144,000
- **Annual tax relief: Ksh 21,600**
- **Effective annual cost: Ksh 122,400**

Projections:

Year	Contributions (Annual)	Cumulative Paid	Fund Value (with bonuses)	If You Die (Family Gets)
1	Ksh 144,000	Ksh 144,000	Ksh 152,000	Ksh 3,000,000
5	Ksh 144,000	Ksh 720,000	Ksh 850,000	Ksh 3,000,000
10	Ksh 144,000	Ksh 1,440,000	Ksh 1,850,000	Ksh 3,000,000
15	Ksh 144,000	Ksh 2,160,000	Ksh 3,000,000	Ksh 3,000,000

Outcome:

- You contribute: Ksh 2,160,000
- Tax relief received (15 years): $\text{Ksh } 21,600 \times 15 = \text{Ksh } 324,000$
- **Net cost after relief: Ksh 1,836,000**
- Bonuses earned: Ksh 840,000
- **Maturity benefit: Ksh 3,000,000** (63% gain on net cost, tax-free)

ENDOWMENT vs OTHER SAVINGS OPTIONS

Comparison

Feature	Endowment	Bank Savings	Fixed Deposit	Sacco Shares	Unit Trust
Returns	7-9% guaranteed	3-5%	8-10%	8-12% (dividend)	10-15% (volatile)
Forced Savings	Yes (penalties for withdrawal)	No	Partial	Partial	No
Life Insurance	Yes	No	No	Limited	No
Liquidity	Low (penalties)	High	Low (term-based)	Moderate	High
Tax on Returns	Tax-free	15% WHT	15% WHT	Taxed	CGT
Premium Tax Relief	Yes (15%, max Ksh 60K/year)	No	No	No	No
Best For	Medium-term goals + protection	Emergency funds	Short-term (1-3 yrs)	Loan access needs	Long-term growth

When Endowment Makes Sense

- You struggle with savings discipline
- You have 10-20 year goal
- You need life insurance anyway
- You prefer guaranteed returns over volatility
- You value tax-free maturity benefit
- You want to benefit from tax relief during accumulation

When It Doesn't

- You need high liquidity (emergency fund)
- You're aggressive investor seeking 15%+ returns
- Short-term goals (under 5 years)
- You're highly disciplined saver already

COVERAGE STRUCTURE & PRICING

Popular Endowment Plans (2025 Market)

Monthly Contribution	Term	Total Paid	Maturity Value (Est.)	Effective Return	Tax Relief (Total)	Net Cost
Ksh 5,000	15 years	Ksh 900,000	Ksh 1,250,000	8.1% p.a.	Ksh 135,000	Ksh 765,000
Ksh 10,000	15 years	Ksh 1,800,000	Ksh 2,500,000	8.3% p.a.	Ksh 270,000	Ksh 1,530,000
Ksh 15,000	20 years	Ksh 3,600,000	Ksh 5,400,000	8.5% p.a.	Ksh 540,000	Ksh 3,060,000
Ksh 20,000	20 years	Ksh 4,800,000	Ksh 7,200,000	8.5% p.a.	Ksh 720,000	Ksh 4,080,000

Returns shown are illustrative based on historical performance. Actual bonuses vary by insurer performance.

What Affects Your Returns

Guaranteed Benefits (Contractual):

- Base guaranteed sum assured (typically 100-110% of contributions)
- Minimum guaranteed bonuses (usually 4-5% p.a.)

Non-Guaranteed Benefits (Performance-Based):

- Reversionary bonuses (additional 2-4% p.a. if insurer performs well)
- Terminal bonus at maturity (0-10% if strong performance)

Total Returns:

- Conservative estimate: 7-8% p.a.
- Optimistic (strong market): 9-11% p.a.
- Historical average (Kenya): 8-9% p.a.

Flexibility Features

Premium Payment Options:

- Monthly (most common—easier cash flow)
- Quarterly (good for business owners)
- Semi-annual
- Annual (5-8% discount typically)

Premium Holiday:

- After 3 years, some plans allow 1-2 missed payments
- Policy remains active (reduces maturity benefit proportionally)

Partial Withdrawals (After Year 5):

- Some plans allow up to 50% withdrawal after 5 years
- Reduces final maturity benefit
- Useful for genuine emergencies

Surrender Option:

- Can exit plan before maturity (after 2-3 years)
 - Receive surrender value (contributions + partial bonuses - charges)
 - Typically lose 20-40% of value if surrendering early
 - **Not recommended unless absolutely necessary**
-

MY ROLE AS YOUR INDEPENDENT FINANCIAL ADVISOR

- Help you calculate your contribution needed to reach your specific goal
- Compare providers based on bonus history and financial strength
- Handle all applications and medical requirements (if any)
- Monitor policy performance annually
- Assist with maturity claims processing
- Help you claim annual tax relief on iTax

No Advisory Fees:

You pay nothing for my services - providers pay my commission. You pay the same premium direct or through me—but gain expert goal planning and ongoing policy monitoring.

REAL CLIENT SUCCESS STORIES

Case 1: Joseph— Land Purchase Achieved

Starting Point (Age 32):

- Goal: Buy 1/4-acre plot in Kiambu (estimated Ksh 2.5M in 15 years)
- Monthly contribution: Ksh 10,000
- Annual premium: Ksh 120,000
- Endowment plan: 15 years with Britam
- Total to pay: Ksh 1,800,000
- **Annual tax relief: Ksh 18,000**
- **Net annual cost: Ksh 102,000**

The Journey:

- Years 1-5: Consistent payments, sometimes tempted to "borrow" but couldn't (locked in)
- Year 6: Job loss for 4 months—struggled but maintained payments (knew goal at risk)
- Years 7-12: Salary increased, considered increasing contribution but maintained discipline
- Years 13-15: Final stretch, watched fund grow
- **Total tax relief received: Ksh 18,000 × 15 = Ksh 270,000**

Maturity (Age 47):

- Total paid: Ksh 1,800,000
- Tax relief received: Ksh 270,000
- **Net cost: Ksh 1,530,000**
- Bonuses accumulated: Ksh 720,000
- **Maturity payout: Ksh 2,520,000** (tax-free)
- Purchased 1/4-acre plot in Kiambu: Ksh 2,400,000 (land prices had risen but fund kept pace)
- Remaining Ksh 120K used for land preparation

Joseph's Reflection:

"I'd tried saving in bank for 5 years—never worked. Always 'emergencies.' The endowment locked my money away, which frustrated me at first. But that's exactly what I needed. The tax relief of Ksh 18,000 every year was a bonus—saved me Ksh 270,000 total. After 15 years, I bought my land cash. No loans. No stress. If I had died in year 3, my family would still have gotten the full Ksh 2.5M. Best financial decision I ever made."

Case 2: Mary – The Plan That Protected Her Children

Starting Point (Age 29):

- Single mother, 2 young children
- Goal: Business capital for salon (Ksh 1.5M)
- Monthly contribution: Ksh 7,000
- Annual premium: Ksh 84,000
- Endowment plan: 12 years with Old Mutual
- Total to pay: Ksh 1,008,000
- **Annual tax relief: Ksh 12,600**

The Tragedy: Mary died in car accident at age 36 (Year 7 of plan)

What She'd Paid: $\text{Ksh } 7,000 \times 12 \times 7 = \text{Ksh } 588,000$ **only Tax relief received:** $\text{Ksh } 12,600 \times 7 = \text{Ksh } 88,200$ **Net cost before death:** Ksh 499,800

What Family Received:

- **Full maturity benefit paid immediately: Ksh 1,500,000** (tax-free)
- Life insurance component activated
- No more premiums required

Outcome:

- Children's guardian (Mary's sister) received Ksh 1.5M
- Used Ksh 800K to open the salon Mary dreamed of
- Salon profits support children's education and upkeep
- Remaining Ksh 700K invested for children's future
- **Mary's dream achieved despite her death**

Sister's Testimony:

"Mary talked about that salon for years. When she died, I thought the dream died too. Then the insurance company paid the full Ksh 1.5M even though she'd only paid half—and she'd saved Ksh 88,200 from tax relief while paying. We opened the salon in her name. It supports her kids. She's still providing from heaven."

Case 3: David & Jane – Retirement Supplement Fund

Starting Point:

- David (age 40) and Jane (age 38), both employed
- Goal: Retirement supplement (Ksh 5M by age 60)
- Combined contribution: Ksh 15,000/month
- Annual premium: Ksh 180,000
- Endowment plan: 20 years with Jubilee
- **Annual tax relief: Ksh 27,000**
- **Net annual cost: Ksh 153,000**

The Strategy:

- Started early (age 40—gives 20 full years)
- Disciplined monthly contributions
- Never touched funds despite life events (daughter's wedding, son's overseas education)
- Trusted the process
- **Total tax relief: Ksh 27,000 × 20 = Ksh 540,000**

Maturity (Age 60):

- Total paid: $\text{Ksh } 15,000 \times 12 \times 20 = \text{Ksh } 3,600,000$
- Tax relief received: Ksh 540,000
- **Net cost: Ksh 3,060,000**
- Bonuses accumulated (7.8% avg): Ksh 1,850,000
- Terminal bonus: Ksh 350,000
- **Total maturity: Ksh 5,800,000** (tax-free, exceeded goal!)

Used for:

- PRMF setup: Ksh 4,500,000 (generates Ksh 540K annually for medical premiums)
- Home renovations: Ksh 800,000
- Emergency fund: Ksh 500,000

David's Wisdom:

"Everyone asks where we got Ksh 5.8M at retirement. Secret? We started at 40, paid Ksh 15K monthly for 20 years, never touched it. The 'lock-in' was frustrating sometimes, but that's exactly what made it work. The tax relief saved us Ksh 540,000—that's 3 years of premiums free! Our friends who saved in bank accounts have maybe Ksh 500K-800K to show. We have Ksh 5.8M. Discipline, compounding, protection, and tax relief—endowment gave us all four."

WHEN ENDOWMENT IS RIGHT (AND WRONG) FOR YOU

Choose Endowment Insurance If:

- You struggle with savings discipline
- You have clear medium-term goal (10-20 years)
- You need life insurance protection anyway
- You prefer guaranteed returns over volatility
- You're comfortable locking money away
- You value tax-free maturity benefit
- Your goal amount is achievable with 7-9% returns
- You want to benefit from annual tax relief (15% savings)

Consider Alternatives If:

- You need high liquidity (emergency fund)
 - Short-term goals (under 5 years)
 - You're aggressive investor seeking 15%+ returns
 - You're highly disciplined saver already (unit trusts may be better)
 - You may need funds before maturity
 - You have existing adequate life insurance
-

FREQUENTLY ASKED QUESTIONS

Q: What if I can't pay premiums for a few months?

A: Grace period (30-60 days). After that, policy lapses unless you have premium holiday provision. Can be reinstated within 6-12 months with penalties.

Q: Can I increase contributions later?

A: Generally no. You'd need to start a new policy. Better to start with realistic amount you can sustain.

Q: What if I need money urgently before maturity?

A: Options: (1) Partial withdrawal (if allowed—reduces maturity), (2) Policy loan (borrow against surrender value), (3) Full surrender (lose 20-40% of value). All have costs.

Q: Are bonuses guaranteed?

A: Base bonuses (4-5%) are contractually guaranteed. Additional bonuses (2-4%) depend on insurer performance but have been historically consistent.

Q: What if insurer goes bankrupt?

A: Insurance Regulatory Authority (IRA) protects policyholders. Choose AA-rated insurers to minimize risk.

Q: How is endowment different from pension/retirement schemes?

A: Pension contributions are tax-deductible but locked until retirement. Endowment contributions get 15% relief but mature at your chosen timeline (flexible) and include life insurance.

Q: Can I have multiple endowment policies?

A: Yes. Many people have one per goal (land, business, retirement supplement). Each qualifies for tax relief up to combined max of Ksh 60,000/year.

Q: Is medical exam required?

A: Usually only if contribution is very high (Ksh 20,000+/month) or you have health concerns.

Q: How do I claim the tax relief?

A: Claim when filing annual tax returns on iTax:

- Relief: 15% of premiums paid
- Maximum: Ksh 5,000/month (Ksh 60,000/year)
- Keep premium payment receipts and policy documents
- Can be claimed for policies on self, spouse, or child

Q: Are maturity proceeds taxed?

A: No. Maturity proceeds are received completely tax-free.

YOUR NEXT STEP

Your Medium-Term Goal Starts with One Decision

The Pattern You Want to Break:

- "I'll start saving seriously next year" → Never happens
- "I'll save in my bank account" → Always find reasons to withdraw
- "I'll invest in X" → Market volatility scares you away
- **Result: 10 years pass, goal still distant**

The New Pattern:

- Start endowment plan today
- Automate monthly contributions
- Benefit from 15% tax relief annually
- Forget about it (locked in—can't withdraw anyway)
- **Result: 10-20 years pass, goal achieved automatically**

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Contact Me Today

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"Your goals deserve more than good intentions. They deserve a commitment mechanism that works whether you live or die. Endowment insurance is forced savings with life protection—the discipline you need with the security your family deserves. Plus, with 15% tax relief, you'll save significantly every year." - Simon Muchiri, Comely Global Insurance Agency Ltd

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