This paper discusses the psychosocial impact of HIV/AIDS following the revelation that 1.5 million people have died of HIV/AIDS in Kenya, while another 1.3 million children have been orphaned. With HIV prevalence rate of 6.7% and a mortality rate of 700 per day among adults of reproductive age, the importance of such an analysis cannot be overemphasized. The paper focuses particularly on the loss of caregiver support and the resultant stress on care giving systems and on children's development and adjustment in Kenya. The expected effects on children in the domains of economic and food security, psychosocial care, education, health, family composition and stability of care are first generally reviewed. The close association between poverty and HIV/AIDS is discussed next with keen attention to the likely co-occurrence of HIV/AIDS, poverty, loss of caregivers and deprivation associated with deepening poverty particularly in resource-deficit neighborhoods. In the final analysis, it is made clear that the impact on large numbers of children of the combined effects of poverty and HIV/AIDS (as seen in increased cases of school dropout, child labour abuses and the sexual exploitation and trafficking of children) are likely to cause significant social disruption.