

SIMPLIFYING THE TWO-POT SYSTEM

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FINANCIAL SERVICES



WHY IS GOVERNMENT IMPLEMENTING THE TWO-POT SYSTEM?



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- 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.





HOW WILL IT WORK?



YOUR RETIREMENT SAVINGS IN YOUR FUND WILL BE DIVIDED INTO 3 COMPONENTS.

VESTED COMPONENT



SAVINGS COMPONENT



RETIREMENT COMPONENT



VESTED COMPONENT

Your accumulated retirement savings up to 31 August 2024 (excl. your seed capital) will be allocated to the Vested component and will not be affected by the two-pot retirement system.

At retirement, the savings in your Vested component will be paid according to the Fund's rules.

From 1 September 2024, you will not be able to make any more contributions to your Vested component.

10% of your Vested component on 31 August 2024, up to a maximum of R30 000 (seed capital), will be transferred to your Savings component as a starting balance.



Your Vested component will continue to grow with investment returns.



SAVINGS COMPONENT

1/3 of your net fund contributions will be allocated to your Savings component.

At retirement, the balance in this component can be paid as a lump sum and taxed or used to buy a pension.



This component will grow with monthly contributions and investment returns.

- The minimum withdrawal amount is R2 000
- The maximum withdrawal amount is what is available in your emergency savings pot
- Marginal tax plus an administration fee will be deducted before it is paid out

You can make one withdrawal from this component in a tax year (March - February).

RETIREMENT COMPONENT

2/3 of your net fund contribution will go to your retirement component.

The total balance in your Retirement component must be used to buy an income (annuity) at retirement. If your balance is less than R165 000 it can be taken in cash.

This component will grow with monthly contributions and investment returns.

No withdrawals can be made from this component except in special circumstances.

No withdrawals can be made from this component.



**DO SOMETHING TODAY
THAT YOUR FUTURE SELF
WILL THANK YOU FOR
AND KEEP SAVING.**



HOW WILL THIS IMPACT YOU?



I AM AN EXISTING MEMBER OF A FUND ON 1 SEPTEMBER 2024



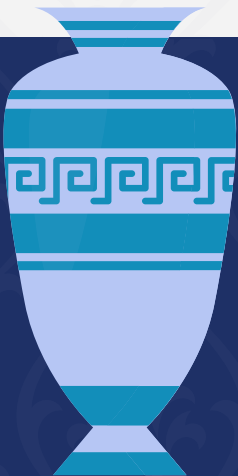
YOUR RETIREMENT SAVINGS IN YOUR FUND WILL BE DIVIDED INTO 3 COMPONENTS. THIS WILL INCLUDE A VESTED COMPONENT, A SAVINGS COMPONENT AND A RETIREMENT COMPONENT. DIFFERENT RULES APPLY TO EACH COMPONENT.

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



1/3
SAVINGS
COMPONENT



2/3
RETIREMENT
COMPONENT



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).



HOW WILL THIS IMPACT YOU?



I AM A NEW MEMBER JOINING A FUND ON OR AFTER 1 SEPTEMBER 2024



YOUR RETIREMENT SAVINGS IN YOUR FUND WILL BE DIVIDED INTO 2 COMPONENTS. THIS WILL INCLUDE A SAVINGS COMPONENT AND A RETIREMENT COMPONENT. DIFFERENT RULES APPLY TO EACH 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.



1/3
**SAVINGS
COMPONENT**



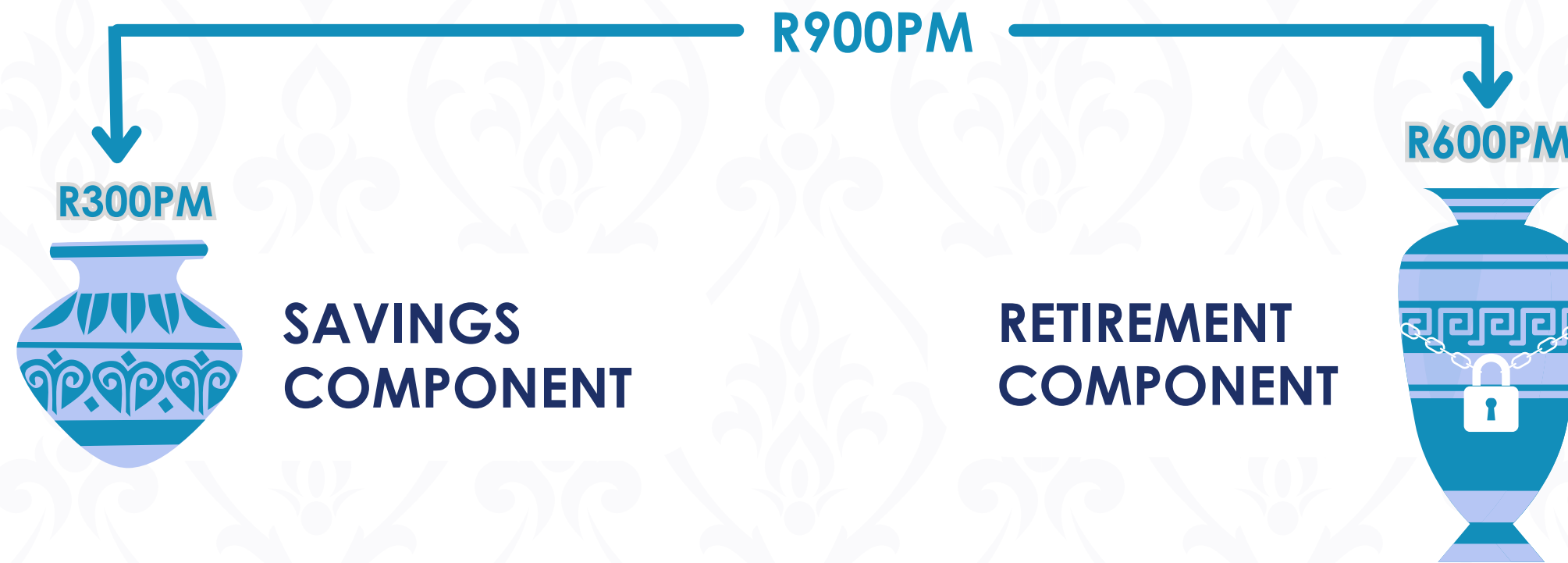
2/3
**RETIREMENT
COMPONENT**



EXAMPLE

A new member commences participation in a Retirement Fund on or after 1 September 2024.

EFFECTIVE 1 SEPTEMBER 2024



- R300 (1/3) of your 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).

HOW WILL THIS IMPACT YOU?



SCENARIOS

SCENARIO 1

STEP 1

AGE: 30
RETIREMENT AGE: 65
FUND VALUE SEP. 2024: R35 000

VESTED COMPONENT



R31 500

SAVINGS COMPONENT



R3 500

STEP 2

GROSS SALARY: R6 000 PM
WITHDRAWAL AMOUNT: R3 500

AFTER FEES AND TAX I WOULD GET APPROXIMATELY: R3 150
AT AGE 65 IT WOULD HAVE BEEN WORTH: R98 359
TO CATCH UP I WOULD HAVE TO CONTRIBUTE: R18 PM

*THE CALCULATIONS ARE BASED ON CERTAIN ASSUMPTIONS



SCENARIO 2

STEP 1

AGE: 30
RETIREMENT AGE: 65
FUND VALUE SEP. 2024: R90 000

VESTED COMPONENT



R81 000

SAVINGS COMPONENT



R9 000

STEP 2

GROSS SALARY: R15 000 PM
WITHDRAWAL AMOUNT: R9 000

AFTER FEES AND TAX I WOULD GET APPROXIMATELY: R7 030
AT AGE 65 IT WOULD HAVE BEEN WORTH: R252 922
TO CATCH UP I WOULD HAVE TO CONTRIBUTE: R47 PM

*THE CALCULATIONS ARE BASED ON CERTAIN ASSUMPTIONS



SCENARIO 3

STEP 1

AGE: 30
RETIREMENT AGE: 65
FUND VALUE SEP. 2024: R200 000

VESTED COMPONENT



R180 000

SAVINGS COMPONENT



R20 000

STEP 2

GROSS SALARY: R35 000 PM
WITHDRAWAL AMOUNT: R20 000

AFTER FEES AND TAX I WOULD GET APPROXIMATELY: R13 450
AT AGE 65 IT WOULD HAVE BEEN WORTH: R562 049
TO CATCH UP I WOULD HAVE TO CONTRIBUTE: R105 PM

*THE CALCULATIONS ARE BASED ON CERTAIN ASSUMPTIONS



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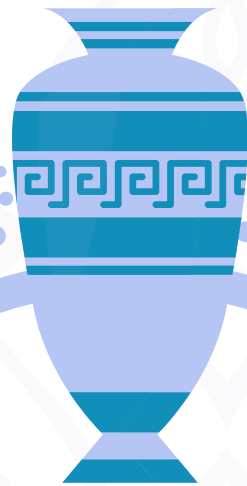


WHAT HAPPENS WHEN I LEAVE?



WHAT HAPPENS WHEN I RESIGN?

VESTED COMPONENT



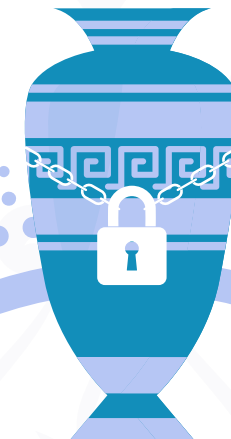
Leave in fund.
Transfer to your new employers fund.
Transfer to a retirement annuity or preservation fund.
Cash withdrawal (tax applies).

SAVINGS COMPONENT



Leave in fund.
Transfer to your new employers fund.
Transfer to a retirement annuity or preservation fund.
Cash withdrawal (marginal tax applies).

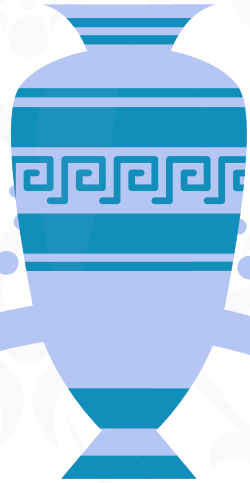
RETIREMENT COMPONENT



Leave in fund.
Transfer to your new employers fund.
Transfer to a retirement annuity or preservation fund.
No cash withdrawal.

WHAT HAPPENS WHEN I RETIRE?

VESTED COMPONENT



Pension (non-vested) -
Take up to 1/3 in cash and
purchase an income
(annuity) with the
remaining 2/3.

Provident (vested) -
Member can take cash
after tax, purchase an
income (annuity) or a
combination of both.

SAVINGS COMPONENT



Cash withdrawal
(tax applies) or purchase
an income (annuity).

RETIREMENT COMPONENT



Purchase an income
(annuity).



WHAT IF I AM CLOSE TO RETIREMENT?



WHAT IF I AM CLOSE TO RETIREMENT?

55+ PROVIDENT FUND MEMBERS HAVE A CHOICE

Provident fund members who were 55 years or older on 1 March 2021 and who remained members of the same fund until 1 September 2024 (referred to as members 55+) can:

STAY IN THE VESTED COMPONENT

- These members will continue making contributions to their Vested component according to their current Fund rules.
- At retirement, any amount in their Vested component can be taken in cash (taxed) with the balance used to buy a pension.



OR MOVE TO THE TWO-POT SYSTEM

- On the first of the month following a decision to move to the two-pot system, these members will start contributing to the new Savings and Retirement components and will be able to make one withdrawal per tax year from their Savings component (see above for more information).
- These members will still be able to take their Vested component in cash should they resign before retirement.



IMPORTANT NOTES:

- This option is not available to 55+ members of a pension fund, which means these members will automatically participate in the two-pot system.
- Members who are 55 and older should be encouraged to preserve as much as possible for their retirement.





IMPORTANT TO NOTE



IMPORTANT TO NOTE

- You will only have one opportunity every tax year to withdraw money from your savings component.
- The tax year is from 1 March to 28 February every year.
- Paying tax and processing fees means you will end up with less than you expected.
- There are different tax implications when accessing your different components at different stages of your life.
- The time that it takes to process a claim will need to be taken into consideration.



You may not have enough to meet your needs when you retire.

**DO SOMETHING TODAY
THAT YOUR FUTURE SELF
WILL THANK YOU FOR
AND KEEP SAVING.**





CONCLUSION

CONCLUSION

Meet with a financial planner to assist you with budgeting skills including setting up emergency savings.



The background of the image is a solid blue color, overlaid with numerous 3D question marks. These question marks are rendered in a lighter shade of blue, giving them a three-dimensional appearance with visible shadows and highlights. They are scattered across the entire frame in various sizes and orientations, creating a textured, abstract pattern.

QUESTIONS?



THANK YOU

PLEASE CONTACT US IF YOU REQUIRE ASSISTANCE

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