

# SIMPLIFYING THE TWO-POT SYSTEM



## WHY IS GOVERNMENT IMPLEMENTING THE TWO-POT SYSTEM?

The two-pot retirement system was created by government with the hope of promoting a culture of saving. It allows members to prioritise their retirement savings while also having emergency funds. This means that you will be able to access some of your retirement savings in an emergency without leaving employment. The proposed date of implementation is 1 September 2024.

**YOUR RETIREMENT SAVINGS IN YOUR FUND WILL BE DIVIDED INTO 3 COMPONENTS. THIS WILL INCLUDE A VESTED COMPONENT, A SAVINGS COMPONENT AND A RETIREMENT COMPONENT. DIFFERENT RULES APPLY TO EACH COMPONENT.**

### RETIREMENT SAVINGS ON 31 AUGUST 2024

Your Fund will do a once-off compulsory transfer of 10% (capped at R30 000) of your retirement savings on 31 August 2024. The rest of the funds will remain in your vested component.

### RETIREMENT CONTRIBUTIONS FROM 1 SEPTEMBER 2024

Your retirement contributions will be split into 2 components. 1/3 to your savings component, and 2/3 to your retirement component.



#### VESTED COMPONENT

- The funds in your vested component will still follow the previous rules.
- When you leave your employer you can:
  - i. stay as a paid-up member of the fund,
  - ii. transfer the money to another fund,
  - iii. take your money in cash,
  - iv. or a combination of ii and iii.



#### 1/3 SAVINGS COMPONENT

- For emergencies you can withdraw a minimum of R2 000 before fees (note your marginal tax rate will apply) once per tax year without leaving your employer,
- or leave the funds for your retirement.



#### 2/3 RETIREMENT COMPONENT

- You can't withdraw any of the funds when you leave your employer. The funds will remain invested until your retirement.
- You must buy an income (annuity) when you retire.

## EXAMPLE

A member with an existing fund value at 31/08/2024 of R150 000 and a monthly recurring contribution of R900.

### EFFECTIVE 1 SEPTEMBER 2024



- R15 000 (10% of R150 000) will be transferred to your savings component.
- The remaining retirement savings in your vested component will be R135 000.
- The existing fund value will continue to grow, however, no further contributions will go to your vested component.

- The amount transferred into your savings component will be R15 000.
- R300 (1/3) of your future contributions will go to your savings component every month.
- It should only be accessed in emergencies or at retirement.

- R600 (2/3) of your contribution will go to your retirement component every month.
- You will not be allowed to withdraw this money until retirement and will be required to purchase an income (annuity).

It is always best to save as much as possible towards your retirement so that you can retire more comfortably. Contact a GIB Financial Planner before using the funds in your savings component or if you need any assistance with your retirement planning.