# How to Start and Manage An Investor Club / Stokvel

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Setting Up Investor Club/Stokvels Through the etfSA Investor Scheme™

Mike Brown, Managing Director, etfSA.co.za

A number of people have enquired about how to go about establishing collective investment groups that can invest in the stockmarkets.

One option is to utilise Exchange Traded Funds (ETFs) as the investment vehicle for such investments. ETFs provide low risk access to the stockmarket for Clubs/Stokvels for the following reasons:

- They provide portfolios of index shares
- They are less risky/volatile than investment in single stocks
- The discounted brokerage rates and competitive administration fees offered by etfSA make it one of the lowest cost options available.
- Switches (if investment strategy changes); new inflows of cash from fresh members; partial sales to accommodate members who leave the Club; recurring (debit) order investments, etc. are all catered for, making etfSA one of the most flexible options available.

Finance Week magazine recently published a reply by me to a question from one of its readers on how to establish an Investor Club, which has solicited a lot of response and is appended.

"The FAIS Act allows for Investor Clubs/Stokvels to operate collective accounts through FSB approved administrators. The etfSA Investor Scheme™ New Business Application form details the FICA requirements for an Investor club on page 10 of the form. In summary, the requirements are:

- The Club needs to set up a founding document or constitution, which details its objectives, terms of reference, membership requirements, investment strategy, etc. A copy of this document needs to be sent to the Administrators. It helps if this document has a formal tone, with the correct legal terminology and so on. You would probably have someone in the Club who could do this, or Google the document format. The Founding document needs to be approved at a general meeting by all members.

- The Club should appoint a Representative person to act on its behalf in operating investment accounts. A letter electing the representative, with his/her powers needs to be signed by all Club members and sent to the Administrator.

- The Representative of the Investor Club needs to provide all the FICA documentation required to open an account."
• The Representative will operate a register of all Club members, with their ID numbers, addresses, etc. Typically, the Administrator would not require the FICA documents of the individual members if it is satisfied with the other documentation supplied.

• The Investor Club needs to operate a separate banking account in the name of the Club and details of this account have to be supplied as part of the FICA documentation. All contributions to the Club’s investments must come from this account and proceeds from sales will be paid by the Administrator into this bank account.

ETFs are probably the most convenient and cost effective investments for an Investor Club as they provide for recurring investments when Club members make regular contributions, or new members join, in easily divisible and transparent units and also enable for partial sales if any members withdraw.

Should you have any specific questions about establishing an Investor Club or Stokvel with your friends, family or community, and require further information, please contact Clinton Chetty from our Call Centre 0861 383 721 or Mike Brown on the details below.

**Mike Brown**

Managing Director, etfSA  
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# ADMINISTRATION REQUIREMENTS

## STOKVELS / INVESTOR CLUBS

### REQUIRED DOCUMENTATION

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<tr>
<td>1)</td>
<td>Constitution / Founding Document</td>
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<tr>
<td>2)</td>
<td>Document / Letter authorising a representative/authorised person to act on behalf of the Club/Stokvel (signed by all members)</td>
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<td>3)</td>
<td>Register (with ID numbers, addresses, contact details) of all members.</td>
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<td>4)</td>
<td>Bank account in the name of the Club/Stokvel</td>
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## FICA requirements

*(to be sent to investment administrators)*

- Copy of Constitution / Founding Statement
- Election Document / Letter for Representative / Authorised Person
- Copy of Register of Investors
- Copy of Club/Stokvel bank statement / cancelled cheque
- FICA documents for Representative / Authorised Person
  - ID
  - Proof of residence
Sample Stokvel/Investor Club Constitution

The name of the Stokvel is.................................

Aims and Objectives
- To promote personal and group development and friendship among members.
- To save money and eventually look for business opportunities for the club.
- To contribute money for the following:
  1. Bonds for members through Bond a Property
  2. Payday loans for members through Loans Acceptable
  3. Buy vehicles for Rent to Own vehicle plan through Country Wide Car Rental.
  4. To invest in stockmarket securities, including Exchange Traded Funds (ETFs) to build up wealth for club members.

Membership
- Membership per club will be limited to ..... members (list number of members).
- Members will supply the club with their personal details (ID number, date of birth and residential address).
- Members must obey the club constitution.
- Should a member die, his or her family members will not automatically become members of the club.

Stokvel Executive
The executive committee will consist of the following positions:

Chairperson, whose responsibilities are:
- To lead and prepare the agenda for meetings.
- Make sure rules are followed.
- Approve money withdrawal with other executive members.
- Explore opportunities for growing the club.

Secretary, whose responsibilities are:
- Keep an accurate record of the club’s activities, namely minutes, correspondence and membership register.
- Maintain communication to make sure all members are informed of all activities of the club.
- Have signing powers with the chairperson and treasurer.

Treasurer, whose responsibilities are:
- Keep accurate account of all the club’s finances and present copies of all the deposit slips.
- Collect money or deposit slips at every meeting.
- Have signing powers with the chairperson and the secretary.
- Keep up-to-date with financial charges and banking products that could be beneficial to the group.
Meetings
• Meetings will be held every 1st Monday (day of the month), from .......... to ........ (time).
• A minimum of 10 members will be required for a meeting (number of members).
• Non-members will not be allowed to sit in the meetings.
• Special meetings will be called when necessary by the executive committee.

Joining Fee
• Each member must pay R......... as a non-refundable joining fee.

Contributions
• Each member will contribute a minimum of .........................per month.
• If members contribute different amounts, the minimum will be R00.

Benefits
• Members will receive a share in the invested assets of the Club/Stokvel relative to their contribution and the value of their investments.
• Members must give 90 days’ notice if he/she wants to terminate membership
• Member will receive bank his/her full contribution plus any capital growth up to termination of membership,

Beneficiaries
• If a member dies, any money they are owed will go to their family.

Code of Conduct
• No member will use the name of the club for personal business purposes or personal gain.
• Each member will be expected to conduct him or herself in a socially acceptable manner at the meetings.
• Members must dress in a socially acceptable manner.

Meeting Attendance
• If a member is unable to attend a meeting for whatever reason, he or she must send an apology in writing.
• Should a member fail to attend three consecutive meetings without a good reason such as illness or being away, he/she will face a disciplinary committee.

Banking
• The money in the organisation must be deposited into a bank account in the name of the Club/Stokvel.
• Signing power will be held by 4 persons nominated by the Club/Stokvel.
• All transactions must be signed by at least 2 of the nominated persons.

Club Closure
• In the event that the club closes, any extra funds and assets of the club will be shared amongst members according to each members’ contribution to the club.
• Liability and debts will also be shared equally in the club if such debt is made by the club.
**Change of Constitution**

- Members can change the constitution if there is a majority vote.
- Changes in the constitution must be announced 60 days prior to the meeting.

I, .....................................................hereby accept the constitution of ....................................(name of club).

........................................................................................................................................(full name).

Signed at ....................................................on this ........day of ..................................20......

........................................................................................................................................
Signature                                      Full Name and Surname
AUTHORIZATION LETTER

Date

Name of Investor Club / Stokvel

Dear Sirs

We the undersigned members of the…………………………………………. (insert name of Club / Stokvel), hereby authorise …………………………………………………………………… to act on behalf of the members in all matters relating to: the administration and operation of our investments: applications to open investment and bank accounts; including signing of any documents relating to these matters.

Any and all acts carried out by ………………………………………………………, on behalf of the members, shall have the same effect as acts of our own.

This authorisation is valid until further written notice by ………………………………………..(insert name of Club / Stokvel).

Sincerely,

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<th>List of Members</th>
<th>Signatures</th>
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How to start a Stokvel

*Helena Wasserman tells us more. – from Women24*

With jobs under threat and households facing uncertainties due to the economic slowdown, having money available for the rainy days is a necessity.

Also, banks are much stricter with lending out money. This means that you have to – gasp! – save up before you can make a purchase. Buying a house can now mean having to save between 20% and 30% of the price for a deposit.

But saving is hard – particularly in tough times, when your pay cheque barely seems to cover the basics.

Also, interest rates have been lowered at such a break-neck speed that the expected returns aren't very enticing.

Starting a Stokvel might be one way to help your saving endeavours. Millions of South Africans can't be wrong, after all. Every year, billions of rands – some reckon more than R5bn – are invested in an estimated 800 000 Stokvels in South Africa. According to some studies, nearly half of black South Africans belong to a Stokvel.

The word Stokvel apparently comes from "stock fair". In the nineteenth century, British settlers rotated the money management of regular stock auctions.

Traditionally, a group of Stokvel members will each contribute a fixed amount on a regular basis and take turns to receive the full amount.

But there are many variations. Some Stokvels pool the contributions together and invest it to get bigger returns for members. Some will identify promising small businesses and commit money to the entrepreneurs. More commonly, the Stokvels will lend out money to individuals at interest rates of between 20% and 50% a month. The Stokvel members act as agents to get borrowers. This can be risky due to non-payment.

Burial societies have grown from the Stokvel tradition. Typically, members will contribute and claim for burial costs if a family member dies.

In recent years, big companies have also woken up to the potential of Stokvels, with including First National Bank, which launched an account aimed at Stokvels and DaimlerChrysler, which proposed a Stokvel-type scheme for potential buyers of luxury cars.
Why consider a Stokvel?

- The peer pressure will force you to save.
- Pooled money can earn better returns, at a lower cost. Banks offer higher interest rates on bigger amounts and banking costs are lowered (or in some cases, free) if the amount is large enough. On your own, your couple of rands won't get the same treatment.
- Some of the added benefits are a sense of community and socialising. Stokvel members traditionally meet regularly and make an occasion of the meetings.
- You may learn something. Some Stokvels operate like investment clubs and invest in the stock exchange. Members do their homework, deliberate about which shares to invest in and make investment decisions.
- Knowing when you will receive a windfall amount makes it easier to plan your finances.

How do you start a Stokvel?

The first step is to get the right members. They should be people who trust each other – particularly to keep on paying their bit after they have received their payout.

Next, everyone should agree to the rules of the Stokvel. This includes how much everyone should invest, who will manage the money as well as where and how often meetings will be conducted.

One of the most important decisions will be about where the investments will be made. Everyone must agree beforehand about how much risk can be taken on.

Then, the members have to explore the most efficient ways to invest the money. Consider transacting online, or investing in cost-effective instruments like Satrix.