

Taking cash is taking risks:

Understand the impact on your future



Even before the pandemic, government recognised that many members feel the need to access part of their savings to handle emergency situations.

For this reason, government has been engaging with various stakeholders to discuss how to increase savings and improve preservation, while allowing for limited withdrawals and minimising the associated risks that you could be exposed to if you use your retirement savings for anything other than your actual retirement. By using your benefit before you retire, you:



Threaten your financial security after you retire.



Lose out on the power of compound interest. Compound interest helps your savings to grow, over time.



Need to start saving all over again, with fewer years to catch up.

You will also incur tax penalties and you will likely lose out on the tax-free portion when you ultimately retire one day, if you withdraw a portion of your benefit in cash before you retire.





Currently, the first R25 000 of a cash withdrawal is tax free, with the balance taxed according to the following scale (please note that retrenchment benefits are taxed the same as retirement benefits):

	R0 – R25 000	0%
	R25 001 – R660 000	18% of the amount exceeding R25 000
	R660 001 – R990 000	R114 300 plus 27% of the amount exceeding R660 000
	R990 001 and above	R203 400 plus 36% of the amount exceeding R990 000

However, the tax-free amount of R25 000 applies only as a once-off. Any subsequent cash lump sum withdrawals will be taxed in full. Thus, any withdrawal during your working life affects the tax you pay at retirement. The R500 000 available tax-free at retirement will therefore be reduced by any withdrawal taken during your pre-retirement years.

During a media briefing on 28 July 2021, the Minister of Finance said that Treasury is still in discussions with NEDLAC on allowing early access to retirement savings.

Treasury further highlighted that only limited access will be allowed, and that it will be linked to tightening preservation measures, as well as measures to ensure that all employed persons are legally compelled to contribute towards retirement.

A ‘two-bucket’ system has been proposed:



Savings for long-term financial security

You will not have access to this portion of your savings until you retire.



Savings for short-term financial relief

You can access this portion of your savings while you are still employed and a member of the fund.

Treasury is busy drafting the framework, and there are still a lot of complexities to take into consideration. Current law prohibits any pre-retirement access to retirement savings unless an employee resigns or is retrenched – as explained above. It is expected that the earliest that any changes would become effective for a new withdrawal mechanism is 2022 – and that is at the very earliest. It is likely to take longer than that.

Implementing any new system to allow limited withdrawals along with preservation will take time, because, in addition to prior consultation, legislative, fund rule amendments have to be drafted, and fund administrators will also have to change their systems.

Members of retirement funds are advised NOT to contact their retirement funds regarding permission to withdraw their funds (unless they are retiring, resigning, or have been retrenched). Currently, retirement funds are legally not empowered to allow pre-retirement withdrawals, and this will remain the case until the law is enacted.

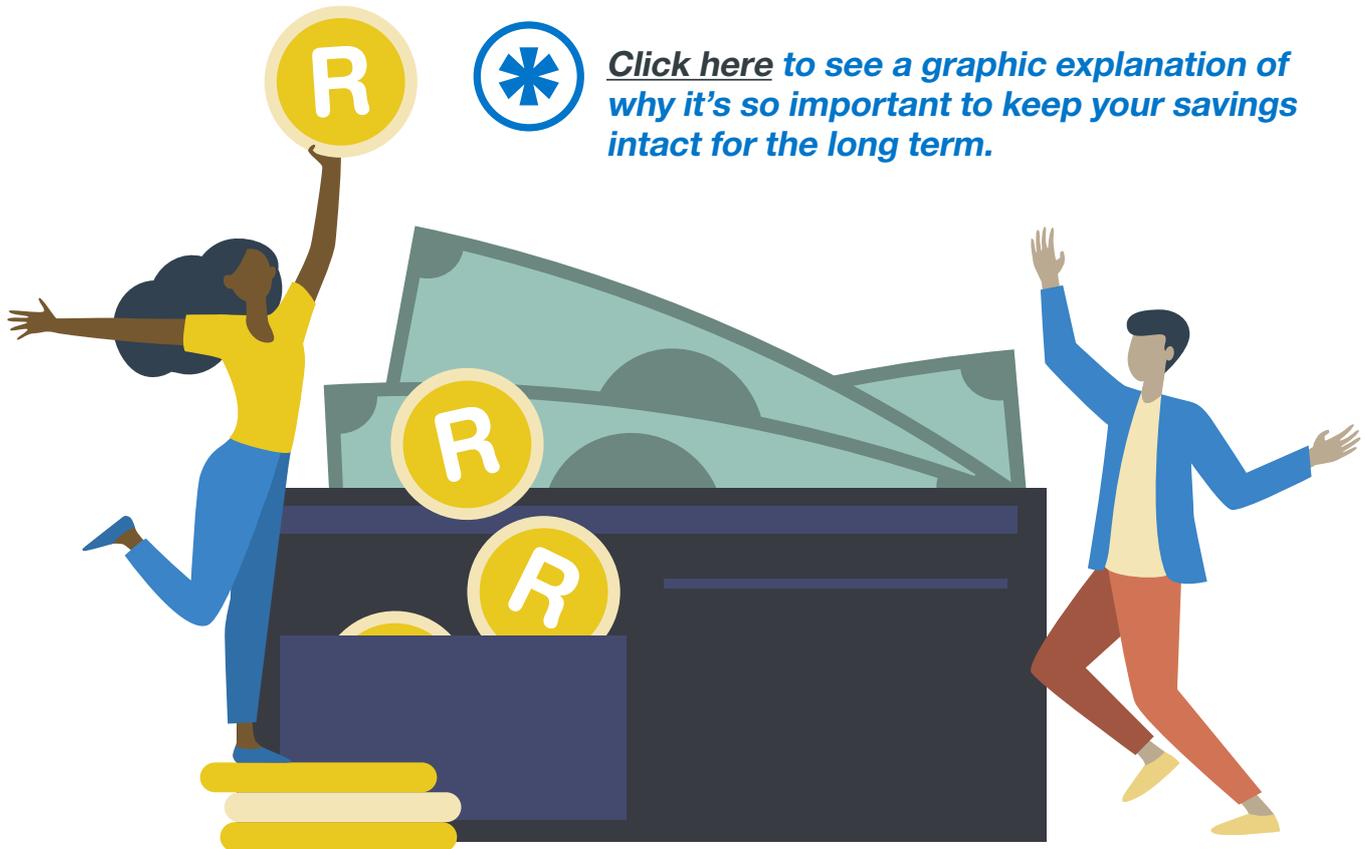
The **Sanlam Umbrella Fund** will inform you should any of the above become official

The government remains committed to encouraging South Africans to save more, both for their retirement and for shorter periods before retirement, and the Sanlam Umbrella Fund fully supports this.

With only 6% of South Africans able to retire comfortably, now more than ever, it is vital to resist the need to make a withdrawal from your retirement fund.

Do you understand the power of preserving your savings up until the day you retire? It's not easy to think so far ahead into the future, especially when facing financial problems today. It takes a lot of self-discipline to look out for your old age when you are young, and it helps if you understand the importance and the impact of your decisions today.

Don't live to regret your decisions!



[Click here](#) to see a graphic explanation of why it's so important to keep your savings intact for the long term.