



Financial
SAFEGUARD

Informal Savings

Friendly societies

A friendly society, burial society, grocery scheme or syndicate is established by a group of people who provide their members with funds for the following purpose:

- Funeral costs or during a period of confined mourning
- Birth of a child
- The education of members or their children
- To assist members who are unemployed
- Monthly costs of a child under the age of legal adulthood
- Old age
- Loss of a husband or wife
- Illness benefits

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
- Are not allowed to make a profit
- Cannot refund member's contributions
- Can pay a maximum benefit R7 500
- Must have an escape clause which is only paid if there are enough funds available
- Costs must not be more than 10% of total income

Where to get more information

Registrar of Friendly Societies, at the Financial Sector Conduct Authority
www.fsca.co.za - Retirement Funds
FSCA's toll free number: 0800 203 722

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



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.

Just as some people exercise more when they have an exercise buddy, others find it easier to save when they do it in a group.

Tazneem's Story

Tazneem is part of a Stokvel made up of 12 people. She contributes R100 each month therefore there will be R1200 in the kitty for all the members. She has been saving to go back home. It is her turn to get the money next month. When she receives the R1200, she goes to buy her bus ticket home. She is very excited!

The next month Tazneem continues to save her R100 with the Stokvel so that she can achieve her next goal.



Matilda's Story

Matilda and her friends want to go home for the holidays. Matilda decides to start a stokvel with her friends. They open a bank account for their stokvel.

Each person of the stokvel group puts away R300 a month.

At the end of the year they will draw all the money out and divide it equally among all the members. In this way, by collectively saving their money, they will get more back at the end of the year.



Note:

Stokvels are not regulated by the FSCA. Stokvels should belong to an association such as NASASA, the National Stokvel Association of South Africa.