

BRIDGING THE GAP

How Africans and Diasporans can create generational wealth using cooperatives, remittances & global Investments

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**VOLITION
CAP**

Summary of Presentation

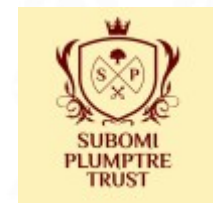
- Highlights wealth gaps between Africans, diasporans and other groups.
- Provides a valid path for generational wealth creation, protection and transfer.
- Points out the limitations of previous wealth building models for Africans and diasporans.
- Proffers an alternative wealth creation model based on cooperatives, remittances and global investments.



About Subomi Plumptre



- Strategist
- Comms Specialist
- Brand Builder
- Entrepreneur
- Fund Manager
- Board Trustee
- Prompt Engineer



Focus of Presentation



Africans

**Middle
Class**

Diasporans



Why the Middle Class?

"The existence of a strong middle class accompanied by the right policies, may contribute to the reduction of income inequalities."

World Inequality Report

Source- <https://wir2022.wid.world/executive-summary/>



Why the 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 Adeshina, President Africa Development Bank (AfDB)

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 Africa and North Africa. - Adams Bodomo, 2013

“The African diaspora in the US has reached a new level of influence. The Biden administration will provide support to small- and medium-sized businesses with a specific focus on the African diaspora, their businesses and investors across the United States.” - Dana Banks, Senior Director for Africa, National Security Council

Sources: 1) African Diaspora Remittances are Better than Foreign Aid Funds : Diaspora-driven development in the 21st Century”, Adams Bodomo, 2013 2) Diaspora bonds: An innovative source of financing? Schneidman, Tadesse, and Lissanu, Brookings Blog, 2022-
<https://tinyurl.com/2s4z5rah>



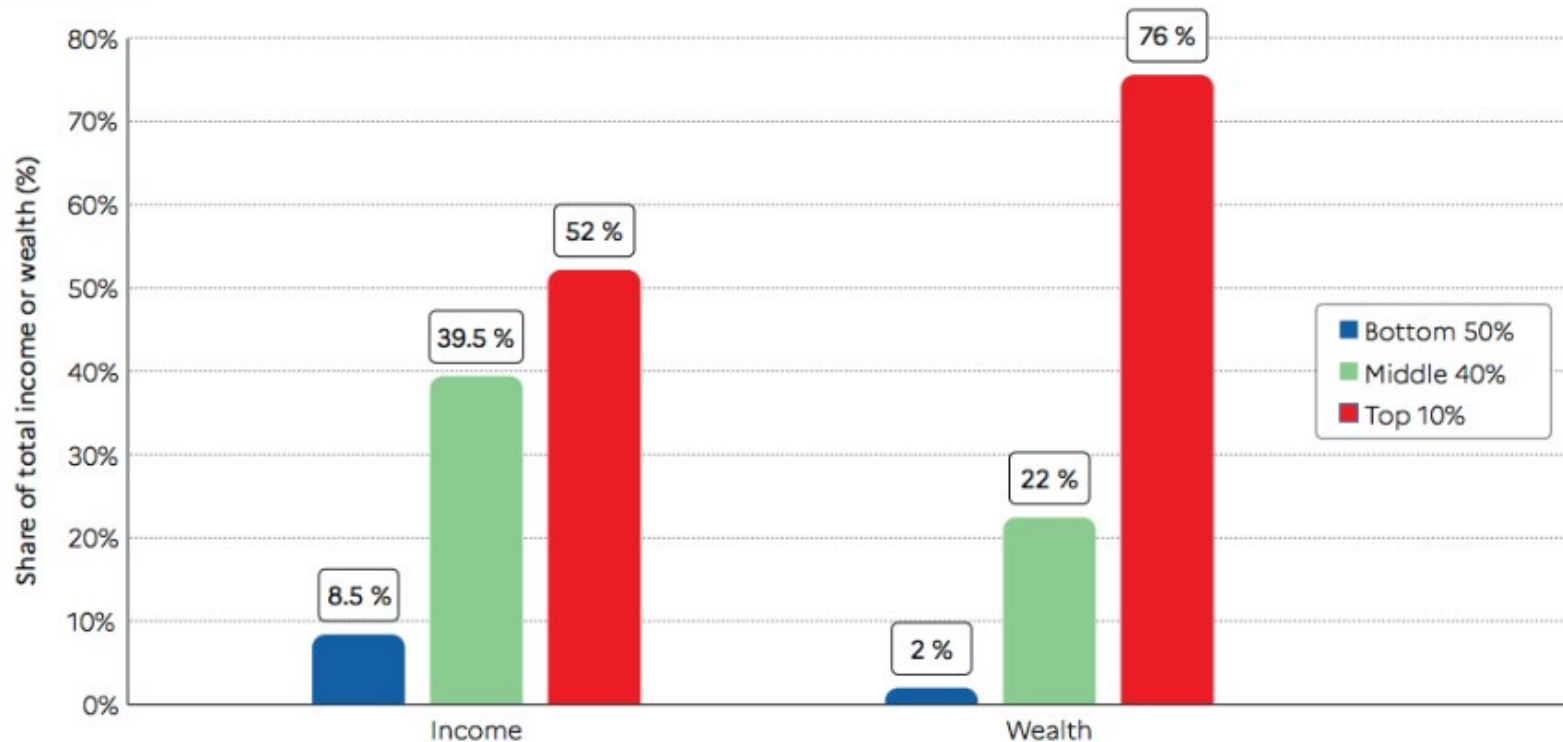
The Diaspora Advantage

- Dual citizenship which expands global investment options.
- Opportunities to form investment cooperatives in emerging markets.
- Higher returns from global asset classes.
- Better perception of risk due to homeland connections.
- Availability of tax (and other) incentives for remittances.



Global Income and Wealth Inequality*


Figure 1 Global income and wealth inequality, 2021



*Wealth is the value of assets owned, like money and property. Income is the amount one makes in a certain period, like a salary. They can be related but aren't always the same.

The highest 10% of the global earning population took 52% of global income, whereas the bottom 50% earned a mere 8.5% of it. In terms of wealth, the top 10% owned 76% of wealth while, the middle 40% owned 22% of it.





“When we broaden the lens to look at wealth, rather than just looking at income, it can give us a bigger picture of what the cumulative impact of racism is, both over an individual’s lifespan, but also potentially from one generation to the next,”

Sheila Block, senior economist at the Canadian Centre for Policy Alternatives

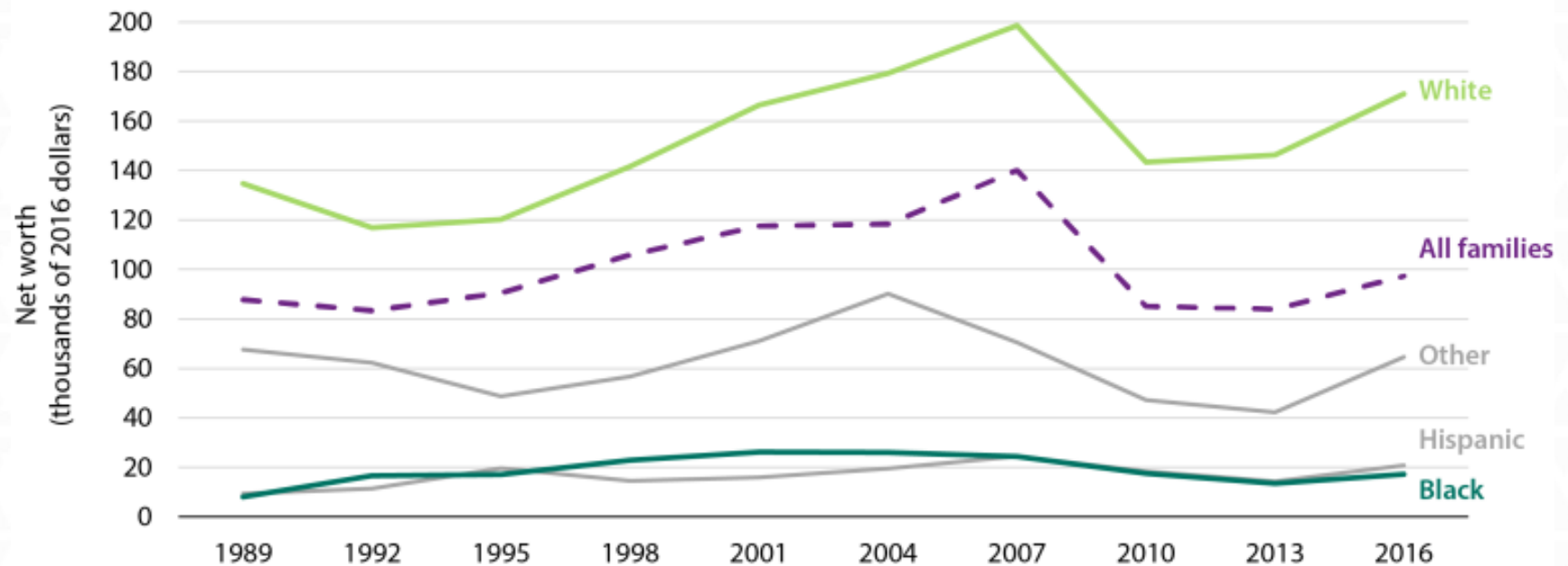
Source: “The wealth of Canadians is divided along racial lines, report on income inequality says” Joanna Smith, for Financial Post, 2019. <https://tinyurl.com/2p824c4t>



Median Net Worth by Race/ Ethnicity

FIGURE 1.

Median Net Worth by Race/Ethnicity, 1989–2016



Source: Survey of Consumer Finances 1989–2016.

Note: Net worth refers to the difference between assets and debt for a household head. Race and ethnicity are those of the survey respondent.

THE HAMILTON
PROJECT
BROOKINGS



Black- White Wealth Gap

USA & Canada

The net worth of a typical white family is nearly ten times greater than that of a Black family (2016).

Gaps in wealth in the US reveal the effects of accumulated inequality and discrimination, as well as differences in power and opportunity.

Black Canadians do not have the same access to investments as white people.

United Kingdom

People of Black African ethnicity typically hold the lowest wealth, which amounts to less than one eighth of the typical wealth held by a person of White British ethnicity.

Even high earners will struggle to save their way to wealth, while White British individuals are more likely to inherit significant sums.

Source: 1) *Examining the Black-White wealth gap*, Kriston McIntosh, Emily Moss, Ryan Nunn and Jay Shambaugh, *Brookings Blog*, Feb, 2020 <https://tinyurl.com/2474jwi7> 2) *Canadian Centre for Policy Alternatives Report on Wealth inequality along racial lines*, *Financial Post*-
<https://tinyurl.com/2p824c4t> 3) *Wealth gaps between different ethnic groups in Britain are large and likely to persist*, *Resolution Foundation Press Release*, December, 2020 <https://tinyurl.com/5asffxcm>



Black- White Wealth Gaps

\$171,000

Average net worth of White Family in 2016 - US



\$17,150

Average net worth of Black Family in 2016 - US



3.6%

Population of Black families in the top 10% income bracket - US



3 to 1

Projected racial wealth gap if Blacks lived in a more equal world, post-emancipation as against the current 6 to 1



£24,000

Median wealth of people with Black African Ethnicity in the UK



£197,000

Median wealth of people with White British Ethnicity in the UK



60

Percentage of Black Canadians that fell into the bottom half of economic family incomes compared to 47 percent for whites



\$60,437

The average income for non-visible minorities in Canada



\$37,152

The average Black Canadian male income

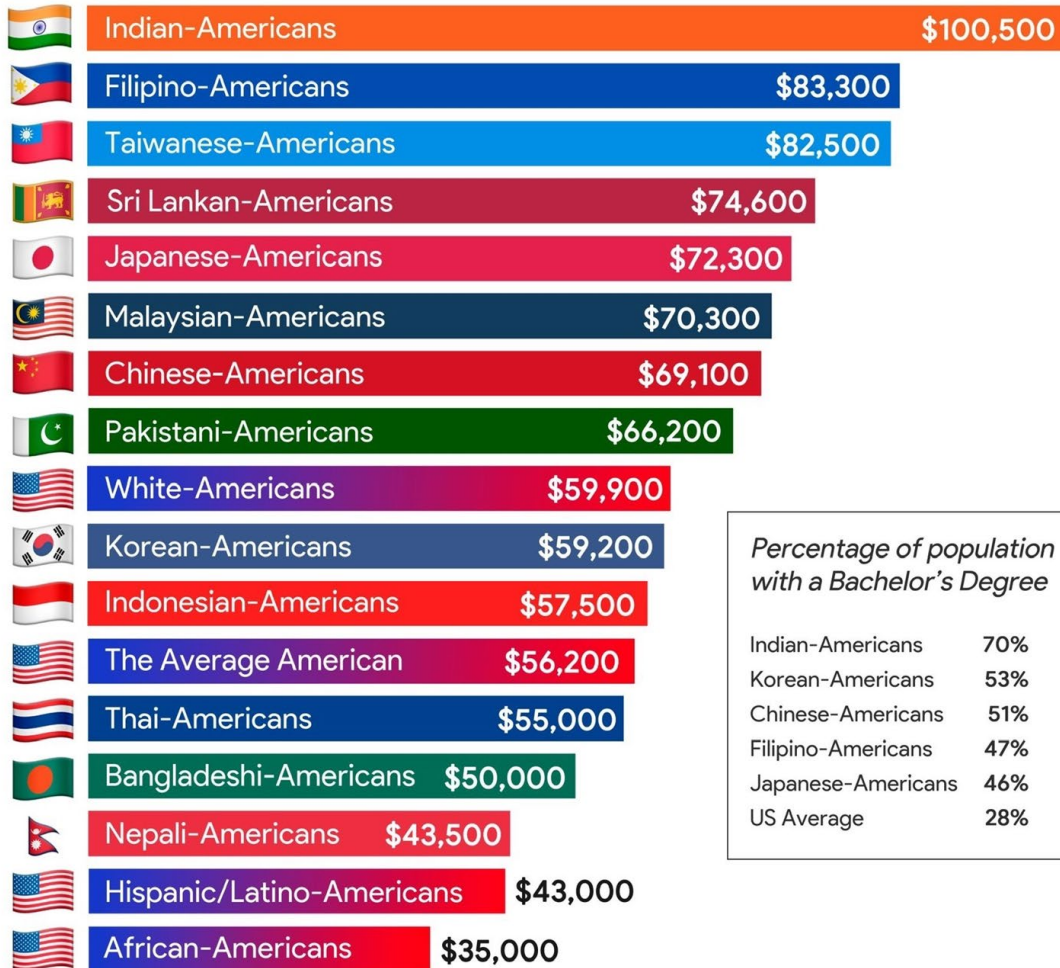


Source(s) 1) Examining the Black-White wealth gap, McIntosh, Moss, Nunn and Shambaugh, Brookings Blog, Feb, 2020 <https://tinyurl.com/2474jwi7> 2) The Forbes Billionaires List, 2023 3) Wealth gaps between different ethnic groups in Britain are large and likely to persist, Resolution Foundation Press Release, December, 2020 <https://tinyurl.com/5asffxcm> 4) How can Africa make the most of its huge diaspora? Charlie Mitchell, for African Business, October 2022 <https://tinyurl.com/4aty2w6d> 3) The Black Wealth Gap in Canada <https://tinyurl.com/22sdca46>



Median Household Income in the US by Ethnic Group

Median Household Income in the United States by Ethnic Group



Percentage of population with a Bachelor's Degree

| | |
|--------------------|-----|
| Indian-Americans | 70% |
| Korean-Americans | 53% |
| Chinese-Americans | 51% |
| Filipino-Americans | 47% |
| Japanese-Americans | 46% |
| US Average | 28% |

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 Phd, Masters or other advanced degree, compared with the National average of 11%.



Diaspora Wealth

40%

Percentage of SSA Africans, over 25 with a Bachelor's degree, compared to 32 % of the US born population of 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



\$82.7bn

Amount Africans received in Personal Remittances in 2019, almost double FDI inflows at \$46bn



Source(s) 1) Examining the Black-White wealth gap, McIntosh, Moss, Nunn and Shambaugh, Brookings Blog, Feb, 2020 <https://tinyurl.com/2474jwj7> 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 <https://tinyurl.com/5asffxcm> 4) How can Africa make the most of its huge diaspora? Charlie Mitchell, for African Business, October 2022 <https://tinyurl.com/4aty2w6d>



Black Tax is Real!

Top Emigration Countries

| Countries | Situation | GDP per Capita (USD) | Age dependency ratio (young) ^b | Countries | GDP per Capita (USD) | Age dependency ratio (young) |
|---------------|-------------------------------|----------------------|---|--------------|----------------------|------------------------------|
| Burkina Faso | <u>Landlocked^a</u> | 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 | <u>Largest^a</u> | 5,639 | 83 | Spain | 32,814 | 22 |
| Somalia | Fragile | n.a. | 93 | UK | 38,658 | 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 |

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

Source: *What if Africa calls upon its diaspora to boost economic transformation?* Nadege Desiree Yameogo, 2016-World Bank Blog. <https://tinyurl.com/3u74mzxp>



Investment Access and Inheritance Beget Wealth

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

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

High- and mid-income Black families are more likely than white to be called upon to **assist family members** and neighbours

The average Black American invests two-thirds of their savings in housing, and are **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 indebtedness as white families actually tend to have higher levels of debt than Black families.

Source: Examining the Black-White wealth gap- Kriston McIntosh, Emily Moss, Ryan Nunn and Jay Shambaugh, Brookings Blog, Feb, 2020

Previous Approaches to Creating Black Wealth

“Mehrsa Baradaran challenges the myth that black communities could ever accumulate wealth in a segregated economy.

Instead, housing segregation, racism, and Jim Crow policies created an inescapable, but hard to detect, economic trap for black communities and their banks.”

“The catch-22 of black banking is that the very institutions needed to help communities escape the deep poverty caused by discrimination and segregation inevitably became victims of that same poverty.

Not only could black banks not “control the black dollar” due to the dynamics of bank depositing and lending but they drained black capital into white banks, leaving the black economy with the scraps.”

“Baradaran challenges the long-standing notion that black banking and community self-help is the solution to the racial wealth gap. These initiatives have functioned as a potent political decoy to avoid more fundamental reforms and racial redress.

Examining the fruits of past policies and the operation of banking in a segregated economy, she makes clear that only bolder, more realistic views of banking’s relation to black communities will end the cycle of poverty and promote black wealth”

Source: Review of “The Color of Money: Black Banks and the Racial Wealth Gap , by Mehrsa Baradaran , 2017- book review by Harvard.edu ([The Color of Money — Mehrsa Baradaran | Harvard University Press](#))



Recent Efforts by the African Union

In March 2022, the African Union launched the African Diaspora Investment Fund (ADIF).

The mission for ADIF is to mobilize diaspora funds for structured profitable investment in socially responsible and impactful ventures and schemes. It's envisioned that the fund will realise innovative and optimal usage of African diaspora resources for inclusive development in Africa and within the diaspora.

“The three-core start-up financial products and services of ADIF are: Issuance and management of diaspora bonds; management of diaspora mutual funds; and the management of the diaspora endowment trust fund (which will be created through the innovative finance mechanism of remittance match funding).”

Source: 1. Celebrating The Diaspora: Investment in Africa, by Almaz Negash, as published on African Diaspora Network Website: <https://tinyurl.com/4cd3cuut> 2. AU report on ADIF Framework Validation Workshop, retrieved May 20, 2021 <https://tinyurl.com/8zza9ruc>



Five Vehicles Normally Used to Mobilize Diaspora Wealth

While remittances have important effects on financial development, diasporans also hold substantial financial assets beyond their current income—for instance, in savings & retirement accounts, in property, debt, and equity:

- Deposit accounts denominated in local and foreign currencies
- The securitization of remittance flows allowing banks to leverage remittance receipts for greater lending
- Transnational loans that allow diasporans to purchase real estate in their countries of origin
- Diaspora Bonds allowing governments to borrow long term funds from diasporans
- Diaspora mutual funds which mobilize pools of individual investors for collective investments

Source: Diaspora Investment in Developing & Emerging Country Capital Markets: Patterns and Prospects, Aaron Terrazaz, Migration Policy Institute, 2010.

https://www.migrationpolicy.org/sites/default/files/publications/diasporas-markets_1023.pdf



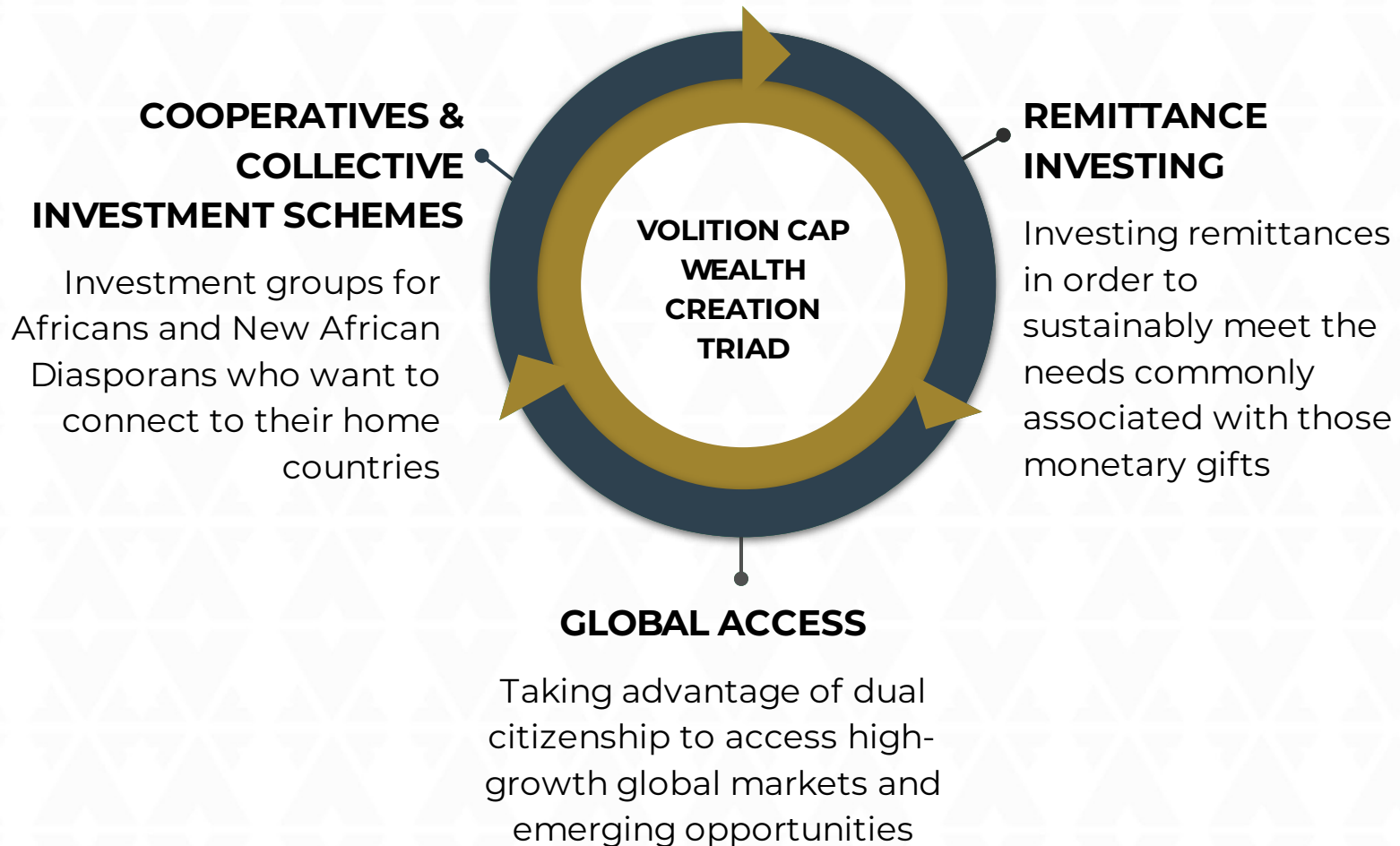
| The Challenge/ Big Idea

Questions

- How can middle class Africans and Diasporans accelerate generational wealth?
- How do they bridge investment access using dual citizenship and global investments?
- How do they leverage existing remittances as investment capital?
- How do they transfer inheritances to the next generation in a tax efficient way?



| Our Solution - Volition Cap Wealth Triad



Regional and International Cooperatives

Regional Cooperative Opportunities: African Case Study

Cooperative Societies are regulated and legal investment entities.

They are financially transparent and democratic organizations.

They are eligible to make accredited and institutional investments.

They can appoint their own fund managers and define their own investment classes.

They have reduced fund administration costs.

They have significant tax benefits.

International Cooperative Opportunities - US Case Study

Based on exemptions in the Investment Company Act of 1940, Hedge Funds do not need to register with the SEC if they have fewer than 100 investors who are all considered accredited investors.

Accredited investors can be syndicates.

Source: 1) Companies and Allied Matters Act 2020 (Nigeria) 2) Investment Company Act of 1940 (US)



| Global Access

Nigeria

Majority of mutual funds in Nigeria have been built on money market funds. MMF yields have however plunged in recent times.

Investors have consequently continued to pull out their funds in response to the low return, for higher-yielding alternatives.

Data by the SEC showed that real estate funds reported the highest increase in NAV. A fund that invests mostly in property-related instruments grew its assets by 18.17 percent in the first 10 months of 2021.

Equity-based funds followed with a reported increase of 5.62 percent in the same period.

United States

In the US, the average mutual fund return varies between 5%-15%, depending on the category of mutual funds.

The US is now the most preferred market while real estate is now the most preferred asset class for all Middle East-based sovereign wealth funds.

Recently, the world's largest Sovereign Wealth Fund, the Abu Dhabi Investment Authority (ADIA) with \$800bn in assets, increased its target allocation for North America from 45% to 60%.

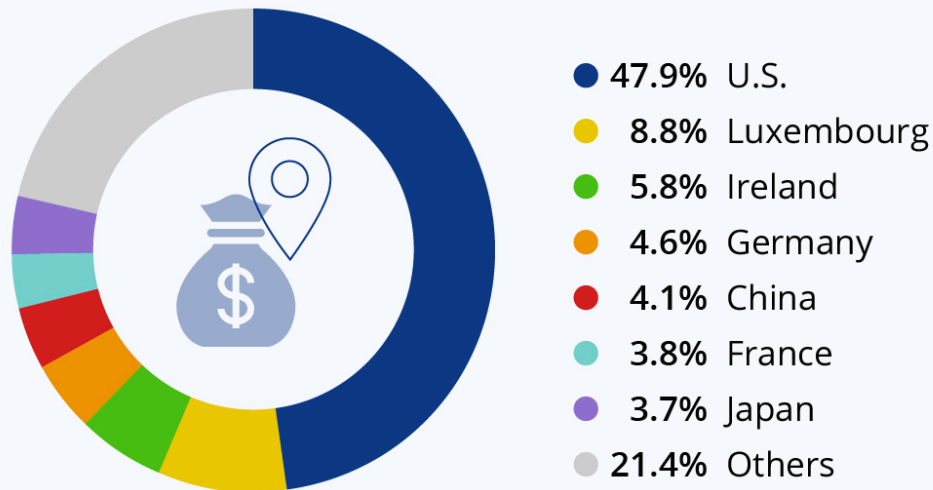
The same story is being reported across the Middle East, as regional investors capitalise on growth from the resurgence of oil prices and look to strengthen their global diversification.



Global Access

Where Most Investment Fund Assets Are Located

Domiciles* of global investment fund assets (as of Q1 2020)

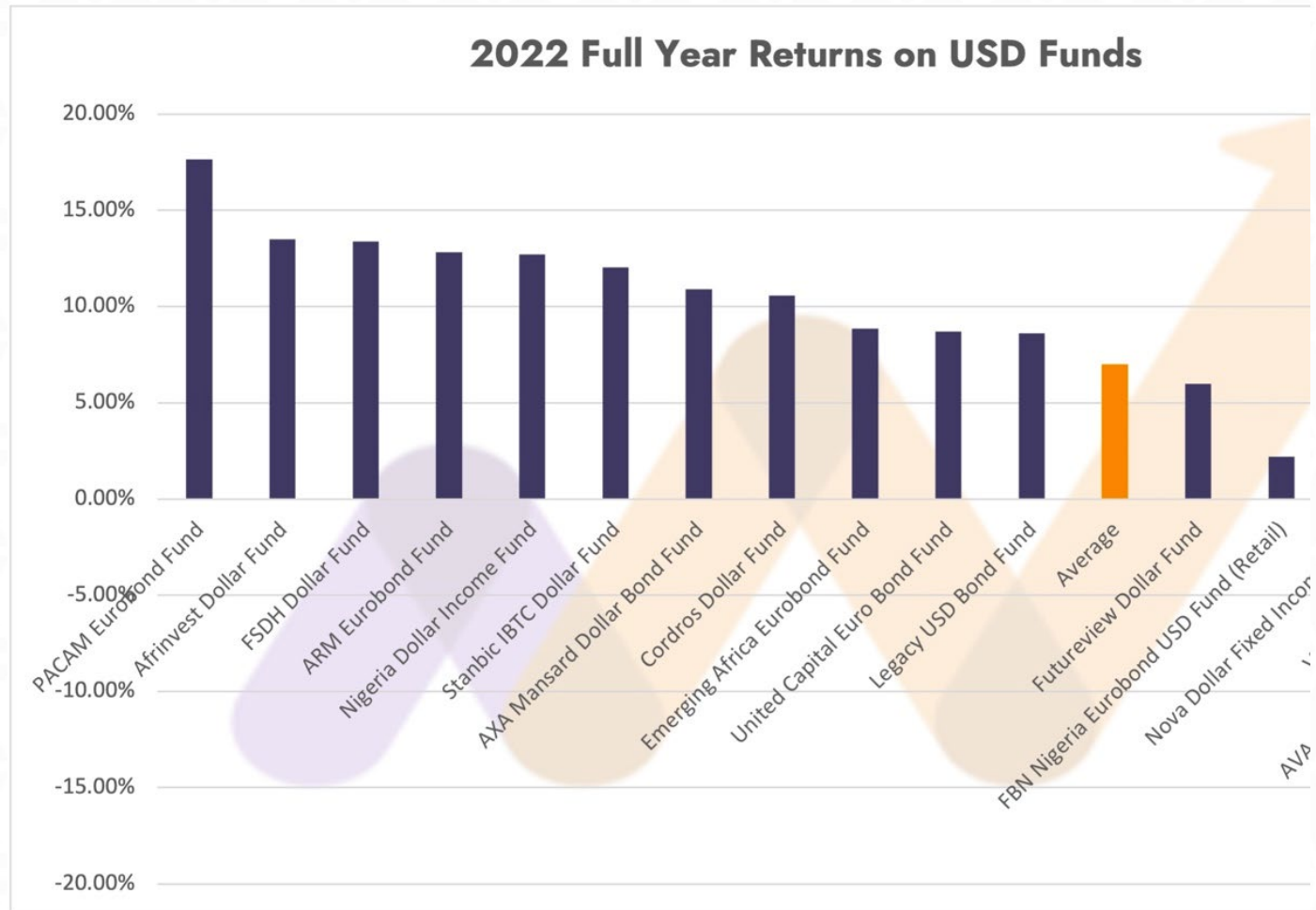


* country where the fund legally organized

Source: European Fund and Asset Management Association



USD Fund Performance - Africa



Remittance Investing Logic

Remittance

Family Office

Investment

Returns

Tuition Expenses
Family Up-keep
Health Bills
Inheritance



Our Investment Universe

Collective decision-making among cooperative members

Registered cooperatives and hedge funds (Africa, US, Caymans)

Contributions are pooled to create an accredited institution with access to high-yield deals

Tax reliefs and benefits

Cost of professional due diligence and fund administration spread across clients

Mass affluent contributors give a boost to middle class contributors



Economies of scale, higher returns and reduced costs through community

Funds are managed by SEC-licensed asset managers

Investment buckets are aligned to client risk profiles

Transparency, accountability and low cost

Free financial literacy course and investment recommendation website



| Our Results

5-year average Y-O-Y USD
return of 8% - 25% pa

5-year average Y-O-Y local
currency return of 12% -
35% pa

45% of clients have
attained a financial
independence rate of
25% - 100%.



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Thank You!

