

GREENTHOS CAPITAL NEWSLETTER

June 2024

MARKET &
ECONOMIC
UPDATE

ESSENCE OF WILLS;
IT IS NEVER TOO
EARLY

FAMILY/HERITAGE
TRUSTS

TRUSTS IN TIMES
OF
INCAPACITATION



MARKET & ECONOMIC UPDATE

The current market and economic conditions present numerous opportunities across various sectors, promising significant growth potential. Below we look briefly at where things stand now, and what we can expect in the next 12 months.

Inflation figures

According to the Uganda Bureau of Statistics, the inflation rate in Uganda increased to 3.90% percent in June of 2024. This simply means that the purchasing power of the currency is further eroded. The main upward pressure came from prices of education (12.1% vs 11.1% in May); health (7.9% vs 7.5%); housing & utilities (6.2% vs 5.8%); recreation & culture (5.8% vs 5.9%); miscellaneous goods & services (5.2%, the

same rate as in May) and clothing & footwear (4.7% vs 4.2%). In contrast, prices decreased again for food & non-alcoholic beverages, albeit at a softer pace (-0.4% vs -0.9%). On a monthly basis, consumer prices were flat in June, after increasing by 0.2% in the prior month.

Stability of monetary indicators such as GDP

On March 6, 2024, BoU raised its policy rate to 10% from the 9.5% maintained since August 2023. The Bank of Uganda (BoU) – the central bank – tightened monetary policy in March 2024 to curb possible pass-through effects of a fast-depreciating shilling. According to the

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TAKE CHARGE OF YOUR FINANCIAL HEALTH



Welcome to our newsletter, where we explore vital aspects of estate planning and delve into Uganda's current economic state for the period ending June 2024. In this edition, we focus on the significance of early will planning, the role of family/heritage trusts in preserving generational wealth, and the practical use of trusts in cases of incapacitation.

Understanding the essence of wills is fundamental in securing your legacy. A will not only outlines how your assets should be distributed after your passing but also ensures your wishes regarding guardianship and charitable contributions are honored. Despite its importance, many delay drafting a will, often underestimating its role in providing clarity and minimizing potential disputes among beneficiaries.

Family/heritage trusts serve as essential tools in estate planning, designed to protect and manage family assets across generations. By establishing clear governance and appointing trustees, families can preserve wealth, promote responsible stewardship, and align financial strategies with shared values. These trusts safeguard assets from external claims and provide a framework for sustainable wealth management.

Moreover, trusts also play a critical role in preparing for unforeseen circumstances such as incapacitation. By appointing trustees to manage assets when individuals are unable to do so themselves due to physical or mental impairment, trusts ensure continuity in financial management and provide stability for dependents during challenging times.

In addition to exploring these estate planning essentials, we also provide a brief overview of Uganda's economic landscape. According to the Uganda Bureau of Statistics, the inflation rate in Uganda increased to 3.90% percent in June of 2024. This simply means that the purchasing power of the currency is further eroded.

Join us as we delve into these crucial topics, providing insights and strategies to empower you in navigating estate planning decisions and understanding Uganda's economic dynamics. Stay informed, stay empowered, and let us guide you through the complexities of securing your financial future and preserving your legacy.

GLORIA KAMBEDHA, CFA

THE ESSENCE OF WILLS – IT IS NEVER TOO EARLY

A will is a legal document authored by an individual, which explicitly delineates the distribution of their assets to designated beneficiaries. Additionally, it can include personal wishes such as preferred burial arrangements.

Wills have long been utilized as a crucial mechanism for bequeathing property, grounded in the adage that "a dead man tells no tales." In other words, the deceased cannot voice their intentions, making the will an essential tool for ensuring their wishes are honored.

Despite the importance of wills, many people dread the idea of writing one. This reluctance often stems from the misconception that drafting a will is akin to inviting an untimely demise, or from a belief that there is ample time left to address such matters. However, the unpredictability of life means that "time and tide wait for no man." The exact moment of our departure is unknown, emphasizing the necessity of being prepared at all times.

The Importance of Wills.

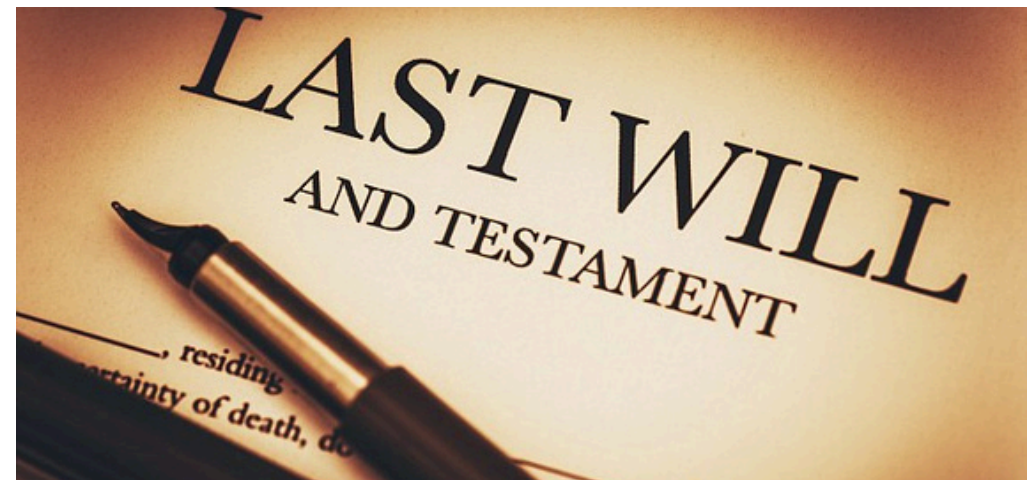
Professionally written and legally compliant wills offer numerous advantages, providing peace of mind for both the individual and their loved ones. These advantages include:

1. Avoiding Intestacy Laws: Without a will, an individual's estate is distributed according to the Law of Intestacy. This legal framework may not align with the deceased's wishes, potentially resulting in unintended beneficiaries or excluding those the deceased wished to provide for. r financially vulnerable during a period of mourning.

2. Protecting Non-Marital Partners: In many jurisdictions, non-marital partners do not have the same legal standing as married spouses in inheritance matters. A will can ensure that these partners are provided for, safeguarding their financial future and honoring the deceased's wishes. In Uganda, where cohabitation is common, a will can prevent the surviving partner from being left at the mercy of judicial interpretation regarding their inheritance rights.

3. Ensuring Child Welfare: For parents, a will is essential for appointing guardians for minor children. This legal directive ensures that children are cared for by chosen individuals, preventing potential disputes and the involvement of state authorities. This is particularly important for parents who wish to ensure their children's well-being and stability in the event of their untimely demise.

4. Minimizing Family Disputes: Clearly articulated wishes in a will can prevent disputes among surviving family members. By specifying asset distribution and personal wishes, a will reduces ambiguity and potential conflicts, ensuring a smoother transition during a challenging time.



5. Expediting the Probate Process: A well-drafted will can expedite the probate process, reducing the time and expense associated with estate settlement. This efficiency benefits the beneficiaries by providing quicker access to the inherited assets.

The Changing Landscape of Wealth Distribution

In contemporary Uganda, an increasing number of individuals, including women, are attaining gainful employment and acquiring wealth. This shift underscores the need for meticulous estate planning to ensure assets are distributed according to the individual's wishes. The empowerment of women and their growing property rights necessitate the use of wills to protect and manage their assets effectively.

The Urgency of Drafting a Will

Procrastination in drafting a will can lead to significant complications. Without a will, an individual's estate is subject to default legal procedures, which may not reflect their personal wishes. This could result in loved ones being excluded from inheritance, or assets being distributed in a manner that the deceased would not have approved.

What to do

Consult Professionals: Engage with estate planning professionals to draft a will that complies with legal standards and accurately reflects your wishes. Professional guidance ensures the document is legally binding and less likely to be contested.

The process will entail listing assets clearly specifying how you want your assets distributed and appointing executors and guardians in case or minors.

Note

Life circumstances change, and so should your will. Regularly review and update your will to reflect significant life events, such as marriages, divorces, births, and deaths.

The unpredictability of life underscores the importance of being prepared. By creating a will, you take control of your estate, prevent legal complications, and provide peace of mind for yourself and your family.

Market Update

MARKET & ECONOMIC UPDATE

Continued

Uganda Bureau of Statistics (UBOS), preliminary estimates indicate that the economy grew by 6.0 percent, compared to a revised growth rate of 5.3 percent in FY 2022/23. Real GDP is projected to grow by 6.4 percent in FY2024/25. This is an improvement from the 6 percent growth estimates for FY 2023/24.

Fixed Income

The fixed income sector is witnessing remarkable growth. In a bid to finance 38% of its 2024-2025 budget through internal debt, the government of Uganda is expected to continue issuing bonds at favorable rates, creating a lucrative avenue for fixed income investors. It is worth noting that international rating agencies have downgraded Uganda's bonds from B2 to B3. This downgrade is a response to the government's increased issuance of high-rate bonds, surpassing 15%. While this introduces a cautionary note for investors, the attractive rates still present opportunities for those willing to navigate the risks.

Public Equities

The Uganda Stock Exchange (USE) has been vibrant, offering unique investment opportunities. The recent listing of 7% of MTN Uganda shares has been a significant highlight. Investors who seized the opportunity to buy shares in the second IPO of MTN in May 2024, gained extra shares valued at approximately 21.25% of their total investment. Additionally, MTN is expected to pay dividends of about 15% this year, with a 4% payout to shareholders by the end of June. These returns total to approximately 36.25%.

The performance of listed companies on the USE has been noteworthy. In the last quarter:

Stanbic Uganda: Share value increased by 13.6%.

Bank of Baroda Uganda: Shares grew by an impressive 33.3%.

KCB: Shares rose by 14.9%.

Centum Investments: Experienced modest growth of 0.05%.

Airtel: Despite a 17.7% decline in Airtel's share value this quarter, which reflects market stabilization to values closer to those at which large institutional investors like NSSF bought, the overall company fundamentals remains positive.

UMEME: despite its impending exit in 2025 due to the government's decision not to renew its contract, has increased shareholder value by 15%. This demonstrates the company's resilience and potential for short-term gains before its operations cease.

Our investment strategy

Our asset allocation strategy considers various factors and opportunities within different asset classes. We continue to see and take advantage of opportunities in fixed income and are deploying capital accordingly. We have also identified selective investment opportunities within the property space. Overall, market performance will heavily depend on the interplay between economic growth, inflation, and economic policy framework.



FAMILY/ HERITAGE TRUSTS

Family is a cornerstone of our lives. Most of us are part of a family, and many of us hope to start our own someday. The bond of family is unique, forged by shared DNA and blood ties. In today's rapidly changing world, maintaining these family connections can be challenging as families often live farther apart than they did in the past. Children frequently move from rural areas, leaving family/ ancestral land and properties to which identity is often tied vulnerable to other relatives or choosing to sell it, thereby erasing traditional ties that had previously stood the test of time. This is one of the instances where family and heritage trusts come into play.

Family/heritage trusts are legal arrangements where family property and assets are placed in a trust, managed by a board of trustees. The family members are beneficiaries of the trust, ensuring that the assets are preserved and passed down through generations. The primary goal of these trusts is to maintain family heritage and wealth over a long period. This arrangement prevents the fragmentation of family assets and ensures they are managed professionally and responsibly.

How Family Trusts Work

- **Establishing the Trust.** The process begins with the creation of a trust document, which outlines the terms and conditions under which the trust operates. This document specifies the assets included in the trust, the trustees, and the beneficiaries.
- **Board of Trustees.** A board of trustees is appointed to manage the trust. This board typically includes family members and professional independent trustees such as estate planning companies. The combination of family members and independent professionals ensures accountability and expertise in managing the trust.
- **Asset Management.** The trustees are responsible for managing the trust assets. This includes maintaining properties, investing funds, and ensuring that the assets grow over time. Professional trustees bring financial expertise and experience, making informed investment decisions that enhance the value of the trust.
- **Distribution of Benefits.** The beneficiaries, usually family members, receive benefits from the trust as specified in the trust document. These benefits can be in the form of income generated by the trust assets or direct access to the assets themselves, depending on the terms set out in the trust.

Benefits of Family Trusts

- i) Placing assets in a trust prevents their sale or mismanagement, preserving the family's heritage for future generations.
- ii) Family trusts benefit from professional trustees who effectively manage and grow the assets for long-term family benefits.
- iii) Trusts protect assets from creditors' claims against individual family members, keeping family wealth secure.
- iv) Trusts provide continuity and stability in asset management, maintaining consistent oversight even after the original owners' death.
- v) Trusts offer financial support to family members for education, healthcare, and other significant expenses, ensuring their well-being.

Every family should consider creating a family or heritage trust to safeguard their legacy and promote long-term financial stability. By taking this step, families can ensure that their assets are protected, professionally managed, and preserved for future generations, thus maintaining the family's heritage and wealth over time.

TRUSTS TO THE RESCUE: INCAPACITATION

When discussing safety nets for our loved ones, we often think about scenarios related to death, or even during life such as savings, insurance policies or retirement schemes. Rarely do we consider the possibility of incapacitation—a time when you are alive but unable to effectively carry out your daily duties or communicate your wishes.

Incapacitation can take various forms, including physical disability, mental illness, or severe injury, and can last for extended periods. This situation raises critical questions: What happens to your assets during this time? Who takes care of your children, dependents, and other loved ones while you recover? Does your wealth increase or decrease, and could it be managed better with the right estate planning tool in place?

Incapacitation refers to a condition where an individual is unable to manage their affairs due to physical or mental impairment. This can result from various causes, including accidents, strokes, degenerative diseases like Alzheimer's, or other medical conditions. During such times, individuals may not be able to make decisions about their finances, health care, or day-to-day responsibilities. The impact on the individual's family and estate can be profound, leading to financial instability, mismanagement of assets, and emotional stress for loved ones.

Trusts can be highly effective in managing an estate during periods of incapacitation. They provide a structured way to protect and manage your assets, ensuring that your wishes are honored even when you are unable to communicate them yourself.

This ensures the estate is managed without interruption during periods of incapacitation, offering continuity, protection, and professional management.

Benefits of Trusts in Cases of Incapacitation

- 1. Continuity and Stability:** Trusts ensure uninterrupted management of your estate according to your wishes even if you become incapacitated.
- 2. Protection of Assets:** Trusts safeguard assets from mismanagement and legal challenges, reducing risks during periods of incapacity.
- 3. Provision for Dependents:** Trusts ensure regular distributions for dependents' living expenses, education, and healthcare during your incapacitation.
- 4. Avoidance of Guardianship:** Trusts eliminate the need



for a court-appointed guardian by having a pre-designated trustee manage your assets.

5. Privacy: Trusts keep your financial affairs confidential, as their details do not become public record like wills.

6. Flexibility: Trusts can be tailored to various needs, allowing you to retain control while capable and seamlessly transferring management if incapacitated.

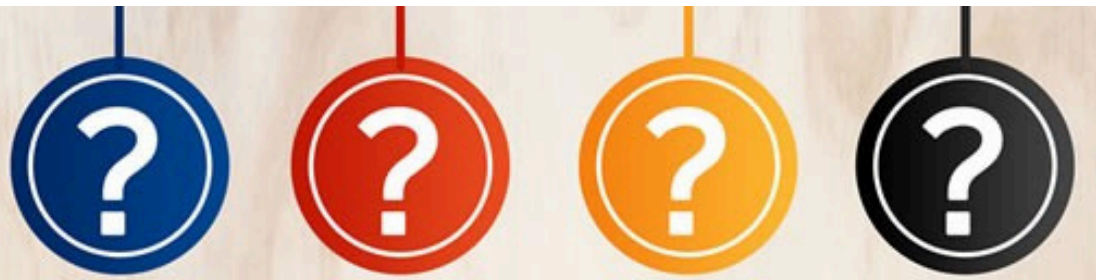
Incapacitation is an often-overlooked aspect of estate planning. However, it is crucial to consider how your assets will be managed and how your loved ones will be provided for if you are unable to make decisions due to physical or mental impairment. Trusts offer a robust solution, ensuring that your estate is managed professionally and according to your wishes, providing stability and support for your family during challenging times.

By taking proactive steps to establish a trust, you can protect your wealth, provide for your dependents, and maintain control over your financial affairs, even when you are not able to actively manage them yourself. Trusts are a versatile and effective tool in estate planning, offering numerous benefits and peace of mind in the face of life's uncertainties.

If you would like to know more about how to set up your estate plan, contact us on info@greenthos.com or call 0760200955.

FAQs

Frequently Asked Questions



1. When should I consider writing a will?

Answer: It is advisable to write a will as soon as you have assets or dependents to protect, regardless of age or health. Life is unpredictable, and having a will in place provides peace of mind and ensures your wishes are respected.

2. What does incapacitation mean in terms of estate planning?

Answer: Incapacitation refers to a situation where someone is alive but unable to manage their affairs due to physical or mental impairment, such as a serious injury, illness, or cognitive decline.

3. What are the benefits of using a trust during incapacitation?

Answer: Trusts provide continuity by allowing seamless management of your affairs if you're unable to do so yourself. They protect assets from mismanagement, ensure financial stability for your loved ones, and avoid the need for court intervention.

4. How does a family trust protect family assets?

Answer: By placing assets into a trust, they are shielded from personal debts and legal claims against individual family members. This protects family wealth and ensures it remains intact for future generations.

5. What steps are involved in establishing a family/ heritage trust?

Answer: Consult with an estate planning professional such as Greenthos Capital to draft a trust deed outlining your goals, appoint trustees, transfer assets into the trust, and educate family members about their roles and responsibilities within the trust structure.

6. What happens if I die without a will?

Answer: If you die without a will (intestate), state laws dictate how your assets are distributed. This may not align with your preferences and can lead to prolonged legal processes and potential family disputes. Some of your properties such as mobile money, bank balances e.t.c that are not public knowledge may go unclaimed.

7. How much money will I be charged to set up an estate plan at Greenthos Capital?

Answer: Estate plan set-up fees are structured on a case-by-case basis given the uniqueness of every estate. No estate amount is too high nor too low for the establishment of an estate plan.

DO NOT TAKE ANY CHANCES

Estate planning is something everyone should do. Not having a formal well defined plan in place is giving the courts of law control over your entire legacy. There is no one size fits all as estate plans comes in many shapes and sizes. Regardless of how much financial wealth you have (or don't have), if you plan to leave your children, dependents, friends, spouses, partners, etc anything at all, you should do everything you can to have a plan of transferring those assets to them. Your assets will transfer somehow, so why not have a plan in place?

Contact us for further inquiries

We invite you to be a part of Greenthos Capital to experience a new way of managing your wealth, for now and future generations.



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Our services focus on the transfer, preservation and management of assets across generations.

We create enduring value for our clients in the areas of estate/trust administration and management of asset interests.