A WHITE PAPER

Accelerating Wealth Creation For Middle-Class Africans & Diasporans

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Executive Summary

This White Paper is a publication of Volition Capital Investments Limited and Opportunik Global Fund. Its primary objective is to communicate our core investment thesis and philosophy on wealth creation, particularly as it relates to middle-class Africans, and their counterparts in the more affluent destination countries they emigrate to.

Our research shows that there are significant wealth gaps* between middle-class and mass affluent Africans and between people of Black Ethnicities (Diasporans) and other ethnicities.

To close the gaps and give the children of the middle-class valid paths to prosperity, there is a need for this demographic to create wealth at a rate that is 7-10x faster than their counterparts.

In our paper, we examine the middle-class and the dynamics that affect their capacity to create wealth, including income, assets, access to investment opportunities, and consumption patterns.

We then make an important case for the use of local investment clubs*, cross-border investments and remittances, as a means to accelerate wealth creation. Finally, recommendations are made on how middle-class Africans and diasporans can use transnational collective investments to grow wealth.

NOTES

1. Whereas the wage gap is the difference in earnings from labour among different races and ethnicities, the wealth gap describes the disparity of cumulative assets across races and ethnicities. This disparity results from differences in income and in the historical accumulation of assets across generations - Investopedia

2. In Africa, investment clubs are more commonly known as cooperatives.

About Volition Cap

Volition Capital Investments Limited (Volition Cap), is a game-changing asset manager based in Lagos, Nigeria. Its core mission is democratizing wealth for the African & Diasporan middle-class.

Licensed by the Securities & Exchange Commission (SEC) as a Fund Manager, the company's main distinction is having created an African-born fund management model using local investment clubs and remittance investing.

Core services include portfolio design, investment management and advisory for individuals, investment clubs, businesses and families.

As a part of its CSR initiatives, Volition Cap provides free investment courses.

Our core mission is democratizing wealth for the African & Diasporan middle class

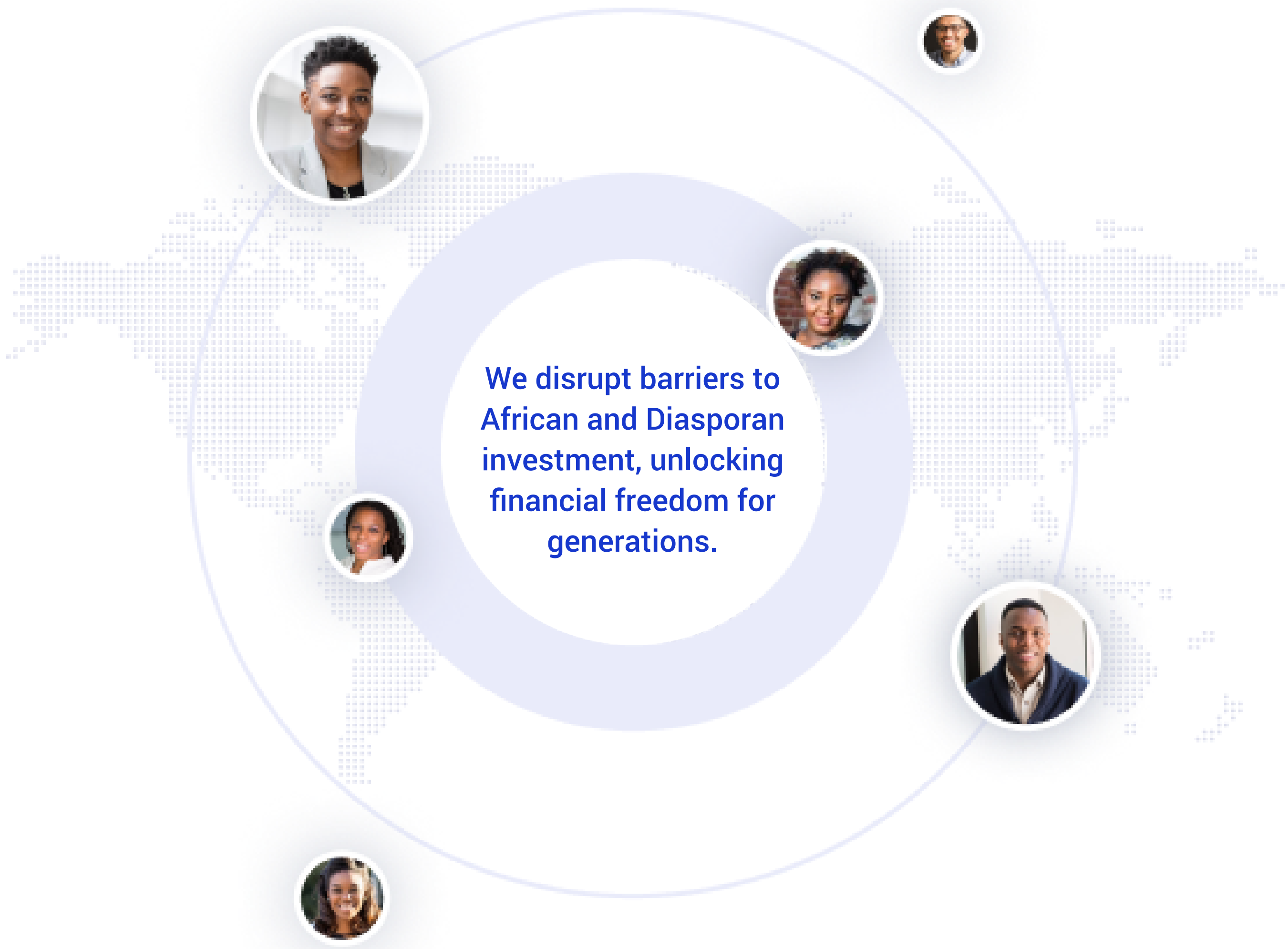
About Opportunik

Opportunik is the global fund for Africans.

It is a CIMA licensed private USD fund, administered by Accuvise, a registered administrator with over $216 million in assets.

Opportunik believes nothing should hold back the hardworking from achieving their dreams and is on a mission to make financial opportunities accessible to everyone, no matter where they are.

The company is led by a pan-African team of brilliant and driven professionals with a wealth of experience in investment management and finance.



Our Investment Thesis

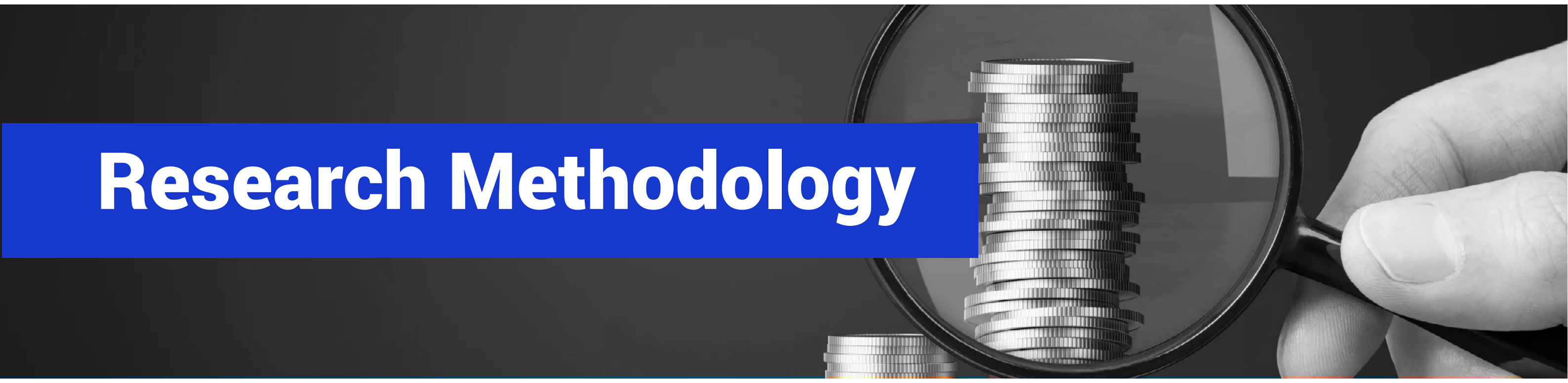
Middle-class Africans and Diasporans can accelerate wealth creation, by taking advantage of African-based investment clubs. These investment clubs allow them to pool and invest significant remittance capital in their home countries that they would otherwise limit to gifts.

Because of the advantage of dual citizenship that many diasporans possess, they can deploy remittance capital globally and through family offices, thereby accessing high-value investment opportunities.

By employing a cooperative model for fund management, diasporans gain the added benefit of tax incentives and reduced cost of fund administration through shared costs.

The investment triad, Investment Clubs-Global Access-Remittance Investing, matches the imperative of high growth to close wealth gaps, as well as the need for remittances to meet the consumption needs of dependents in Africa.

Research Methodology



Introduction

This section explains the research methodology used to investigate and validate our thesis. Our research involved a comprehensive analysis of various sources of information, including relevant academic desk sources, country case studies, statistical reports, news articles, interviews with experts, pilot investment programs, and surveys of end users. This section also describes the research design, data collection, analysis procedures, and limitations of the study.

Data Collection

The data for this study involved both primary and secondary sources of information. We collected primary data through interviews with industry experts including analysts, investors, and executives who have direct experience with the subject matter - cooperative and cross-border investments. Secondary data was collected through a review of publicly available information, including financial statements, industry reports, and news articles.

Data Analysis

The analysis for this study involved a comprehensive review of the collected data, using both qualitative and quantitative methods. Qualitative analysis involved the identification of key themes and patterns in the data. Quantitative analysis involved the use of ratios and other metrics to evaluate the wealth and assets of the African and Diasporan middle-class, as well as the relative gaps that need to be closed to secure their future wealth.

Limitations

It is important to note that this study has several limitations that could impact the results. First, and probably most significant, was the lack of a generally accepted definition of what constitutes the “middle-class” in Africa, particularly as it relates to income, assets, and consumption patterns.

Also, the data collection relied heavily on publicly available information, which may not always be accurate or complete, especially in relation to Africa. Thirdly, our surveys and interviews were mainly limited to customers and investor networks. Finally, the study is restricted to a specific point in time and may not reflect the current state of the company or the industry.

Conclusion

In conclusion, this chapter has provided an overview of the research methodology. A case study approach, which involved a comprehensive analysis of various sources of information, was chosen to allow for a detailed and nuanced understanding of relevant factors and drivers. While there are limitations to this study, the results provide valuable insights into the potential of cooperative and cross-border investments.

Problem Definition

Introduction

The purpose of this section is to provide an overview of the problem that our thesis aims to address. The section discusses the research question, the scope of the study, and the significance of the problem.

Research Question

The research question that we aim to answer is:

How might middle-class Africans and Africans in the Diaspora accelerate wealth creation and significantly bridge wide disparities in financial wealth, to secure the prosperity of generations unborn?

Scope of the Study

This study focuses on analyzing - through the lens of their income, assets, and consumption patterns - the wealth creation potential of middle-class Africans, and Africans in the Diaspora. The study considered broader trends and dynamics that impact the target audience. While Volition Cap and Opportunik largely gathered data for Africa and destination countries like Canada and the UK, specific case studies highlighted Nigeria and the US (considering they are high emigration and destination countries, respectively).

Significance of the Problem

The problem being addressed by this thesis is significant because of the urgent need to reduce the asset imbalance between middle-class Africans (as well as Diasporans), and their counterparts from more privileged demographics. Because of the economic impact of the remittances of this group to their home countries, a reduction in wealth potential would not only have a negative impact on their continent and countries, but also on their communities and families of origin.

The problem is also significant because due to a lack of inherited generational wealth, middle-class Africans start later, and work harder, all the while paying more in taxes while taking care of a relatively higher number of dependents (also known as black tax).

As such, the income generation dynamics of this group using cooperative structures can provide valuable insights into strategies for accelerating wealth creation and closing the wealth gap, for Africans as a whole.

Conclusion

In conclusion, this chapter provides an overview of the problem that this thesis aims to address. The research question focuses on bridging the wealth gaps in our target group, while the scope of the study encompasses analyzing the wealth creation possibilities using cooperative models, internationally diversified & high-value investments, and remittances. The problem is huge as the asset disparity can only get wider, if not addressed, and the negative implications would impact nations and generations.

Defining the Target Groups

Introduction

The core target group for our research and thesis is as follows:

a. Middle-class Africans

b. Africans in the Diaspora - particularly those who legally emigrated from Africa since the 90s till date and are mostly middle-class

But first, why this target group?

Why the Middle-Class?

The rapid evolution of the middle-class in some Asian and Latin American countries in the 1990s coupled with the rising number of studies underlying the role of this group in economic development sparked worldwide interest in the topic (e.g., Chun et al., 2017).[1]

> *"Countries with strong economic growth, secure, well-paid jobs, and higher levels of tertiary education also tend to have more middle-class individuals."*

Scott T. Fitzgerald in the introduction to his writing on middle-classes says:

> *"Some scholars define the middle-class in terms of the relation to the means of production, others in terms of relative incomes, and still others in terms of consumption patterns. A common working definition might include those with incomes in the middle third of the income distribution; who work as upper- or lower-level managers, professionals, or small-business owners; who graduated from a four-year college or university; and whose primary source of wealth is home ownership.*[2]

Why the Diaspora?

Aaron Terrazaz of the Migration Policy Institute, 2010, writes that, "Financial flows from migrants and their descendants are at the heart of migration and development. There is little doubt that remittances are a large and important intra-family financial flow that can have important effects on financial development. But it is also widely acknowledged that it represents only a fraction of the potential private financial flows originating from Diasporans. Substantial evidence shows that Diasporans hold significant financial assets beyond their current income - for instance in savings and retirement accounts in property debt, and equity." [4]

According to Terrazaz, diaspora savings were estimated at US$ 53 billion annually: the fact that around one-third of the diaspora population is in the middle-class, makes the diaspora a formidable force for potential development partnerships [and mutually beneficial investments].

Defining Middle-class Africans

In May 2019, there was an open workshop titled 'The African Middle-Class Re-examined'. The event was organized by the Royal African Society (RAS), with the SOAS Centre for African Studies and London Business School's Africa Club.

Nick Westcott the director of RAS in his report of the event wrote about the middle-class:

"In purely economic terms, businesses tend to define it as the people with an income of between $2-$10 a day, or alternatively over $4 a day. This would suggest a population of 300-400 million middle-class Africans on the continent".[5]

Limitations of Definitions

One key challenge with definitions of middle-class Africans is that of using a Western economic lens.

Also, income-based definitions of middle-class African wealth are challenged by the volatility of personal income for many of these people, and the tendency for wage earners to share their income with a wider group – often an extended family. This makes it difficult to identify how much income is truly individual and/or disposable.

It was noted at the RAS event that many who might define themselves as middle-class were still highly vulnerable to income shocks: not just from the risk of unemployment, but from deaths in the family, which required heavy social spending on funerals. It was, therefore, a precarious status.

Another major source of vulnerability for middle-class African families is a terminal illness in the family that requires treatment over long periods of time in a continent with dysfunctional, and in some cases, non-existent public health care systems.

Our Working Definition of Middle-class Africans

For the purposes of our research, we adopted a working definition used in a UKAid sponsored research, carried out by Fusion Consulting. It describes the middle-class thus:

"Those with an income from all sources sufficient to leave them with surplus funds that are or could be financially invested." [6]

It is noteworthy that this definition of the middle-class is linked to their ability to invest, in other words, their ability to create wealth.

Defining the Diaspora

The African Union (AU) defines the African diaspora as consisting: "of people of native African origin living outside the continent, irrespective of their citizenship and nationality and who are willing to contribute to the development of the continent and the building of the African Union". Its constitutive act declares that it shall "invite and encourage the full participation of the African diaspora as an important part of our continent, in the building of the African Union."[7]

Taiye Selasi, in his widely distributed Essay, 'Bye-Bye, Babar: The Rise of The Afropolitan' (originally published in March 2005, in the Africa Issue of the LIP Magazine) brought to our consciousness a growing group of younger Africans for whom he coined the term "Afropolitans". They are affluent, highly educated, and highly skilled and do not lay claim to only one African home country and possibly one additional diasporic country but consider themselves global, transnational Africans.[8]

Our Working Definition of the Diaspora

The aforementioned African Union (AU) definition of the Diaspora[9] broadly speaks of anyone of Black or African origin. The focus of our study, however, may be referred to as "The New Diaspora".

Also called the Second African Diaspora, postcolonial African Diaspora, or Fourth Great Migration, the New African Diaspora in the United States refers to Africans who have moved voluntarily to the United States in large numbers since the latter half of the 20th century.[10]

Academics often refer to three distinct New African Diasporas, as Africans have emigrated not only to America but also to Europe and Asia in recent times. Although voluntary migration from Africa to the United States has been a part of history, it is only during this specific period that large numbers of Africans moved, allowing for the designation of a "new" African diaspora.[10]

Supported by population statistics, their growing numbers are so significant that it has been noted repeatedly that more Africans have emigrated voluntarily to the United States since the 1990s than were forcefully brought to North America as a part of the transatlantic slave trade.[10]

Not surprising, those who form part of the New African Diaspora are a highly diverse group with their geographic, economic, social, educational, ethnic, and religious backgrounds.

The Diaspora Wealth Creation Advantage

Diaspora members have many financial assets including income, savings, retirement accounts and stocks, which governments, banks and businesses in their countries of origin may attract as investments with the right financial instruments.

Their dual citizenships and access to multiple markets significantly expand their investment options, particularly if they can exploit exchange rate dynamics and demand and supply linkages between their home and host countries.

Middle-class Africans' Linkage with the Diaspora

One apparent link between middle-class Africans and the Diaspora is that they make up a significant proportion of legal migrants to affluent destination countries - about 30%.

Furthermore, at RAS' open workshop on the middle-class, it was noted that,

> *"Many of the attributes of the middle-class, including access to global brands, technology, and travel, were closely linked to having friends and relatives abroad. Their influence was a key element in the definition of middle-classness. Secondly, it was a critical source of income, through remittances, which provided the resources to deliver many of the priorities of middle-class life."* [11]

Our Analysis Framework

Four things come to the fore in our analysis of Fitzgerald's broader discussions about middle-classes, particularly on the ideological perspectives that shape their popular definitions. They may be considered wealth drivers as follows:

a. Importance of market capacities in shaping life chances, and how the middle-classes differ from the working-class and the upper-class in this regard (Income)

b. Role of the individual or group's relationship to the means of production is a key dimension of determining their class structure (Assets)

c. Impact of cultural boundaries in defining class relations (Access)

d. Role of tastes and consumption patterns in determining class (Wealth drivers)

We have included two more, vulnerabilities and livelihoods, as they impact more on the ability of middle-class Africans and Africans in the Diaspora to create wealth.

These shall be used as a framework for further analysis below.

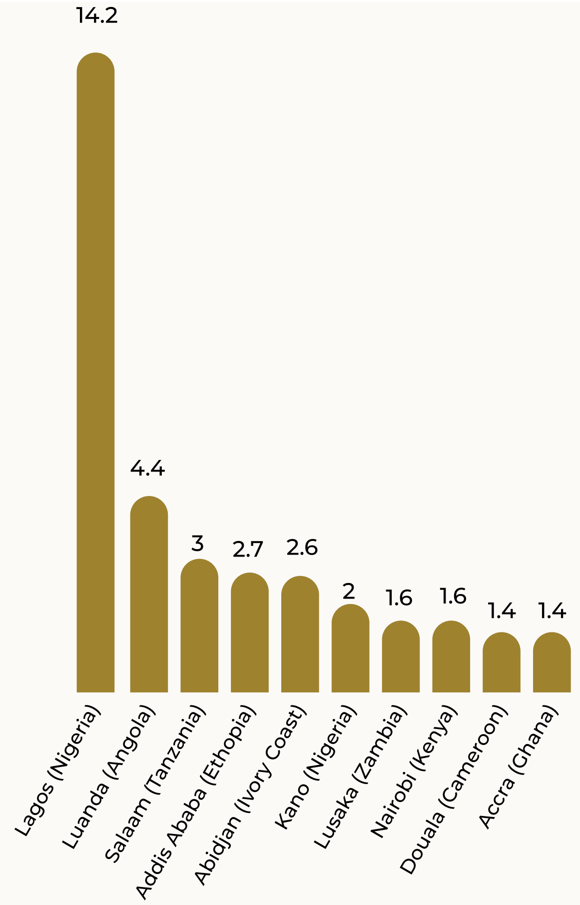
Defining the Framework

Income	Income refers to the money that a person or entity receives in exchange for labour or products. Disposable income is the net income received after taxes.
Assets	An asset is anything of value or a resource of value that can be converted into cash.
Access	The means or opportunity to approach or enter a place.
Consumption	Expenditure patterns of income groups across or within categories of products, such as food, clothing, and discretionary items.
Vulnerabilities	Unintended events or demands that negatively impact income and assets.
Livelihoods	The means of securing the necessities of life.

Desk Research

Situation Analysis of Middle-class Africans

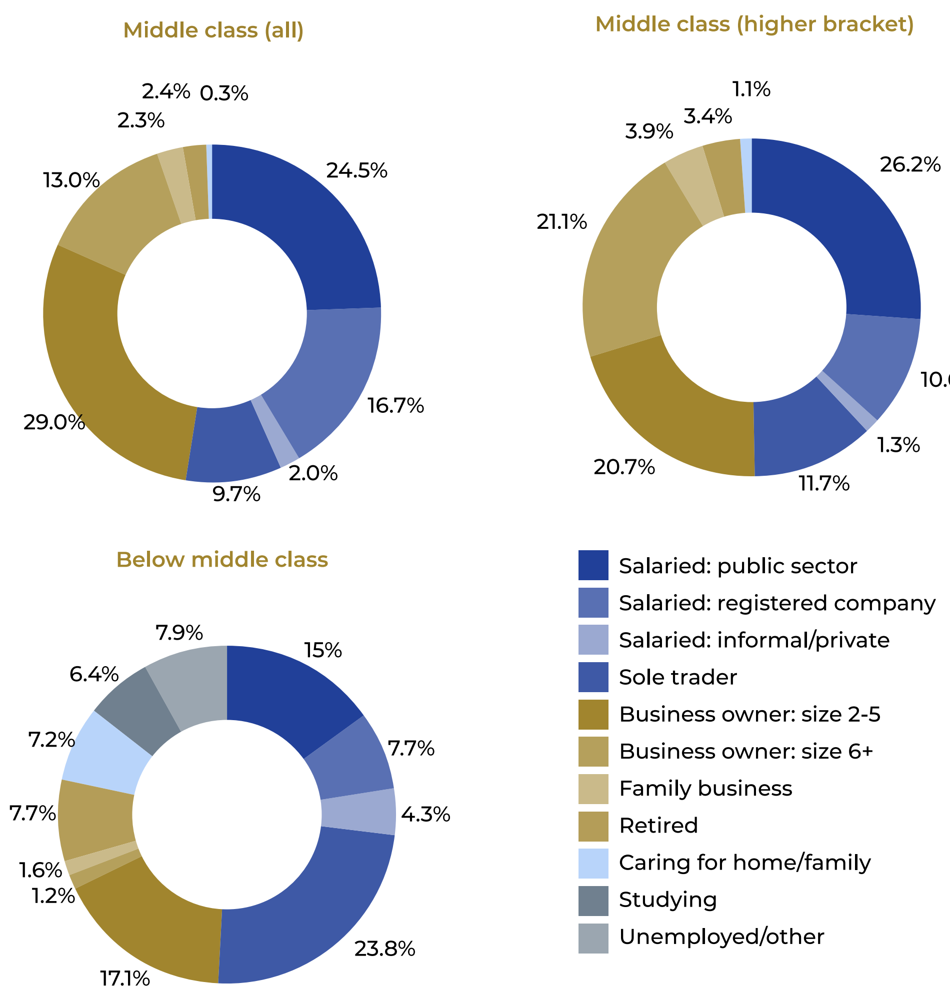
- Currently, North Africa has a stronghold on middle-class people, with Tunisia coming in first place with a concentration of almost 90%. Morocco is a close second with 85%, and Egypt is in third place with 80%.
- Other African countries with a high concentration of middle-class individuals include Botswana, Ghana, Namibia, Mozambique, Malawi, Rwanda, Burundi, Kenya, and South Africa.[12]
- Amongst Nigeria's middle-class, the highest-earning groups, on the whole, are business owners, particularly those employing large numbers of workers, although the latter are few within the population. Family business workers, which may include business owners, also have a higher proportion of top-end earners, but again are a small group. [13]
- Middle-class priorities for spending were, firstly, education for their children; secondly, health care for their families and themselves; thirdly, a place to live; and only fourthly, desirable consumer durables.
- Social status could be demonstrated by access to education, global brands, and 'modernity.' But values remained very much those of African society, often revolving around kinship, religion, and collective responsibilities.



Source: Statista, 2023

Figure 1: The number of Middle-Class people in selected cities in Africa as of 2018

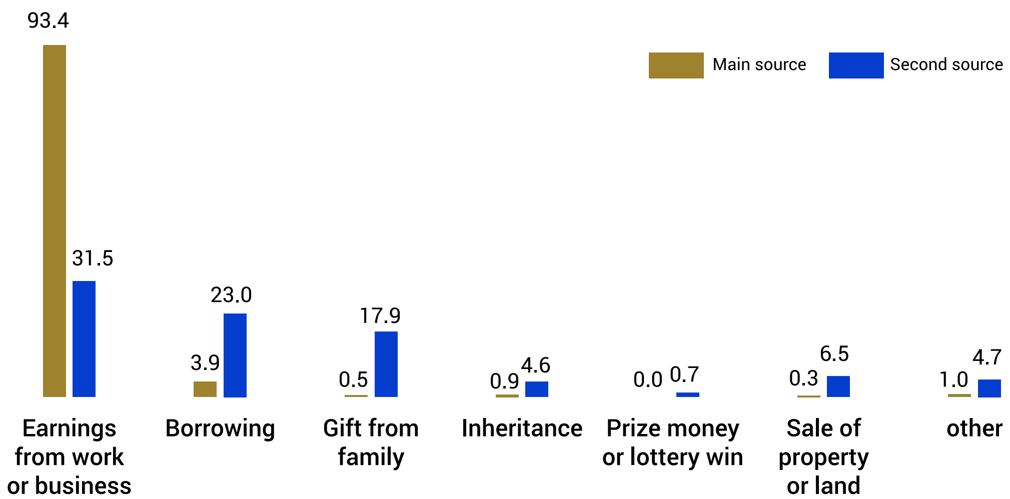
The metropolitan area of Lagos, Nigeria counted over 14 million middle-class people as of 2018. This was the highest number in Africa. Addis Ababa in Ethiopia followed with 2.7 million individuals belonging to the middle class. Source: African Growth and the Rising of African Middle-Class, Afr-IX Telecom, July 2022



Source: The Investment Potential of Nigeria's Middle Class, Fusion Consulting, UK Aid, 2016

Figure 2: Composition of Nigerian Middle-Class by Occupation

> Findings show that the bulk of finances for investments, for middle-class Africans, comes from earnings from work or business, followed by borrowing.



Source: The Investment Potential of Nigeria's Middle Class, Fusion Consulting, UK Aid, 2016

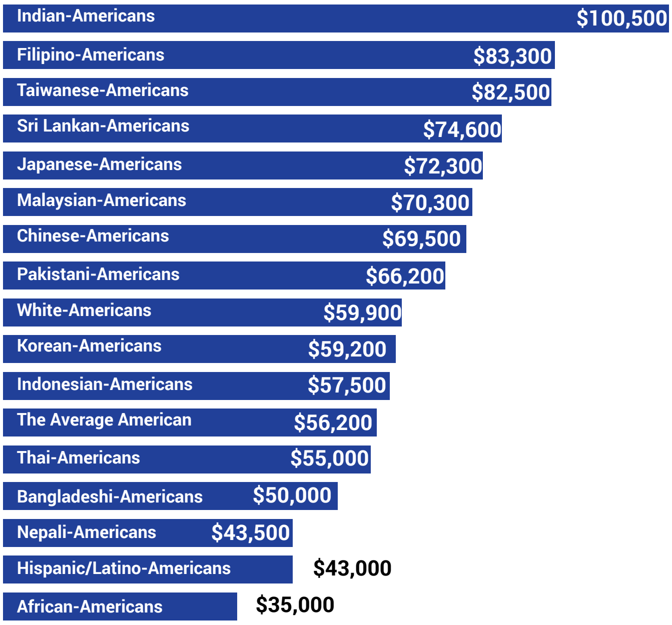
Figure 3: Financial Sources for Middle-class Savings and Investments in Nigeria

Situation Analysis of Africans in Diaspora

- "The African diaspora has become the largest financier of Africa! And it is not debt; it is 100% gifts or grants, a new form of concessional financing that is the key for livelihood security for millions of Africans," – Dr. Akinwumi Adesina, President Africa Development Bank (AfDB)[14]
- "The African Diaspora has grown to become such an important source of foreign exchange for Africa that the African Union (AU) has designated it as a sixth development 'zone' (Edozie 2012), the others being West Africa, East Africa, Central Africa, Southern, and North Africa." – Adams Bodomo, 2013[15]
- "There is no question that the African diaspora in the United States has reached a new level of influence. In fact, in 2022, Dana Banks, senior director for Africa at the National Security Council, said at a press briefing focused on US-Africa trade that the Biden administration will provide targeted support to small- and medium-sized businesses with a specific focus on the African diaspora.[16]

According to a 2016 report by Oxford Bibliographies on the New African Diaspora (Heike Raphael-Hernandez):

- The professional visibility of the diaspora in the United States has grown steadily during the last several decades because of their high occupational rates as doctors, lawyers, and faculty members at leading universities, for example. Their noticeable academic presence has led to debates about the overrepresentation of Africans among faculty members and students at Ivy League institutions.
- The high number of professionals who received university degrees in their countries of origin and then left for North America has provoked another debate on the so-called brain drain of African countries.
- One additional characteristic of especially younger members of the diaspora middle-class is their social and financial ability to not only alternate their diasporic homes between North America and Western Europe but also to move to their own, or their parents' African country of origin to either live there for a short period of time or to settle permanently. Because of this international mobility, a growing number perceive themselves not as diasporic Africans, but as transnational Africans.[17]



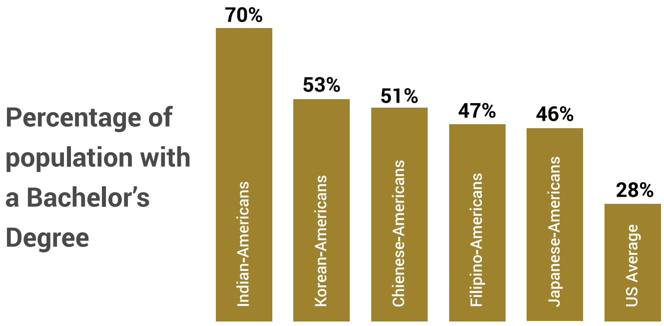
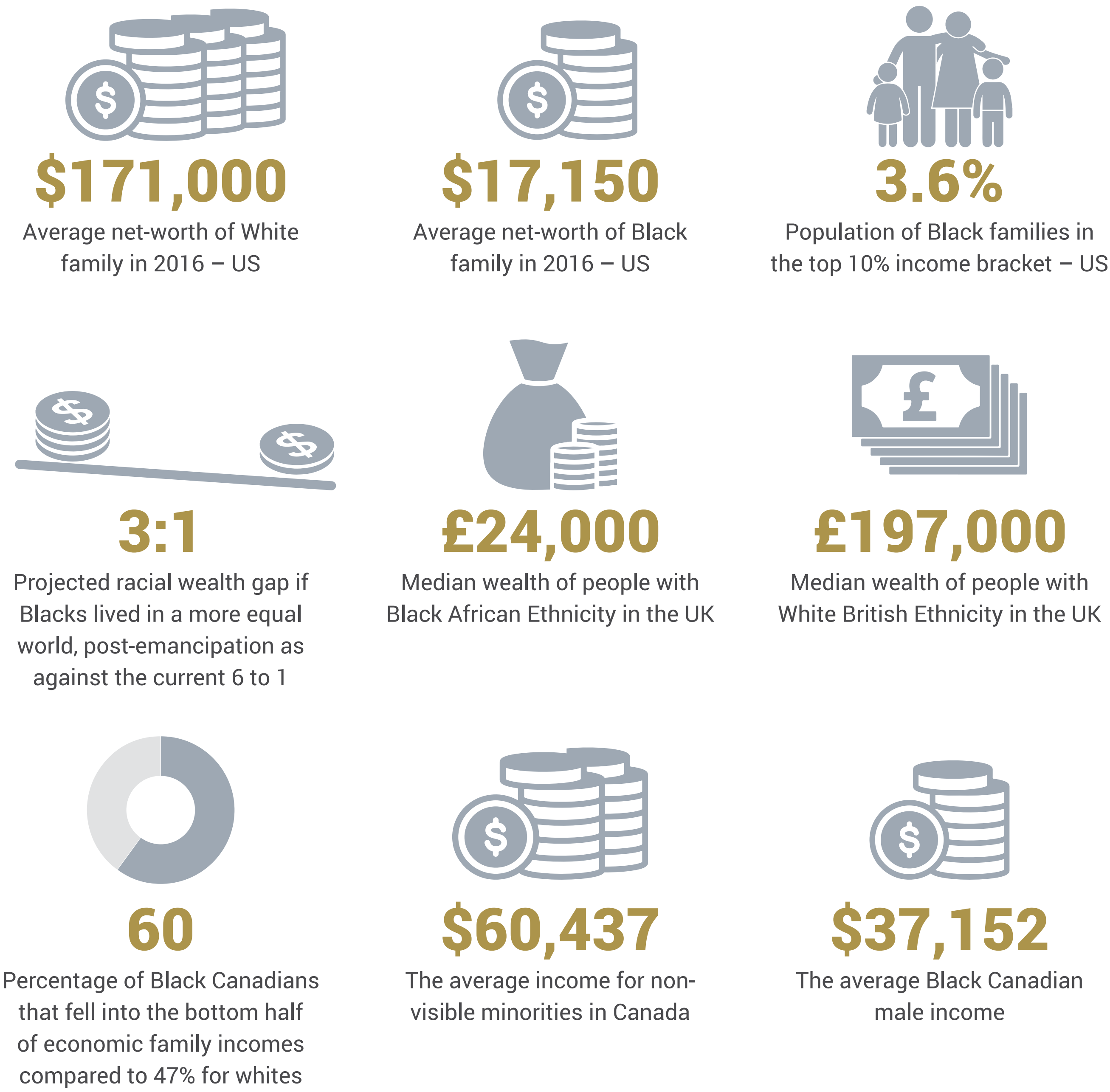


Figure 4: Median Household Income in the United States by Ethnic Group

Note: Nigerian Immigrants, taken as a separate group, earn almost twice as much as African Americans at $62,351, which is also higher than White Americans ($59,900) and the National Average ($57,617). Also, 29% of Nigerian Immigrants or their children above 25 had a Ph.D., Master's or other advanced degrees, compared with the National average of 11%.



Sources: 1. Examining the Black-White wealth gap, McIntosh, Moss, Nunn and Shambaugh, Brookings Blog, Feb, 2020
2. The Forbes Billionaires List, 2023 | 3. Wealth gaps between different ethnic groups in Britain are large and likely to persist, Resolution Foundation Press Release, December, 2020 | 4. How can Africa make the most of its huge diaspora? Charlie Mitchell, for African Business, October 2022 | 5. The Black Wealth Gap in Canada

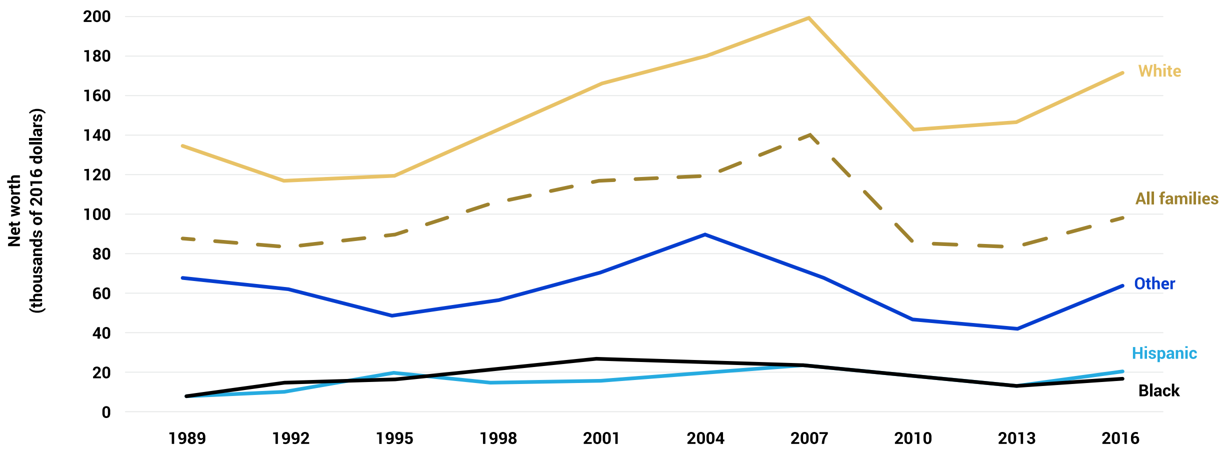
Figure 5: Infographic on Diaspora Wealth[18]

On Black & White Wealth Gaps

Table 1: Comparison of Top Emigration Countries with Top Destination Countries by GDP & Age Dependency Ratio [19]

Top Emigration Countries				Top Destination Countries		
Countries	Situation	GDP per Capita (USD)	Age Dependency Ratio (young)[b]	Countries	GDP per Capita (USD)	Age Dependency Ratio (young)
Burkina Faso	Landlocked[a]	1,562	88	Australia	43,655	28
Cote d'Ivoire	Fragile	3,290	78	France	37,306	30
DRC	Fragile	737	90	Italy	33,587	21
Mali	Fragile	2,285	95	Saudi Arabia	50,284	42
Nigeria	Largest[a]	5,639	83	Spain	32,814	28
Somalia	Fragile	N/A	93	UK	38,685	28
Sudan	Fragile	3,927	72	USA	52,549	29
South Africa	Inequality	12,390	44			
South Sudan	Fragile	1,741	77			
Zimbabwe	Fragile	1,688	75			
SSA		3,477	80	OECD	37,635	28

* Age dependency ratio, young, is the ratio of younger dependents - people younger than 15 - to the working-age population - those ages 15-64. Data are shown as the proportion of dependents per 100 working-age population.



Source: Survey of Consumer Finances 1989-2016

Figure 6: Median Net Worth by Race/Ethnicity in the US 1989-2016

USA & Canada Wealth Gaps

A close examination of wealth in the US finds evidence of staggering racial disparities. The net worth of a typical white family is nearly ten times greater than that of a black family in 2016.

Gaps in wealth between black and white households in the US reveal the effects of accumulated inequality and discrimination, as well as differences in power and opportunity that can be traced back to America's inception. Black Canadians who identify as visible minorities don't have the same access to investments and other sources of wealth as their white counterparts.

40%

Percentage of Sub-Saharan Africans, over 25 with a Bachelor's degree, compared to 32% of the US born population of the same age

2M

Number of Sub-Saharan Africans living in the United States

70,000

Number of African professionals that migrate each year

$300M

Amount raised in Nigeria's first ever diaspora bond in 2017

17M

Number of Nigerians living in the diaspora

$82.7B

Amount Africans received in personal remittances in 2019, almost double FDI inflows at $46bn

Sources:

1. Examining the Black-White wealth gap, McIntosh, Moss, Nunn and Shambaugh, Brookings Blog, Feb, 2020
2. The Forbes Billionaires List, 2023 3. Wealth gaps between different ethnic groups in Britain are large and likely to persist, Resolution Foundation Press Release, December, 2020
4. How can Africa make the most of its huge diaspora? Charlie Mitchell, for African Business, October 2022

Figure 7: Infographic on Black-White Wealth Gap

United Kingdom

In the UK, people of Black African ethnicity hold the lowest wealth, which amounts to less than eighth of the typical wealth held by a person of White British ethnicity.[20] George Bangham, Economist at the Resolution Foundation says that "Despite significant progress in closing education and employment gaps between different ethnic groups, these wealth gaps are likely to persist. Even high earners will struggle to save their way to high wealth, while White British people are more likely to inherit larger sums than those of other ethnic groups."

Factors Affecting Black Wealth Creation - US Example

According to a Brookings report examining Wealth gaps[21], some of the factors impeding the capacity of Blacks, and by extension, Diasporans, to make wealth in their host countries are as follows:

a. The fact that intergenerational transfer of wealth is lightly taxed by the government means that historical gaps will persist over generations into the future.

b. White families receive much larger inheritances than Black families. Inheritances and other inter-generational transfers "account for more of the racial wealth gap than any other demographic and socioeconomic indicators."

c. High and mid-income Black families are more likely than White to be called upon to assist family members and neighbours.

d. The average Black American invests two-thirds of their savings in housing and is much less likely to hold stocks - which have appreciated around five times more than home values since the 1950s. Without much wealth, Black Americans have been unable to benefit from surges in housing, stock, and other asset markets.

One thing that does not seem to be a factor is debt as white families tend to have higher levels of debt than black families.

Field Research

Volition Cap and Opportunik extrapolated key insights from member and investor data gathered from an African investment club based in Nigeria.[27]

Research Summary One

- Research subjects: Members of an African investment club based in Nigeria
- Number of Participants: 3,000 members
- Distribution: Middle-class Nigerians (70%), Nigerians in Diaspora (30%)
- Time period of research: Four years
- Average investment per annum: $2,000

Key Research Questions

To what extent would you say you have achieved financial independence over the last three years through an investment club?

Key Insights

Converting remittances to investments creates a win-win for diasporans and their dependents back home.

In response to the key question on the growth rate of their financial independence, about 45% of respondents said they had attained a financial independence rate of between 25-100 percent over three years.

This supports our thesis that if diasporans change remittances to investments, they can achieve greater financial independence which allows them to meet the needs that often demand those remittances. Thus, rather than spending on a one-off gift, they can invest in a gift that keeps on giving, to them and their dependents.

Aggregating local & diaspora funds in a collective investment pool can create significantly higher returns for African middle-class and diasporan investors.

Our findings show that 30% of diasporans contributed about 40% to the total investment pool. This is apparently aided by the fact that they are earning in hard foreign currency, but spending locally, which tends to give them significantly higher investing power.

The investments of diasporans improved the investment potential of Africans in the pool, by making the overall pool significantly larger, thereby increasing access to higher-value investments and returns for all members.

Data Source: Vizient (Eti Osa) Cooperative Multipurpose Society Limited

Research Summary Two

In addition to the insights gained from our survey of members and investors in Vizient Cooperative, we followed up with a survey on middle-class Nigerians and Nigerians in the Diaspora, to further determine their level of participation in collective investments, as well as factors driving same.

Key Questions

Some of the key questions we asked related to participation in:

- Collective Investments
- Global Investments and
- International Remittances, whether as Senders or Recipients

Analysis of Results

Demographics

The survey gathered responses from a total of 215 participants, comprising 115 males (making up 53% of the sample), 98 females (accounting for 46% of respondents), and 2 individuals (representing 1% of the total) who preferred not to disclose their gender.

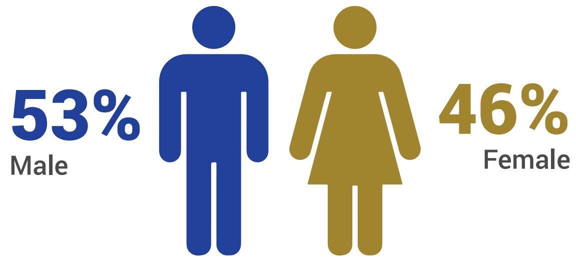


Figure 8: Respondents by Gender, Regardless of Residence

Regarding residency, most respondents, 180 in total, live in Nigeria, with a gender distribution of 54% males and 45% females. In contrast, 33 respondents reside in the U.S., with a gender distribution of 55% males and 45% females, mirroring the gender balance observed among respondents in Nigeria. This highlights a consistent gender distribution among respondents regardless of their country of residence.

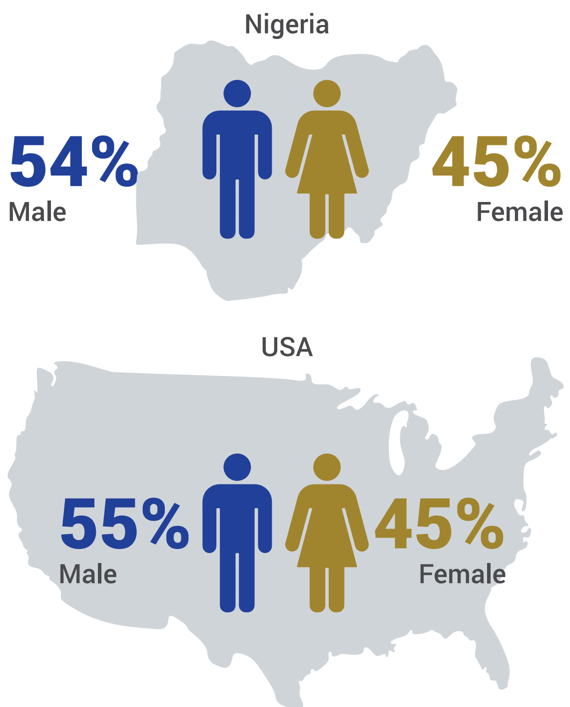


Figure 9: Respondents by Residence & Gender, Regardless of Age, % of Total

Focusing on Nigeria, most respondents hailed from Lagos and Abuja, making up the largest shares of participation. Lagos stood out with 103 respondents, with an almost equal split between males (30%) and females (27%). Abuja followed, contributing about 19% of respondents, and had a larger female representation (11%) compared to males (8%). The survey attracted responses from across 21 states in Nigeria. Oyo captured 3.9% of the participants. Cross River and Kaduna trailed next, each providing 2.2% of the respondents.

In the United States, Texas emerged as the state with the highest representation, accounting for 36.4% of all U.S.-based respondents. California and Maryland followed suit, each contributing 9.1% of respondents, with North Carolina and Illinois coming next, both accounting for 6.3% each.

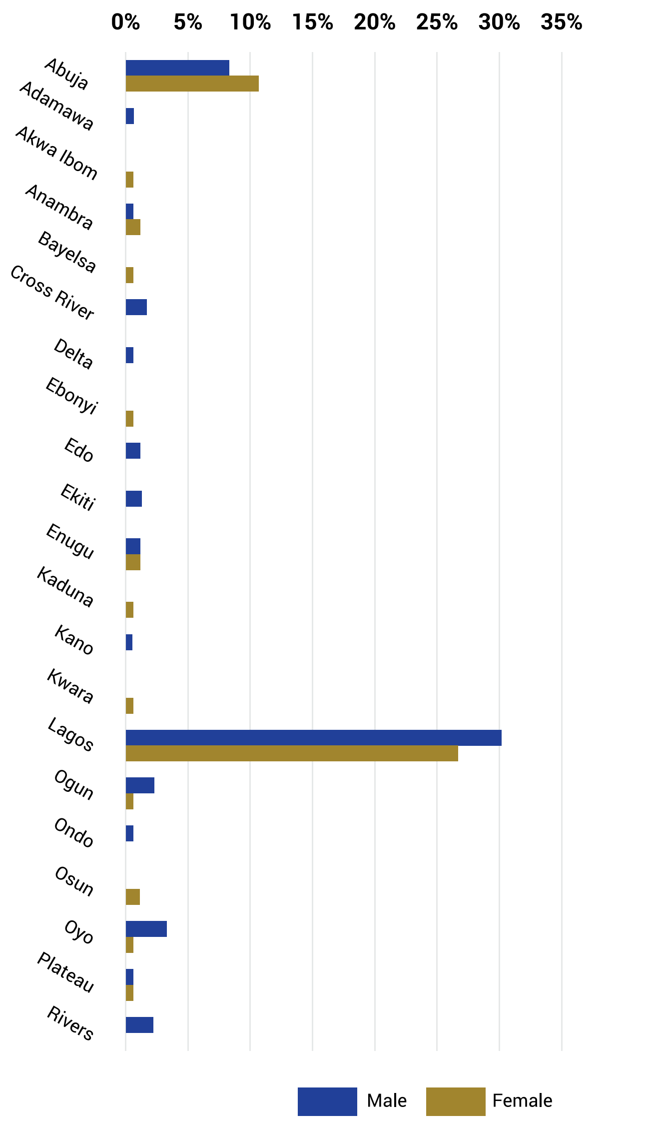


Figure 10: Respondents by state (Nigeria), % of total

There was a significant representation across various age groups for both genders. However, the age group of 36-40 years old emerged as the most prevalent, constituting 26.5% of the total participants. This was closely followed by the 41–45-year age group, which made up 15.8% of the total. Most respondents fell within the 26–50-year age bracket, indicating a relatively younger demographic with considerable potential for wealth accumulation. A striking 94.4% of respondents are within the 18–50-year age range, and notably, two-thirds (67%) are under the age of 40.

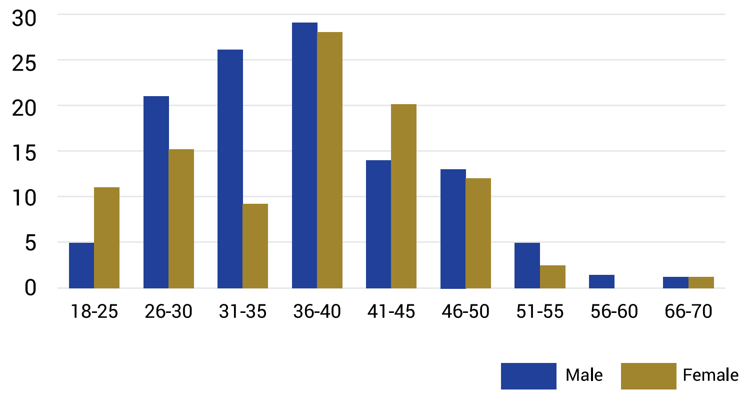


Figure 11: Gender by Age Group

Reflecting on income levels, over half of the respondents reported an annual income of less than USD 20,000. This income distribution aligns with the relative youth of our respondents, with nearly a third under 40 years of age. While this youthfulness partly explains the prevalence of incomes under USD 20,000 annually, it also underscores Africa's largely youthful demographic. This presents a considerable demographic dividend, offering significant potential for wealth creation as these individuals advance in their careers. Higher earning potential is expected with rising education levels.

Roughly one-fifth of respondents, regardless of gender or location, fall within the annual income bracket of USD 20,000 - USD 40,000. This income range corresponds to a daily gross income of roughly USD55-110, an amount that aligns with or exceeds various definitions of middle-class income. Moreover, a notable proportion of respondents (19%) reported an annual income exceeding USD 40,000, further highlighting the substantial wealth potential among the respondents.

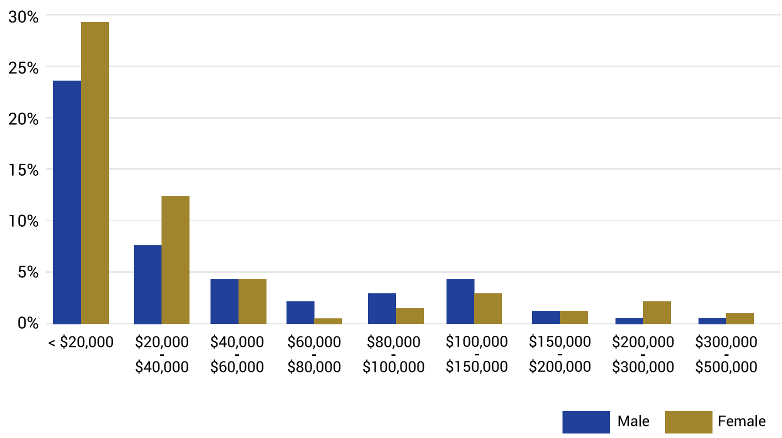


Figure 12: Income Distribution by Gender, Regardless of Residence

Excluding the “Other” category, which encompasses a diverse array of occupations such as philanthropy, social research, and policy fellowship, the top occupations among Nigerian respondents residing in the US are IT, Engineering, and Law. These specialized fields offer substantial earning potential, which may account for the strong income profiles observed among the Nigerian diaspora in the US.

Interestingly, a significant segment of US-residing Nigerians among the respondents - about 15% - are students. Nigerian students were estimated to be among the top ten populations of international students studying in the US in the 2021/22 academic year, by country of origin, and they lead as the primary source of African students in the US, according to Statista.

This student population holds promise as a future wealth base for the African continent. Upon graduation, the students are likely to secure employment, and their earnings could contribute to wealth creation both directly, through the wealth they amass and indirectly, via the remittances they send back home.

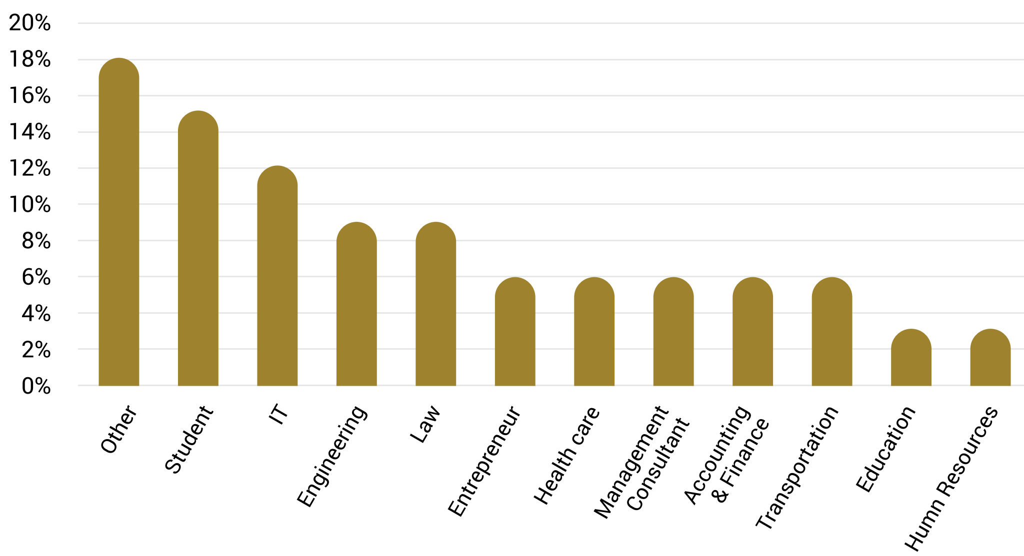


Figure 13: Respondents by Occupation Regardless of Gender or Age, Resident in US

Contrarily, for respondents residing in Nigeria, the top occupations fall within Sales & Marketing, Entrepreneurship, and Government or Civil Service roles, independent of age or gender. However, it is noteworthy that other specialized fields with significant income potential, such as Engineering, Accounting, Banking & Finance, as well as roles in the Medical, Healthcare, and Scientific sectors, feature prominently towards the top, among respondents resident in Nigeria. This diversity in occupations reflects a range of opportunities for wealth generation in the country.

Investment Cooperatives, Savings Clubs & SEC-Exempt Hedge Funds

Examining the investment profiles of survey participants, approximately 54% of respondents, regardless of their residency status, shared that they are members of an investment cooperative or savings club.

When segmented by residency, slightly fewer participants in Nigeria, around 49.3%, are involved in these kinds of investments within the country.

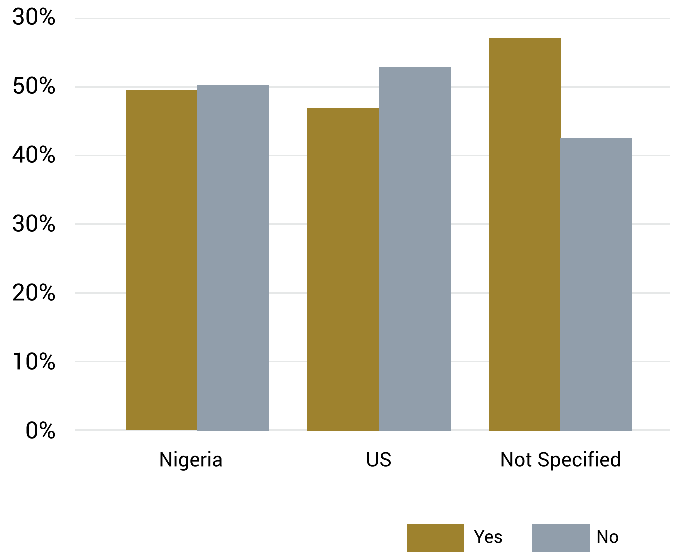


Figure 15: Subscribed to any Investment Cooperative or Savings Club in Nigeria by Residence

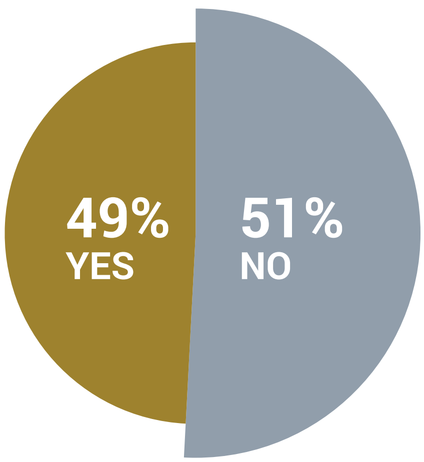


Figure 14: Nigerians Subscribed to any Investment Cooperative or Savings Club in Nigeria

When it comes to membership in any investment cooperative or savings club in Nigeria, the significant majority (82%) are residents of Nigeria, while those resident in the U.S make up 14%. The remaining participants, whose residency is unspecified, account for the rest.

In terms of residence, the proportion of those who are not subscribed to any investment cooperative or savings club in Nigeria is larger both for those that are resident in Nigeria (50.6%) and those that are resident in the US (53.6%).

Even though they make up a small percentage of the total respondents, those whose residence is not specified have a larger proportion of respondents that are subscribed to an investment cooperative or savings club in Nigeria (57.1%) versus those who are not subscribed (42.9%).

While the proportion of those who are either subscribed or not subscribed to any investment cooperative or savings club in Nigeria is nearly the same (49.3% versus 50.7%), the proportion of respondents who subscribed to any SEC-exempt hedge fund in the US is significantly smaller at 4.1% versus the 95.5% of those who are not subscribed.

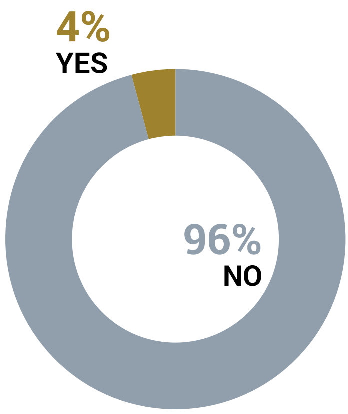


Figure 16: Subscribed to any SEC-exempt Hedge Fund in the US

While U.S.-based Nigerians have a larger proportion of participants subscribed to a SEC-exempt hedge fund in the U.S. compared to their Nigeria-residing counterparts, their proportion is still relatively small at 12.1%. This figure is quite minimal when compared to those not subscribed to any SEC-exempt hedge fund in the U.S., irrespective of their residence. 87.9% of U.S.-residing respondents are not subscribed to any SEC-exempt hedge fund in the U.S.

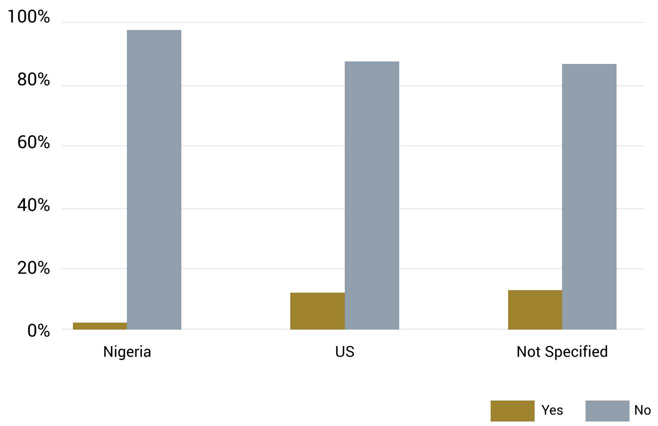


Figure 17: Subscribed to any SEC-exempt Hedge Fund in the US

In terms of income, ironically, those with less than USD 20,000 in annual income are the largest group who answered yes (23.3%) to the question, “Are you subscribed to any investment cooperative or savings club in Nigeria?”.

However, it is also important to note that this group is by far the largest (52.6% of total respondents). In fact, the sample of respondents is skewed towards those with an income of USD 40,000 and less; so, their large proportion (72% of total) will have an oversized influence on any analysis that is based on grouping respondents by income. Furthermore, at state level, the overrepresentation of respondents from Lagos (27%) and Abuja (9.4) will have the same effect when the analysis is based on respondents by state.

Investment Location

In terms of investments in locations outside of country of residence, 76.5% of total respondents (regardless of residence, gender, or income) do not have investments outside of their country of residence. This is significantly larger than the 23.6% who do.

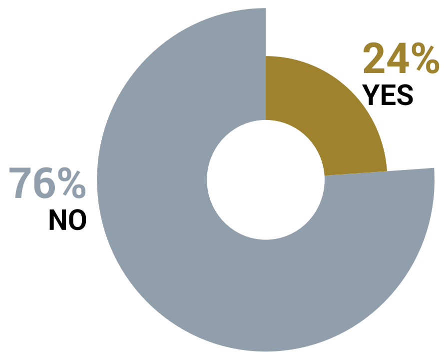


Figure 18: Investments in Locations Outside of Country of Residence

In terms of destination of investments by those with investments outside their country of residence, the USA is by far the most popular with 41% of all respondents indicating that they have invested in the US outside their country of residence. Nigeria (21% of respondents) and the UK (19% of respondents) are second and third placed, respectively. In total, there were 13 locations where respondents have investments outside their country of residence.

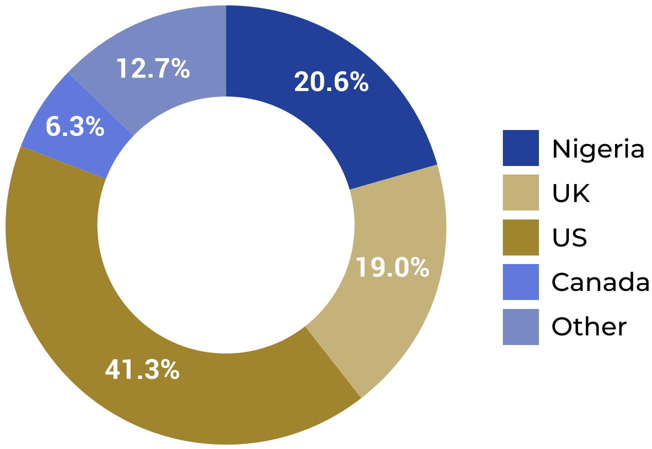


Figure 19: Countries where Respondents have Investments Outside their Country of Residence

Reasons for Global Investments

As for the factors that influenced respondents’ decision to invest outside their country of residence, nearly a third (29%) identified diversifying risk as the top concern, followed by the potential for higher returns (24%), access to other asset classes and familiarity with the region/ country (both mentioned by 14.6% of respondents) in joint second place. The “collective decision of my investment group” as well as “risk management” are other two factors that were identified by a noticeable proportion of respondents.

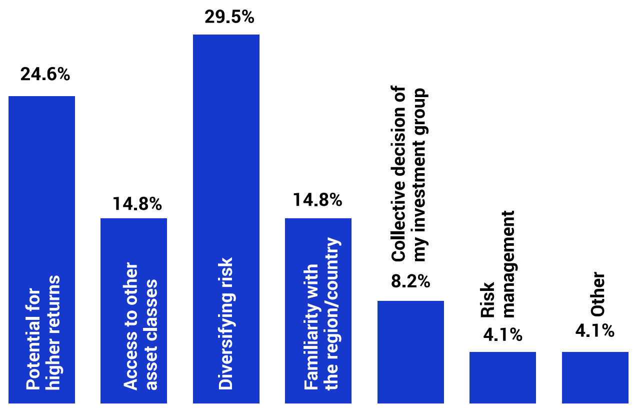


Figure 20: Factors Influencing Respondents to Invest Outside of Country of Residence

Grouped by residence, 32.5% of respondents who are resident in Nigeria identified diversifying risk as their top factor, followed by the potential for higher returns (26% of respondents) and access to other asset classes (16.9% of respondents), in second and third place respectively. "Collective decision of my investment group" and "familiarity with the region/country" were also picked by a non-negligible proportion of respondents.

However, respondents who are resident in the US identified familiarity with the region/country (28.6%), diversifying risk (22.9%) and potential for higher returns (20%) as the top 3 factors. Nigerians resident in the US have a narrower list of factors they consider when investing outside of the US (7 factors) compared to 11 identified by those who are resident in Nigeria. Both respondents residing in Nigeria and the U.S. identified five shared factors, indicating these as key considerations among investors, irrespective of their geographic location.

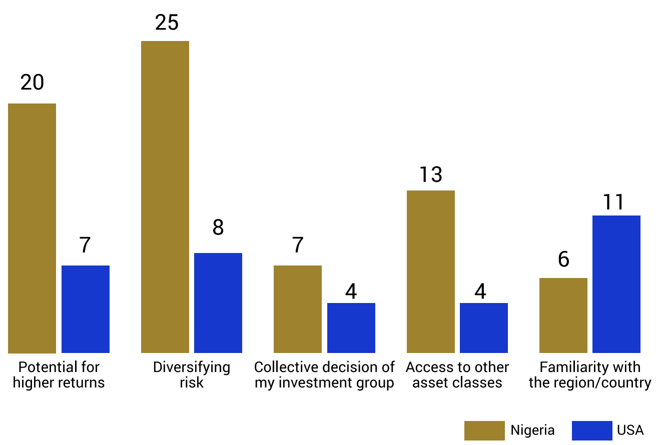


Figure 21: Factors Mentioned by Respondents in both Residences

Remittances

As for remittances, only about 20% say they send remittances either occasionally or regularly. Among those that send remittances, nearly 60% say they send remittances regularly compared to 41% who say they do so only occasionally.

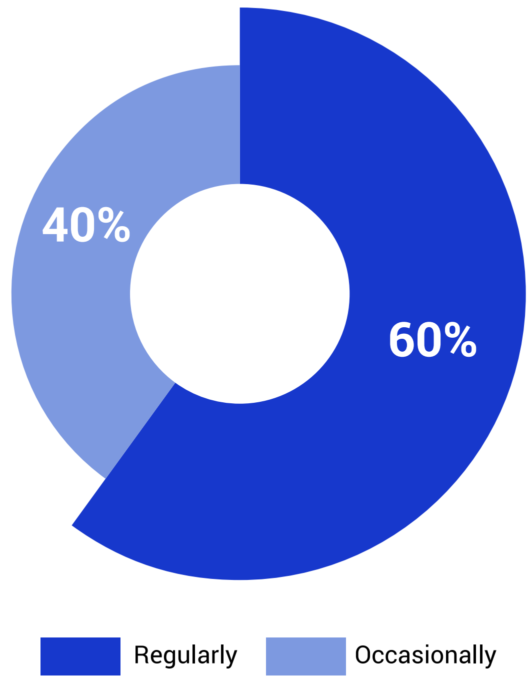


Figure 22: Send Remittances to Nigeria

By income, there is no evidence that the larger proportion of respondents in the lower income groups influences the results as the picture looks consistent across different income categories. However, the USD 20,000-USD 40,000 group hosts the largest proportion of total respondents who send remittances regularly. This appear to be in line with the thesis that most of the African middle-class, who are likely to be in that income category (up to USD 110 per day), take care of a relatively higher number of dependents, also known as black tax.

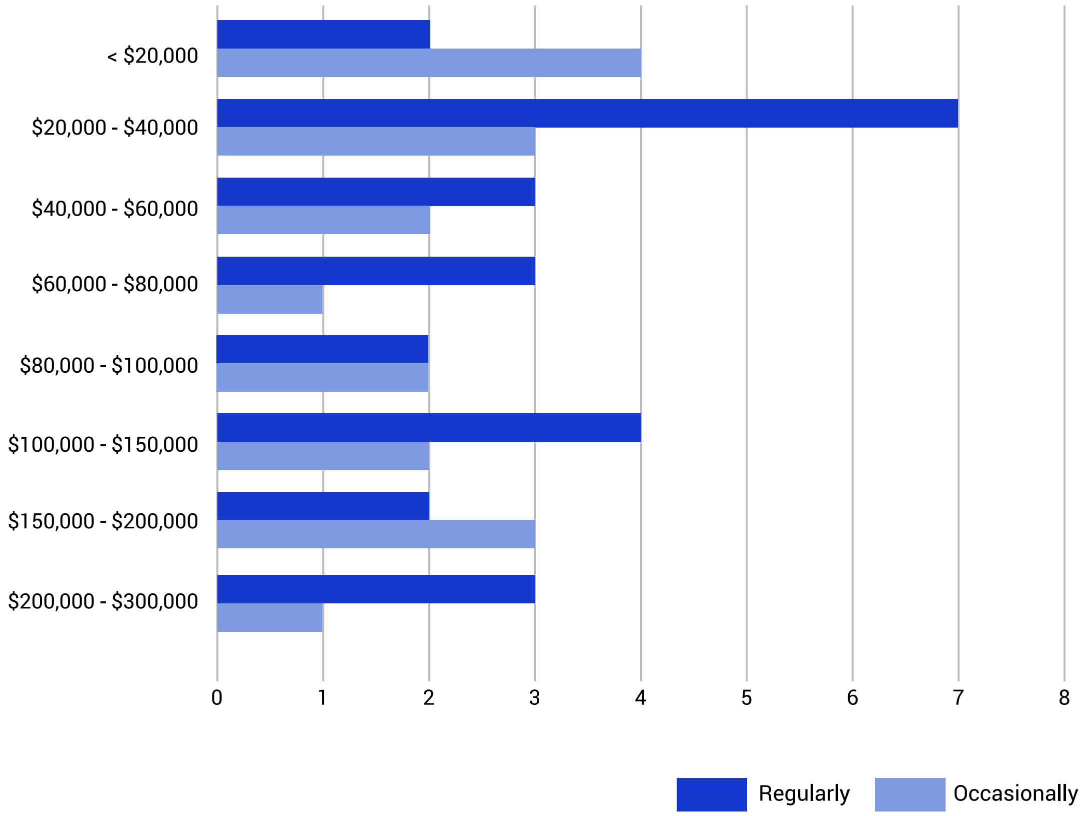


Figure 23: Send Remittances to Nigeria by Income (given as a number)

Most respondents send remittances from the US to Nigeria alone, but a non-negligible proportion (29% of respondents who send remittances) also send to Nigeria and other African countries. General support/upkeep is the top reason for those who send/ receive remittances (38% of respondents) followed by tuition fees and investment opportunities (both identified by 16.3% of respondents).

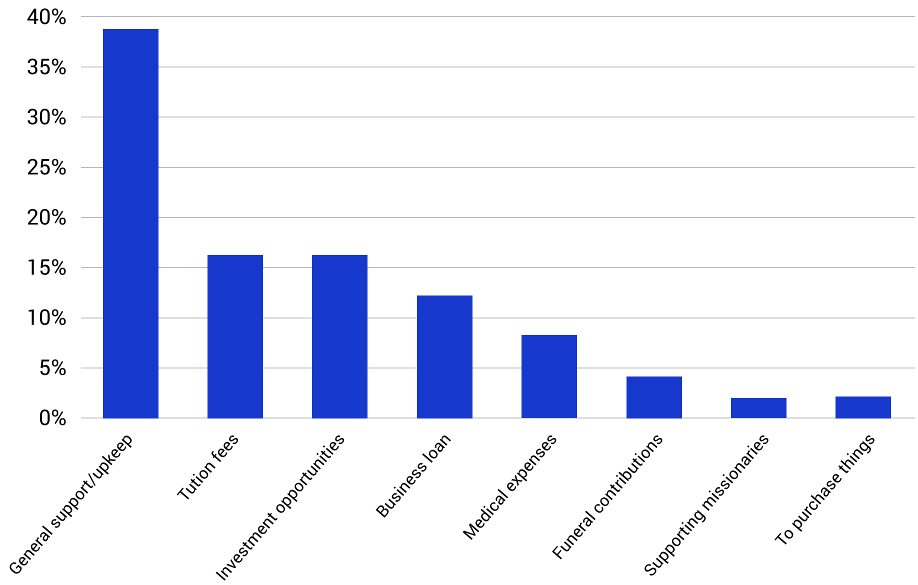


Figure 24: Reasons for Sending or Receiving Remittances, % of Respondents

Key Findings

Table 2: Key Challenges According to Wealth Creation Drivers

#	Wealth Drivers	Related Findings & Challenges
1	Income	Lower income. Higher taxes. More dependents on limited income.
2	Assets	Poor accounting of assets. Inability to leverage assets.
3	Investments	Limited access to high-value accredited investments. Limited access to a globally diversified investing. Cultural boundaries and regulations segregating access to key investment opportunities.
4	Consumption	The top areas of consumption are Food, Healthcare, Education, and Housing, in that order. This puts a strain on the ability to build and grow wealth.
5	Vulnerabilities	Health care, family and extended family obligations like funerals are significant. There are also the negative effects of exchange rates and inflation.
6	Livelihoods	All the above ultimately have an impact on livelihoods and quality of life.

A Case for Transnational Collective Investments

According to the Nigerian Securities & Exchange Commission:

> *"The Investments and Securities Act (ISA) No. 29 of 2007 (Section 153) defines a Collective Investment Scheme as "a scheme in whatever form, including an open-ended investment company, in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio, and in terms of which:*
>
> *Two or more investors contribute money or other assets to and hold a participatory interest.*
>
> *The investors share the risk and benefit of investment in proportion to their participatory interest in a portfolio of a scheme or on any other basis determined in the deed, but not a collective investment scheme authorised by any other Act."*

Types of Collective Investment Schemes include:

- Unit Trusts
- Venture Capital Funds
- Open-ended Investment Companies
- Real Estate Investment Schemes
- Specialized Funds" [22]

There is much research making a strong case for using collective investments across borders for accelerating wealth creation. Daivi Rodima-Taylor, writing for Boston University Centre for Finance, Law & Policy, states concerning diaspora remittances that:

- "Besides material resources, **diaspora networks** can be an important source of 'social remittances' in the form of ideas, values, skills, and behaviors that are transmitted back to the **migrants' communities of origin** (Levitt and Lamba- Nieves 2011)."
- "Social remittances are not just an important development tool, but also contribute to **transnational collectivity formation** through democratic values and attitudes, technological skills and innovative ideas, organizational practices, and networks of civic engagement (Council of Europe, 2006)."
- "Transnational social capital formation is a socially and culturally shaped process, dependent on the **norms and networks of trust and mutuality** (Eckstein and Najam, 2013)."
- "By facilitating organizational learning and exchange of knowledge, **migrants' collective organizations** can enhance collaboration between public and private sectors.
- "Diaspora members contribute to sending **collective remittances** through various developmental projects **administered through networks** and organizations like "hometown" ethnic, alumni, religious, professional, non-governmental associations, and investment groups" (Plaza and Ratha 2011)." [23]

Fortunately, there are regulatory frameworks that support exploring and exploiting collective investments for greater access to wealth creation opportunities, in both home and host countries, as can be seen by the following case studies.

Regulatory Framework Supporting Collective Investments - Nigerian Case Study

The Securities & Exchange Commission in Nigeria has been on a drive to encourage the creation of investments by the public in collective investment schemes.

As per a report published by G. Elias & Co. in June 2020, it was observed that the diverse nature of collective investment schemes in Nigeria played a crucial role in the country's resilience against the economic impact of the COVID-19 pandemic. While equity-based funds experienced a decline, most collective investment funds saw an increase in their net asset value, during the three months preceding the report. According to data compiled by the SEC, as of June 11, 2020, the total net asset value of collective investment schemes in Nigeria amounted to N1.258 trillion compared to N747.95 billion recorded on June 14, 2019.[24]

Collective investments in Nigeria offer many benefits including regulatory oversight, financial transparency and democratic processes, eligibility to make accredited and institutional investments, freedom to appoint their own fund managers and define their own investment classes, reduced administration costs, and significant tax benefits.

The revised SEC rules on collective investments encompass several noteworthy aspects. These include the reduction of offer costs and ongoing maintenance costs of schemes, the alignment of funds with a specific index for benchmarking purposes, and the introduction of conflict-of-interest management procedures for related party transactions involving fund managers. These new regulations are anticipated to enhance accountability among fund managers and thus improve the performance of collective investment schemes.

"CIS have enabled even fairly small investors to participate in the strong growth of capital markets in the past two decades. CIS make it possible for relatively small investors to obtain diversified investment portfolios with professional management at reasonable cost and to execute a widening range of investment strategies. Consequently, CIS have been instrumental in raising the financial sophistication of the population."[29]

OECD - Directorate for Financial and Enterprise Affairs

Regulatory Framework Supporting Collective Investments - US Case Study

In the United States, under the Investment Company Act of 1940, Hedge Funds are exempted from registering with the SEC if they have fewer than 100 investors who are all considered accredited investors.[25] An accredited investor is an individual or a business entity that is allowed to trade securities that may not be registered with financial authorities. They are entitled to this privileged access by satisfying at least one requirement regarding their income, net worth, asset size, governance status, or professional experience.[26]

A hedge fund is also exempt from registration if all the fund's investors (no matter the number) are considered qualified investors). It is for these reasons that hedge funds are sometimes referred to as "unregistered funds".

By meeting one of these two conditions, hedge funds can avoid registration, allowing them to take on riskier positions in derivatives and options, use short selling, hold larger positions and use leverage to magnify their returns (or losses).

Other advantages include spreading risks, reducing dealing costs, cost spreading, cost averaging, professional fund management and reduced administration.[28]

Recommendations

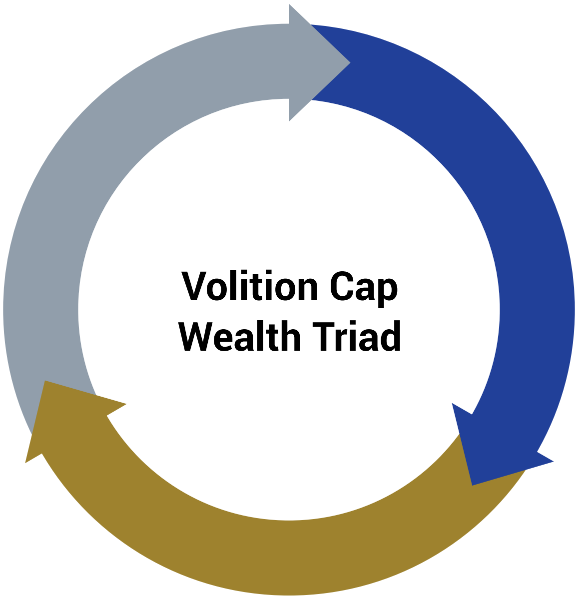
Table 3: Key Recommendations According to Wealth Creation Drivers and Related Challenges

#	Wealth Drivers	Related Findings & Challenges	Related Collective Cross-border Investment Opportunities
1	Income	Lower income. Higher taxes. More dependents on limited income.	Pool incomes into collective schemes for greater leverage. Reduce tax obligations using African investment clubs. Reduce dependence by converting dependents to beneficiaries of remittance investments. Invest in assets like real estate that can give younger dependents future inherited wealth.
2	Assets	Poor accounting of assets. Inability to leverage assets.	Use family offices as a driver for documenting and passing on key assets through generations. Leverage individual assets by pooling together investments under an investment club structure or a US hedge fund to access better funding and higher margins.
3	Investments	Limited access to high-value accredited investments. Limited access to and globally diversified investments. Cultural boundaries and regulatory segregation that limit access to key investment opportunities.	Gain access to accredited investments using the investment club model. Take advantage of diaspora relationships and dual citizenship to access globally diversified investment opportunities. Use investment clubs to bring people from different cultural backgrounds around a common mutually beneficial objective. Deploy investment clubs as corporate entities that can access accredited investments.

#	Wealth Drivers	Related Findings & Challenges	Related Collective Cross-border Investment Opportunities
4	Consumption	Top areas of consumption include Food, Healthcare, Education, and Housing, putting a strain on the ability to build and grow wealth.	Instead of only sending gifts home, remittance investments can be deployed to meet the consumption needs of family members and communities in Africa.
5	Vulnerabilities	Top vulnerabilities include health issues and often costly yet mandatory, family obligations such as funerals & weddings.	Investment clubs can act as a community of support and a source of cheap loans, during times of vulnerability.
6	Livelihoods	While middle-class Africans have the means to secure the necessities of life, it is a precarious status for many, due to the aforementioned vulnerabilities.	Investment clubs can significantly contribute to improving livelihoods, by improving access to investments that can ultimately enhance quality of life.

Our Solution

Volition Cap and Opportunik help middle-class Africans and Diasporans to create wealth through the investment triad: Investment Clubs – Global Access – Remittance Investing.[16]



Investment Clubs & Collective Investment Schemes

Investment groups for Africans and New African Diasporans who want to connect to their home countries

Remittance Investing

Investing remittances and other diasporan assets to sustainably meet the needs commonly associated with those remittances

Global Access

Taking advantage of dual citizenship to access high-growth global markets and emerging opportunities

Figure 25: Volition Cap and Opportunik Transnational Collective Investment Solution Model

Conclusion

Our research shows that there are significant wealth gaps between middle-class and affluent Africans and between people of Black Ethnicities (Diasporans) and other ethnicities in their destination countries.

To close the gaps and give dependents a path to prosperity beyond dependence, there is a need for the middle-class to create wealth at a rate that is 7-10x faster than their counterparts.

There is a strong case for the use of investment clubs and cross-border remittance investing as a means for accelerating wealth creation. This improves income deficiencies, aggregates assets for investments, expands availability of high-value global options, and provides a chance to pool funds according to common interests, tastes, and consumption patterns.

This paper validates our thesis that middle-class Africans and Africans in the Diaspora can significantly close wealth gaps, by taking advantage of home and/or host country regulations related to investment clubs and collective investment schemes, thereby accessing otherwise unreachable high-value investments.

Furthermore, said investments would be best aligned with community development needs and local consumption patterns.

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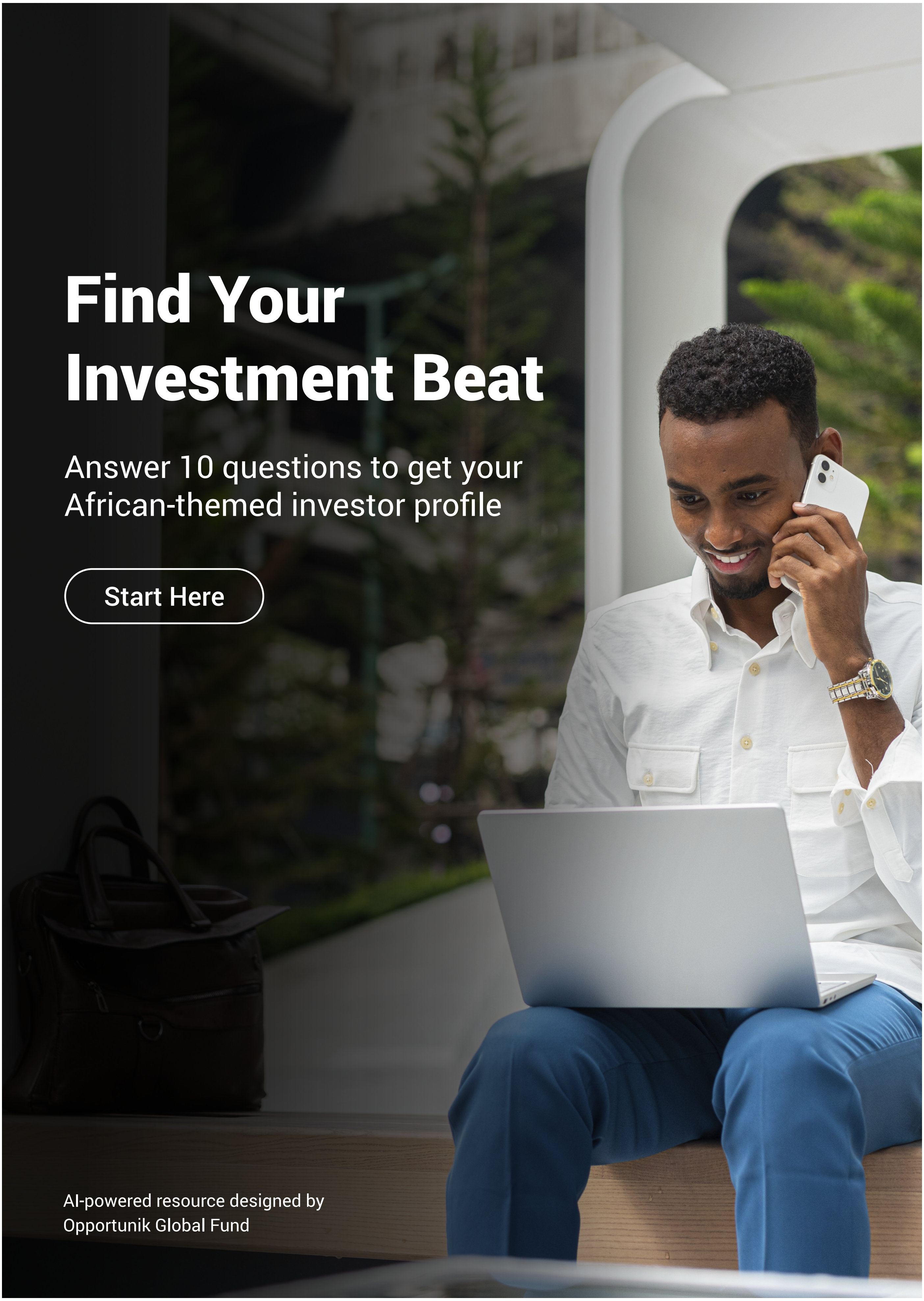
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