

A bonus to study

A new savings plan brings tertiary education within easier reach of Joe Public, writes **Maya Fisher-French**

A new initiative known as the Fundisa Fund plans to reward South African parents who save for their child's higher education by paying out an annual bonus to strengthen their savings.

A partnership between the department of education and the Association of Collective Investments, the Fundisa Fund rewards any investment of up to R200 a month by paying an additional 25% to the savings account. These funds will be used to pay fees at any government-approved tertiary education institution, which will receive both the savings and the bonus directly.

Simply explained: if you save R200 a month, you will have saved R2 400 at the end of the year. The government will then pay you a bonus of R600, putting your total savings at R3 000. If you save R200 a month for five years, government will have paid a total of R3 000, which is also the yearly cap on the bonus amount.

Although this is a flexible product, there is a minimum investment of R40 a month or R480 a year. You can invest using a monthly debit order or by investing ad hoc lump sums and,

because there is no contractual agreement, you cannot be penalised if you are unable to make regular monthly payments.

Your bonus will be calculated on the amount you have saved during the year. If, for example, you have a balance of R1 000, the bonus paid will be R250. You can withdraw the savings at any stage, but then you forfeit the annual bonus, which will be paid only to the tertiary institution if you maintain the savings. Should your child decide not to study, the savings can be transferred to another learner.

This option creates an opportunity for people who wish to sponsor a learner other than their own child, provided the learner is a South African citizen.

A Mzansi or similar account is needed to open a Fundisa Fund account. There are no upfront fees to open the account, but you will pay a 1,25% annual fee.

Because Fundisa's money is invested in an income fund, it is considered a low-risk investment, which should grow about 7% to 8% a year. Consider it an excellent way to start saving for your child's higher education.

A graduate in every household

The Fundisa education savings project

Year one	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Saving*	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200
Balance	R200	R400	R600	R800	R1 000	R1 200	R1 400	R1 600	R1 800	R2 000	R2 200	R2 400
Bonus										(R200 X 9 = R1 800 X 25% = R450)		
TOTAL	R200	R400	R600	R800	R1 000	R1 200	R1 400	R1 600	R1 800	R2 000	R2 200	R2 400

Year two	Jan	Feb	Mar	April	May	June	July	Aug	Sep	Oct	Nov	Dec
Saving*	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200	R200
Balance	R2 600	R2 800	R3 000	R3 200	R3 400	R3 600	R3 800	R4 000	R4 200	R4 400	R4 600	R4 800
Bonus	R450									(R200 X 12 = R2 400 X 25% = R600)		
TOTAL	R3 050	R3 250	R3 450	R3 650	R3 850	R4 050	R4 250	R4 450	R4 650	R4 850	R5 050	R5 250

Year three	Jan
Saving*	R200
Balance	R5 000
Bonus	R600
TOTAL	R6 050

*Saving by debit order

- The fund is a three-year project to measure public participation
- Savings are rewarded with a bonus
- The Fundisa account may only be used to pay for further education and training at an approved college or university



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Funding a new generation

Anthony Katakuzinos

Fundisa — launched by the Association of Collective Investments (ACI) in mid-November 2007 — is a key contribution to the financial industry's efforts to promote access to affordable financial products in accordance with the Financial Sector Charter.

This subsidised account is designed to foster saving for education and is aimed at lower-income groups.

It could help to embed the habit of long-term saving by families that set goals and use education as an upliftment tool. With luck, the long-term

effect will be to break the cycle of dependency and reliance on social grants. The hope is that this simple, targeted savings product will deliver huge gains for clients, communities, industry and our country.

Savers receive a 25% bonus from government in addition to the money they save. The minimum investment is R40 a month. If savers commit R480 in the year, the account will be topped up to R600 with government's 25% bonus and so on through the life of the product. Each saver designates a learner whose tertiary education costs will be met, in full or

in part, by Fundisa build-up.

Ultimately, capital is channelled to the college or university attended by the learner, as long as the institution is covered by the National Student Financial Aid Scheme.

Any South African citizen can open a Fundisa account for the benefit of any child, but must first have a bank account like Mzansi, the Standard Bank E-Plan or similar account structured to foster saving by previously unbanked clients. The prospect of educational bonus payments is therefore a further inducement to enter the banking system.

Fundisa savers secure their bonuses by sticking with the savings programme and using the money to assist the designated learner (though the learner-beneficiary might be changed should the initially named child decide against further education).

As South Africa's largest unit trust company, Stanlib was eager to drive Fundisa forward, identifying obstacles and suggesting solutions.

Synergies with national policy were complemented by synergies within the Standard Bank and Liberty Life groups. To contain distribution costs, it made sense for Stanlib to expand Standard Bank's national branch network to promote Fundisa and make application forms available.

The Stanlib version of the product is therefore branded "the Standard Bank Fundisa Fund". Inflows are invested with the banks and a portion goes into government bonds, earning a competitive yield while creating potential for capital growth.

The educational bias echoes the most enduring leitmotif of the Liberty Life corporate social responsibility programme. Since the Liberty Foundation began its work in 1971, educational initiatives for the benefit of disadvantaged communities have been among the largest recipients of assistance.

Since 1990 alone, the foundation has given more than R350-million to programmes that support the state education system. A financial product in support of lower-income families was therefore applauded across the Liberty Life group.

Growth in the investment industry cannot simply be a function of market gains. On occasion, volatility can eradicate growth like that. Sustainable growth has to be underpinned by constant expansion of the customer base.

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