



# The Two-Pot Retirement System and your future



# Why is the **two-pot retirement system** being implemented?

The two-pot retirement system is part of the government's overall retirement reform program set to improve the retirement outcomes for all South Africans. The long-term goal of a retirement fund is to prioritise saving towards retirement but the two-pot retirement system allows members to access the saving portion of their retirement benefit only for unexpected expenses and during financial distress.

## Which funds will be impacted?

The new system impacts all retirement benefits in umbrella, preservation, and retirement annuity funds.

## When is the two-pot retirement system being implemented?

The two-pot retirement system was implemented on **1 September 2024**.

## How will the two-pot system work?

Your retirement benefit is split into **three different components** a vested component, a savings component and a retirement component

## What does the two-pot retirement system mean for me?



### VESTED COMPONENT

#### Existing benefits

- All existing investments and future investment growth will retain their current rules.
- Should you leave your employment, you can choose to preserve the money in the retirement fund, transfer to another approved retirement fund, or receive the funds in cash.
- **10% of the investment value on 1 September 2024 will be transferred to the savings component. The amount will be limited to R30 000 and form part of the savings component.**

**Retirement savings on 31 August 2024**



### SAVINGS COMPONENT

#### Funded portion plus one-third of future contributions

- You will have access to one withdrawal per tax year.
- The minimum withdrawal amount is R2 000.
- Once you retire you will have access to the balance in your savings pot.
- **Withdrawals from the savings component will be taxed at your marginal tax rate and will have a significant impact on your journey towards a sustainable retirement.**

**All contributions from 1 September 2024**



### RETIREMENT COMPONENT

#### Two-thirds of future contributions

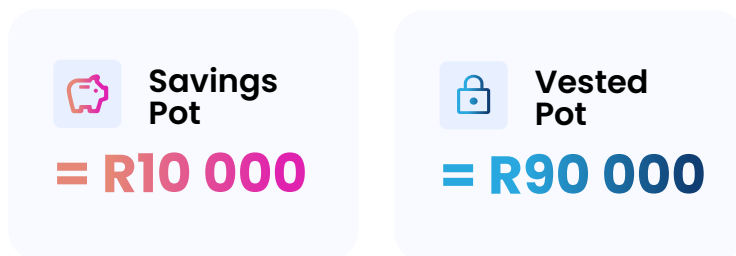
- Use your retirement component to purchase another retirement product.

# Example of the two-pot retirement system for a member in an umbrella or retirement annuity fund

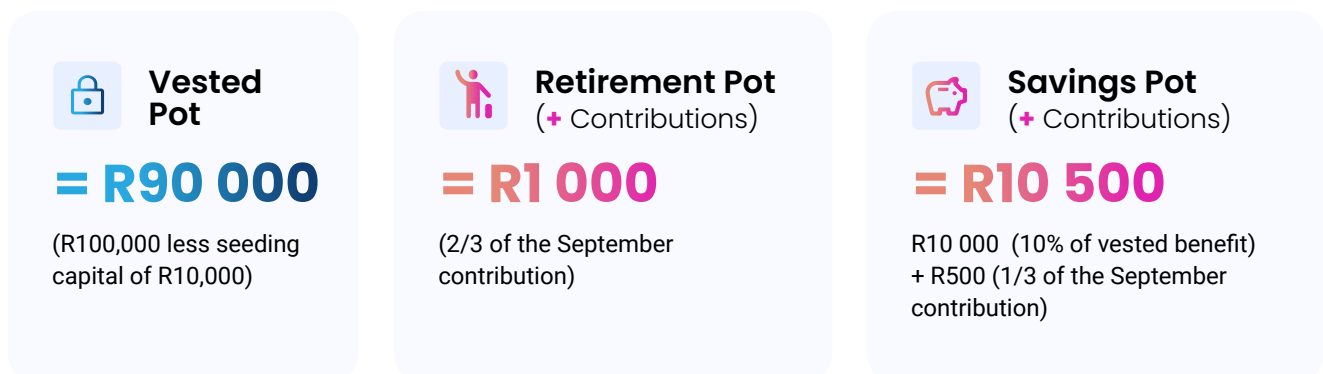
Thandiswa currently has R100 000 invested in a retirement fund on 1 September 2024. Her monthly net contribution is R1 500. R10 000 (10% of her investment value) will be transferred on 1 September 2024 to her savings component. Her monthly contributions will include R500 (one third) invested in the savings component and R1 000 (two thirds) invested in the retirement component. No further contributions will go into her existing component.

## Thandiswa's investment value as at the 31st August 2024 is R100,000

On 31st Aug 2024, the seeded capital, once-off event takes place:  $R100,000 \times 10\% = R10,000$  therefore:



At the end of September 2024 Thandiswa's investment value, including R1,500 contributions are:

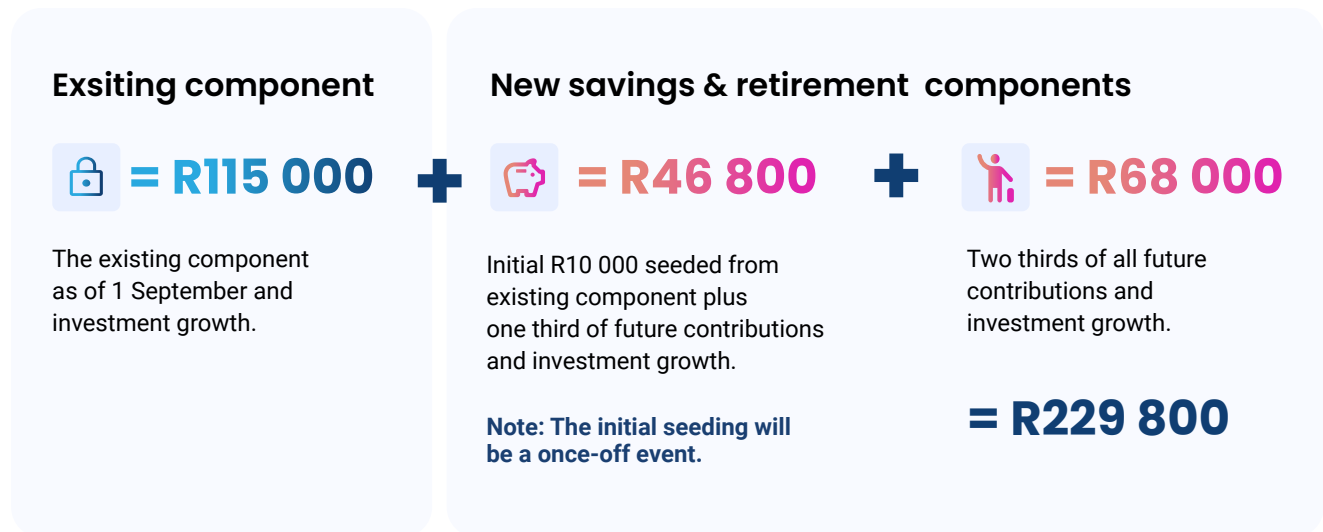


Total investment value as at 30th September 2024:

$$R90,000 + R1,000 + R10,500 = \mathbf{R101,500}$$

## The impact of the two-pot retirement system on Thandiswa's benefits and options after 5 years

Thandiswa remained in the same fund and continued to contribute the same amounts for 5 years from the implementation date. Assuming an investment return of 5%, the respective components will grow to the values.



### Am I able to access my funds in the event of an emergency?

While it is tempting to access the funds available in the savings component, it is critical to understand that these funds should only be accessed in the event of financial distress or an emergency. Emergencies include family emergencies, medical emergencies, urgent home repairs, legal issues and natural disasters.



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