

The retirement fund industry and the financing of infrastructure projects

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In January 2019, we wrote about the government's intention to "*investigate the introduction of prescribed assets on financial institutions' funds...*"

[Legal Matters - The retirement fund industry vs the return of the prescribed assets requirement](#)

Prescribed assets is not a new concept and has been in force before, but was scrapped in 1989.

In this article we also outlined what it would take to re-introduce prescribed assets, as well as the process to implement it as law.

Prescribed assets

The possibility of forcing retirement funds to invest in state owned enterprises has resurfaced again recently – this time with the focus on financing infrastructure projects, to support the country's development plans.

Finance Minister, Tito Mboweni, supports this. However, he made it clear that the projects needed to be well-managed and give investors 'safe' returns.

In order to allow for this, government would first need to amend Regulation 28 of the Pension Funds Act. Indications at this stage are that there are no plans to increase the percentage of funds that could be invested into immovable property as an asset class. Government does support the inclusion of infrastructure into the category of immovable property though.

The Financial Sector Conduct Authority is working on a policy document in this regard, which the Finance Minister hopes will be complete by the end of this year.

Retirement planning – the way forward

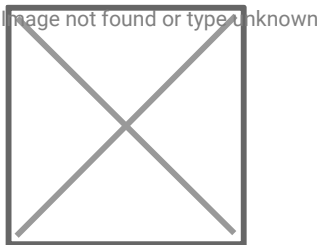
Whilst no-one can accurately predict exactly if, how or when these changes may be implemented, our stance towards retirement savings remains constant. Agree on an investment strategy suited

to your risk profile, invest in funds with a track record and with reputable companies – and lastly, keep emotions separate from the investment process.

Retirement funds offer many benefits, including tax and estate planning advantages and creditor protection. Investors can also save for retirement (and draw an income during retirement) using a discretionary investment, for example an investment plan, tax-free savings account or an endowment policy.

As stated previously, changing legislation is not a quick process and does not happen in isolation. We will continue to update you if-and-when information becomes available.

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Lize de la Harpe obtained an LLB degree in 2005 from the University of Stellenbosch, whereafter she completed her articles and was admitted as an attorney in the Cape High Court. During 2008 she completed a Postgraduate Diploma in Financial Planning (CFP) from the University of the Free State. Lize joined Glacier in June 2012 as the legal adviser and principal officer. Prior to joining Glacier, she worked as legal counsel in the investment cluster at Momentum for four years.

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