



Introduction

An informal savings group is a social organisation (group of people) formed to help community members save money for specific reasons or purposes, either on an individual level or community level. The saved money is often rotated between the group members.

When you save money informally, it's important to ask:

- Who is in charge of keeping the money safe?
- Who is watching over how the savings club is managed?



Remember, even if you save informally, you can still put some money into formal savings vehicles. Then if something goes wrong, you have a formal complaints channel and may be able to recover lost money.





1. Friendly societies

A friendly society is a financial institution formed by a group of people for a specific purpose. The members contribute money and save together to assist each other financially for specific needs, e.g., a funeral. It is not a profit-making business, but any profit made is usually shared among members.

A friendly society is established by any association of persons able to provide its members with benefits for various purposes. Some Friendly Societies even offer more than one type of benefit. Some examples of benefits offered include:

- Funeral expenses, birth of a child, or during a period of confined mourning
- Education for members or their children
- Assistance for unemployed members or support during minority, old age, widowhood, or illness
- Illness benefits
- Other purposes as declared by the Minister in the Gazette



NOTE: Friendly Societies must be registered with the Financial Sector Conduct Authority (FSCA) and are regulated in terms of the Friendly Societies Act, 1956.

Friendly Societies have some restrictions

The Friendly Society:

- Must have a constitution - these are the rules that the members all agree on.
- Is not allowed to market itself.
- Is limited to a specific group.
- Is not allowed to make a profit.
- Cannot refund members' contributions.
- Can pay a maximum benefit R15,000.
- Must have an escape clause, which is only paid if there are enough funds available.
- Costs must not be more than total income.

Where to get more information

You can get more information at the Financial Sector Conduct Authority.



For more information, visit the Financial Sector Conduct Authority (FSCA) website. Contact details provided in the FSCA MMLS contact list.

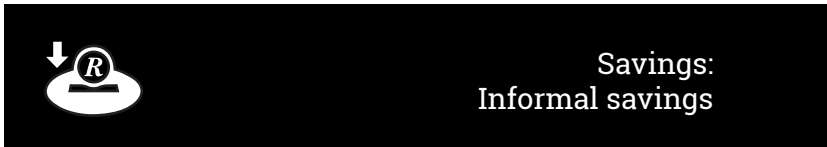
2. Co-operatives (CFIs) and co-operatives banks

2.1 Co-operatives (CFIs)

A co-operative financial institution (CFI) is a financial institution that is owned and run by its members, the people who use it. If it makes money, that money goes back to the members in some way, benefiting everyone who uses the CFI. It's like a community bank where everyone works together and shares the benefits.



More about



2.2 Co-operative banks

What is a co-operative bank?

A co-operative bank is a type of co-operative financial institution that is also owned and run by the people who use it. It's a place where individuals who share something in common – such as working in the same profession, belonging to the same organisation, or living in the same community – can save and borrow money together.

Here's how a co-operative bank operates:

- Takes your money safely: You can deposit your money in the bank, and it will be kept safe.
- Gives your money back when you need it: If you need to withdraw money, the bank will return it to you.
- Pays you interest: The bank will give you some extra money (interest) for keeping your money there.
- Helps you save and borrow: You can save money for the future, and if you need a loan, the bank can assist you in borrowing money.

 NOTE: Co-operatives (CFIs) and co-operative banks are regulated by the FSCA.

3. Stokvel

A stokvel is an informal savings pool/club to which members regularly contribute an agreed amount and from which they receive a lump sum payment on rotation. Stokvels are a popular way of saving among many people in South Africa.

The National Stokvel Association of South Africa (NASASA) is a self-regulatory organisation authorised by the South African Reserve Bank in terms of Government Notice 404 in Gazette 35368 25 May 2012.

There are many different types of stokvels. Here are a few of the most common ones (this is not an exhaustive list):

3.1 Savings stokvels

Members contribute regularly, and the pooled funds are distributed to one member per cycle, supporting short-term savings goals.

3.2 Grocery stokvels

Members pool funds to bulk-buy groceries, often at discounted prices, usually for seasonal or annual stock-ups.

3.3 Investment stokvels

Members invest pooled funds into income-generating opportunities, such as stocks, business ventures, or other long-term projects.

3.4 Property stokvels:

Members save collectively to purchase property or invest in real estate, enabling shared access to wealth-building opportunities.



More about



NOTE: Stokvels are not regulated by the FSCA.

NOTE: Before you join a stokvel, make sure it is registered with the NASASA. Ask for proof of a registration number. Contact details for NASASA provided in the FSCA MMLS contact list.

3.5 Pros and cons of Stokvels

Pros	Cons
Learn to save: Stokvels are a good way to learn how to save money. When you save with others, it's easier to stay disciplined because you don't want to let them down.	No interest: You don't earn any extra money (interest) on the money you save in a stokvel.
Support each other: Stokvels can also help members in ways other than just money. You can receive advice, support, and friendship from the other members.	Short-term saving: Stokvels are usually for saving money over a shorter time, like less than a year.
	Agree on goals: Members usually need to agree on what they are saving for and why, like for Christmas expenses or a special event.

NOTE: If your Stokvel decides to save and invest in formal financial products, ensure that you engage with an Authorised Financial Advisor/Financial Services Provider.

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