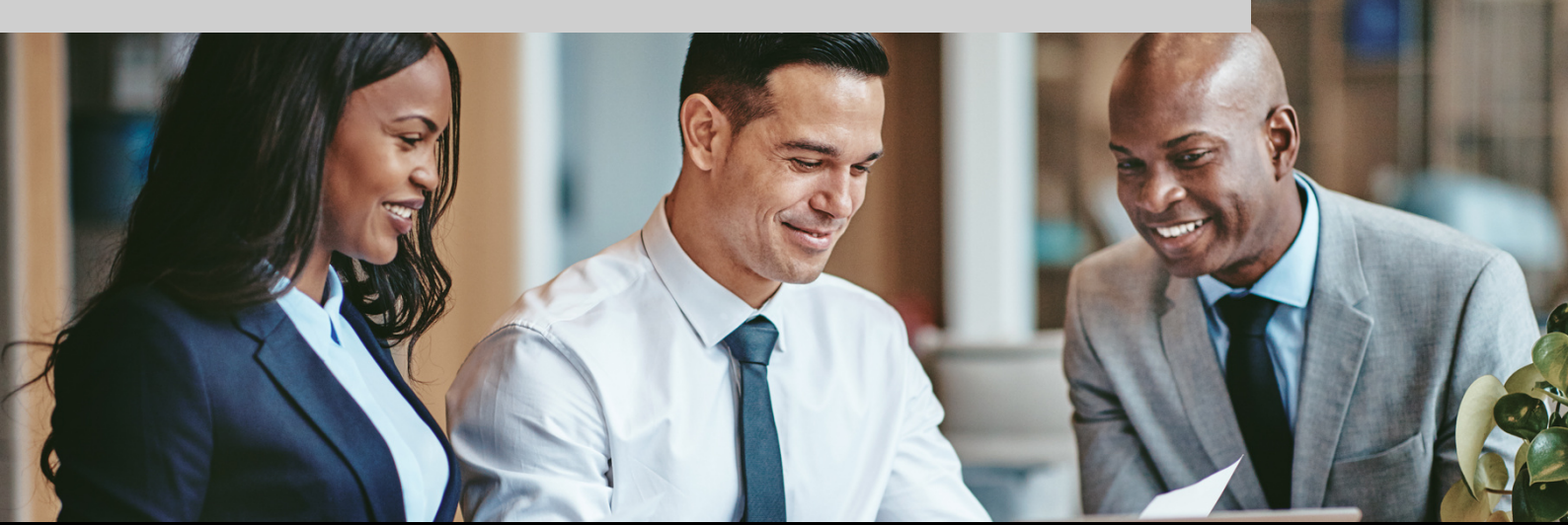


## UNDERSTANDING THE **TWO-POT** RETIREMENT SYSTEM



### Why is the government implementing the two-pot system?

1. To allow emergency access to a small portion of your retirement savings while employed.
2. To improve the retirement income that members receive when they retire. Members will only be able to access the bulk of their retirement savings at retirement.

The proposed date of implementation is 1 September 2024.

Your retirement savings in your Fund will be divided into 3 pots (or components), a vested, savings and retirement pot (component). Different rules apply to each component.

### Retirement savings up to 31 August 2024 (vested pot)

Your Fund will do a **once-off** transfer of **10%** or **R30 000** (whichever is the lowest) of your retirement savings on 31 August 2024 to the **savings pot**.

The rest of the money will remain in your **vested pot**.

- The money in your vested pot will still be subject to the current rules.
- Members who were older than 55 on 1 March 2021 do not have to participate in the two-pot system.
- When you leave your employer, you can either:
  - stay as a paid-up member of the Fund, or
  - take your money in cash, or
  - transfer the money to another fund.

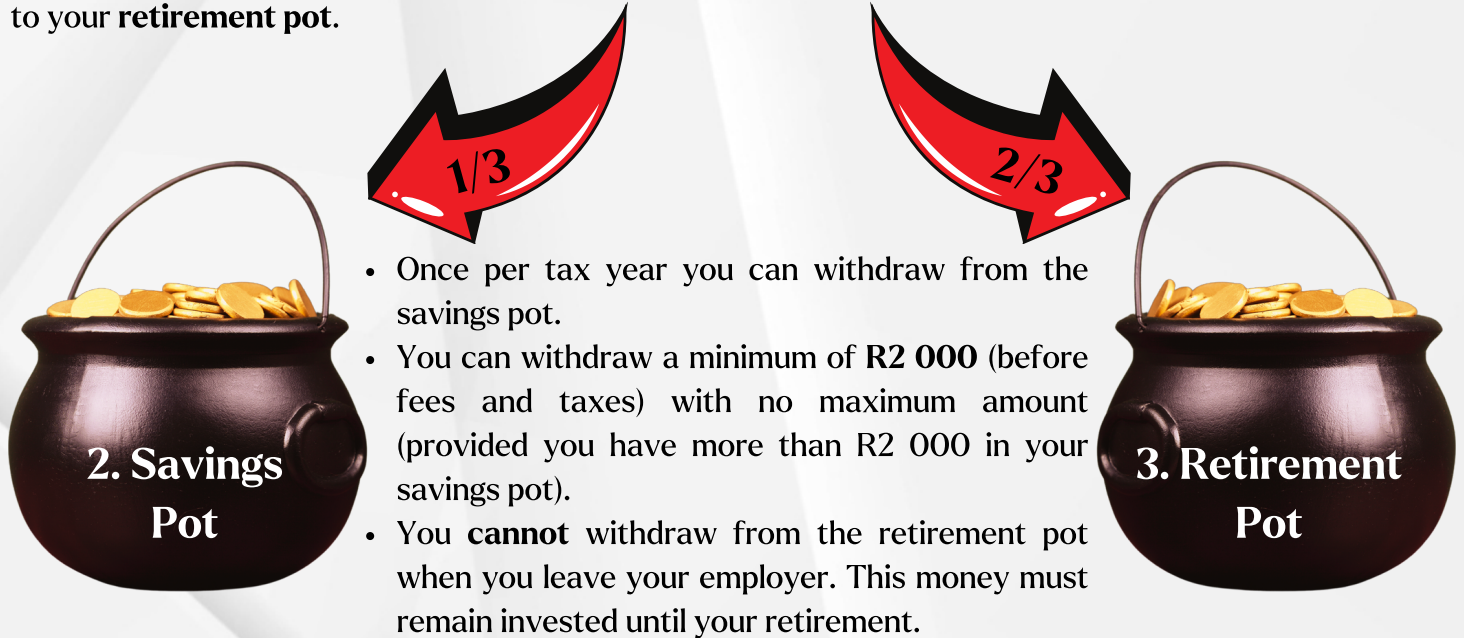


### 1. Vested Pot

## Two-pot starts from 1 September 2024

Your retirement contributions from 1 September 2024 will be split into 2 components.

**One third** of your contributions will go to your **savings pot**, and **two thirds** of your contributions will go to your **retirement pot**.



The money in your savings pot is part of your savings for retirement and should only be accessed in an **emergency**. This should be your last resort after all other options have been used. Remember if you take money from your **savings pot**, you are taking money from your future self (your retirement benefit).

### Let's look at an example

You have R25 000 in your retirement fund on 31 August 2024 (vested component) and your monthly retirement contribution is R300 per month.



- R2 500 (10% of R25 000) will be transferred to your savings pot.
- The remaining retirement savings in your vested pot will be R22 500 plus any growth.
- No further contributions will go into your vested pot.
- The amount in your savings pot will be R2 500.
- R100 (1/3 of R300) of your monthly contribution will go to your savings pot.
- The amount in the savings pot can be accessed annually or at retirement.
- R200 (2/3 of R300) of your monthly contribution will go to your retirement pot.
- You will not be allowed to access or withdraw this money in cash until retirement.

# FREQUENTLY ASKED QUESTIONS



## **Will I pay tax if I withdraw from my savings pot?**

Any withdrawals from the savings pot before retirement (while employed) will be taxed in terms of the PAYE tables. At retirement, any withdrawal from your savings pot will be taxed in accordance with the retirement tax table applicable at that date.

## **What other deductions will be made if I withdraw from my savings pot?**

An administration fee will be deducted from the amount you withdraw from your savings pot.

## **Am I allowed to cash-in my retirement pot when I retire?**

At retirement date, the total value in the retirement pot must be used to purchase a monthly income (living and/or guaranteed annuity). If your retirement pot is less than R247 500 (or any other amount specified by SARS) you may take the full benefit in cash.

## **What happens to my retirement savings if I pass away?**

The retirement savings (vested, savings and retirement pots) will be distributed to your beneficiaries and nominees in terms of section 37C of the Pension Funds Act.

## **What happens to my retirement pot when I leave my employer before retirement?**

The retirement pot will be preserved and is only accessible upon retirement or in the event of death. The treatment of the retirement pot on retrenchment is still under consideration.

## **How do I access money from my savings pot?**

These details will be provided to members nearer to the time.



## **Members over 55 on 1 March 2021**

Members who were older than 55 years on 1 March 2021 will continue to contribute to the vested pot. These members must elect to participate in the two-pot system.

If you do not participate in the two-pot system, all your contributions will go to the vested pot, and you will not have a separate savings pot and retirement pot. This means you will not be able to make withdrawals while you are still employed.