



IT'S TIME FOR BENEFICIARY FUND PROVIDERS TO STEP UP

As beneficiary fund administrators, our focus should always be on the beneficiaries, because after all, the funds are there to protect their best interest.

Although Section 37C of the Pension Funds Act describes how death benefits should be distributed, administering beneficiary funds should not merely be a transactional relationship.

A fiduciary responsibility

We cannot, and should not, view beneficiary funds the same way we view pension or provident funds. This offering requires a far more personalised touch that could change lives. Is the industry facilitating that?

A prudent approach to the management of beneficiary funds could not only change lives but could have a more far-reaching positive impact on society as a whole. Administrators are in a uniquely powerful position to help build the foundation upon which beneficiaries can build a responsible, sustainable future and with this power comes, as the cliché goes, great responsibility.

Beneficiary fund administrators have a fiduciary responsibility to ensure the wellbeing of the beneficiaries in their charge. This includes their day-to-day needs, their educational needs, and their future needs.

Balance and engagement

Merely making payments for the sake of ticking boxes simply won't do. Neither will an overly extensive capital preservation approach. The keys to a well-managed beneficiary fund are balance and engagement.

Balancing a capital preservation strategy with one that offers enough liquidity and flexibility to allow for ad-hoc payments, when necessary, enables administrators to see to both the daily needs of beneficiaries, as well as unexpected medical or schooling expenses. A fair fee structure ensures that the funds are managed and invested wisely, opening possibilities to beneficiaries once they reach the age of majority without eroding the fund.

However, the relationship doesn't need to end there. And it shouldn't. Through constant engagement with the guardian and, in some cases the beneficiary, administrators can work with their clients to help them reach their goals. Whether this goal is to further their education, invest, or buy a car to get to work or university, nobody is better positioned to help them make this a reality than those tasked with managing the fund.

By taking an active interest in the lives, needs, and desires of beneficiaries, administrators have an opportunity to improve the lives of our nation's most vulnerable. And, if they are innovative in their approach, this need not even impact the beneficiary's capital. Offering supplementary services can assist beneficiaries in ways that truly add value to their lives, help them further their education, or build valuable skills. In a country where youth unemployment and skill shortages are at an all-time high, administrators should be jumping at the opportunity to make a lasting difference.

The best possible outcome

There are, of course, administrators who take their fiduciary responsibility very

seriously, but the reality is that, as an industry, we're simply not doing enough. Administrators need to make decisions that will deliver the best possible outcome for the beneficiaries. Rather than simply paying out a lump sum when the beneficiary reaches the age of majority, they should engage in discussions to assess the need at that moment and determine whether the money could be put to better use and strengthen the foundation they built over the years.

Trustees have an equally big responsibility when it comes to placing the fund with an administrator. Rather than simply weighing up the fees and promised returns, they need to determine whether the administrator's processes, and the level of care they offer beneficiaries and guardians, will help beneficiaries succeed in their lives after school.

Considering the size of beneficiary funds in our country and the number of children dependent on these funds, beneficiary fund providers can make an immense difference if they adopt a holistic approach to fund management.

It's not rocket science; it just requires some effort on our part.



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