

Media Release

Association for Savings and Investment South Africa (ASISA)

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South Africans serious about saving for education despite hardships

Despite feeling the economic pinch, thousands of parents and sponsors placed the education of future generations high on their priority list in the past year. The Fundisa unit trust fund, an initiative aimed at encouraging South Africans to save for their children's higher education, attracted over 4 000 new investors over the past 12 months, bringing the number of unit holders to 6 929.

As at the end of October this year, assets under management in the Fundisa Fund stood at R9.5-million, a whopping 313% increase over the R2.3-million at the end of October last year. The Fundisa Fund was launched in November 2007 and during the first year 2 743 parents and sponsors signed up.

Janete Nel, marketing manager at the Association for Savings and Investment South Africa (ASISA), says the drastic increase in parents and sponsors making use of the Fundisa Fund to save for a child's tertiary education is very encouraging.

"At the end of last year we were a little disappointed by the uptake of the Fundisa Fund. But the much improved support this year, despite the economic hardships experienced by the majority of South African, shows that many consider education a priority when it comes to saving."

Fundisa bonus payment

The good news for Fundisa investors currently saving towards a child's tertiary education is that they will all participate in the 2009 bonus payment of R1.2-million. Last year's bonus payment was R390 000. Making this bonus payment even more attractive is the fact that it comes in addition to the 9.5% return achieved by the Fundisa unit trust fund for the 12 months ended October.

Nel says this translates to a total return for the year of 34.5% on a Fundisa investment of R2 400. Only the first R2 400 invested in the Fundisa Fund every year qualifies for the bonus payment.

The Fundisa Fund is a joint initiative by the collective investment schemes (unit trust) industry and the Department of Education. Bonus payments are made from the R31.1million committed by the Government and the collective investment schemes industry to the Fundisa Fund.

As a result of the bonus grant, investors in the Fundisa Fund have their investment enhanced by 25% every year to a maximum of R600 per learner. So if you save R200 each month for 12 months in the Fundisa Fund, you will see the R2 400 saved grow by R600 to R3 000. Furthermore, the R3 000 will also share in the overall investment return achieved by the fund in the next year.

However, to ensure that the money saved in the Fundisa Fund is actually used to pay for a child's education, the bonus payment (or a portion of it) falls away if the investment is withdrawn. The bonus payments received can only ever be used to pay for a child's education at a Government recognized institution. Investors can, however, withdraw their savings together with the normal returns on the capital at any time.

Why Fundisa?

The Fundisa Fund is a low-risk fixed interest income unit trust fund of funds managed by STANLIB. This means the fund only invests in fixed interest income unit trust funds, which in turn invest in bonds, fixed deposits and other interest earning securities.

Nel says the question is often raised whether, in the long-term, investors would not be better off in money market unit trust funds where the investment risk is perceived to be lower than for income funds, or in equity funds, which offer the potential of much higher returns, but at the risk of higher volatility.

“Since it is impossible to accurately predict what future returns will be, to answer this question it is better to consider past performance. Please note that past performance is never a guarantee of future returns.”

The table below compares the historic returns delivered by the average domestic fixed interest income unit trust fund (like the Fundisa Fund) over 10 years to the end of October this year, as compared against the average performance delivered by money market unit trust funds and general equity funds. Since the Fundisa incentive bonus is only available on the Fundisa income unit trust fund, it has not been added to the money market fund or the general equity fund example. The assumption was made that the investor invested consistently and did not withdraw any funds.

“It is obvious from the table that the income unit trust fund typically delivers a marginally higher return than a money market fund, while being more accessible. Money market unit trust funds generally require high minimum investment amounts. The Fundisa Fund would, however, always return less than an equity fund, because it is invested less aggressively. Given that investors are investing for a child’s education, the industry and government considered a more conservative investment approach most appropriate for now.”

Unit trust fund	Monthly debit order for 10 years	Total Rand amount invested	Additional bonus portion (paid by Fundisa only)	Rand amount after 10 years
Domestic Fixed Interest Income Fund	R50	R6 000	R1500	R12 291.45
Domestic Fixed Interest Money Market Fund	R50	R6 000		R9 750.27
Domestic General Equity Fund	R50	R6 000		R15 086.68
Domestic Fixed Interest Income Fund	R100	R12 000	R3 000	R24 582.89
Domestic Fixed Interest Money Market Fund	R100	R12 000		R19 500.53
Domestic General Equity Fund	R100	R12 000		R30 173.36

How to invest

The Fundisa Fund is open to investors wanting to save for the higher education of a South African citizen or permanent resident. A minimum investment of R40 is required. The investor can then choose to pay R40 or more every month or top up the investment when money becomes available.

An annual fee of no more than 1.25% (excl VAT) applies, which is taken from the return earned on the money invested. A maximum initial fee of 3% (excl VAT) may be charged, but only if the investment is made with the help of an independent financial adviser. Currently, if the investment is made directly with Standard Bank, Nedbank, or ABSA (the three companies currently offering the fund), or any of their agents, no initial fee is payable.

Nel says anyone can invest in the Fundisa Fund on behalf of a child. “Investors do not need to be related to the learner being sponsored. Also, should the child decide not to study at a tertiary institution, the benefits can be switched to another child. The funds must, however, be used before the learner turns 35.”

She says the mechanics of the fund are simple. When the learner is about to study at an institution, the unit trust company will issue a certificate. The learner takes this certificate to the institution, which then receives payment from the National Student Financial Aid Scheme (NSFAS) on presentation of the certificate.

More information is available from the Fundisa web site at www.fundisa.org.za.

Ends

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ASISA represents the majority of South Africa’s asset managers, collective investment scheme management companies, linked investment service providers, multi-managers, and life insurance companies. ASISA was formed in 2008 by members of the Association of Collective Investments (ACI), the Investment Management Association of South Africa (IMASA), the Linked Investment Service Providers Association (LISPA) and the Life Offices’ Association (LOA).