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Member and Pensioners Portal | Knowledgebase

The 5 essentials of a good financial plan

Having a good financial plan in place just makes sense. From prioritising your retirement savings to managing debt, see how you can manage your money better and put yourself in the best position to live your life with confidence.

WATCH VIDEO

Don’t wait, accumulate

Whether you’ve landed your first job, got that salary increase, or are nearing retirement, these tips can help you live a life of confidence.

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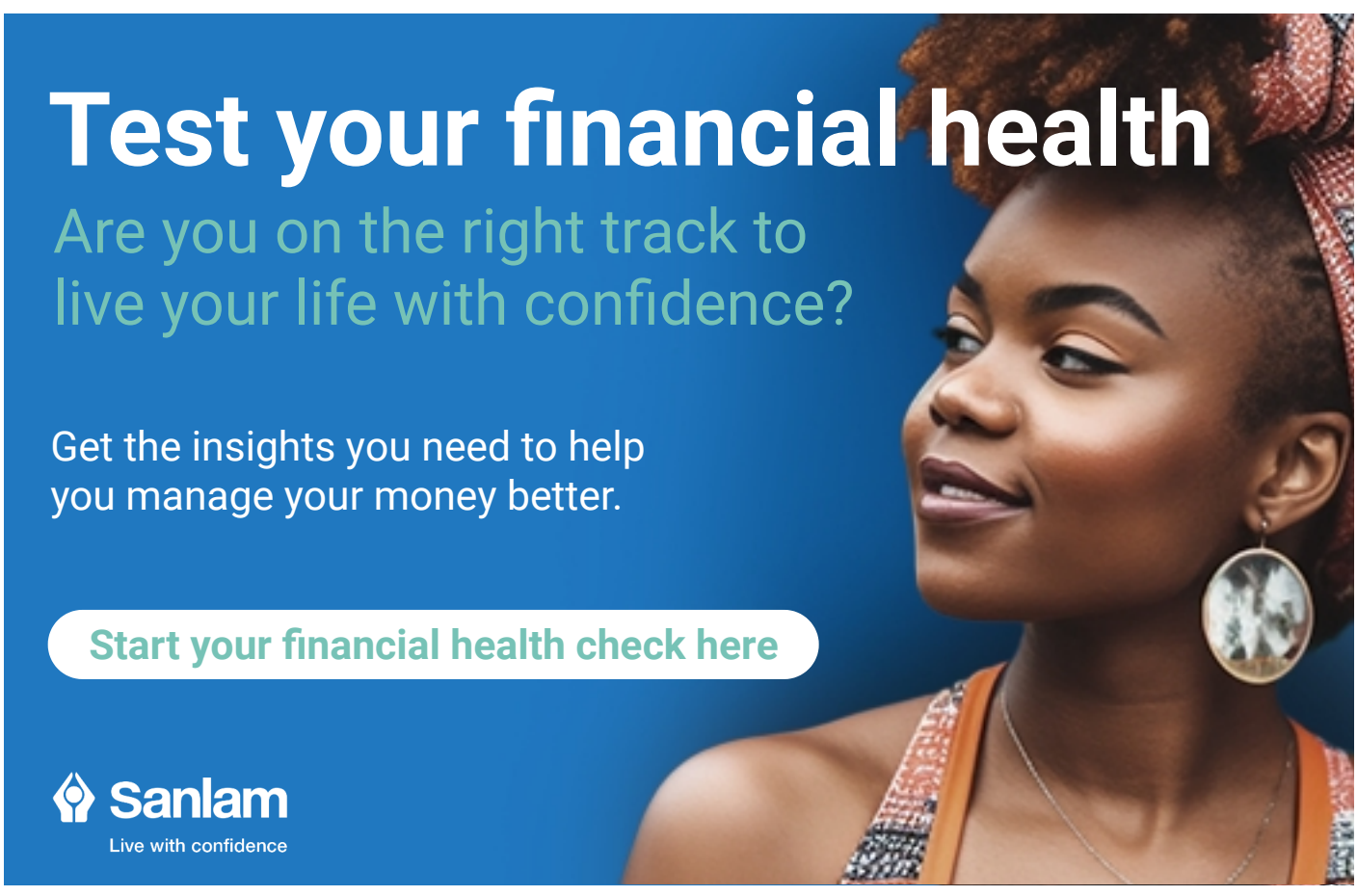
Two-pot system update

Access your retirement savings with caution – and use the emergency savings pot for emergencies only.

READ MORE



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Don’t wait, accumulate

It’s never too early or too late to set habits in motion that will see you through a financially confident life ahead.

You’ve landed a new job, received a promotion, or are simply planning for the future, but you’re uncertain about what needs to be done to ensure your money grows along with your ambitions.

Saving and investing can seem like a daunting task, especially if it’s something you’ve not done before, or if you feel like you’re starting from zero. However, with time, patience and discipline, you’ll soon start to see the benefits of being responsible with your income.

And it all starts with a plan.

Here are some of the basics to get a head start on your financial journey:

1. START NOW. YOUR FUTURE SELF WILL THANK YOU FOR IT.

Budgeting is more important than you might think. It’s all about managing money coming in and going out, and it’s the best way to see – in black and white – what you can afford.

Be honest and list all your expenses – even those occasional takeaway meals and impulse buys during sales season. Besides your living expenses, your budget must also include a portion that goes into your emergency savings.

Invest your savings in an account that attracts interest but that you can access when you need to, like a tax-free savings account or a 32-day investment account.

2. AVOID THE DEBT TRAP

Plan to earn interest, rather than pay it. If you’re planning on building a good credit history – for example, to finance a new car or secure a bond, or even to rent – this will mean going into some form of debt.

Your budget can help you determine how much you have to cover your debt every month, keeping in mind that missing any repayments will have a very negative effect on your credit score. The golden rule applies: if you can’t afford it, don’t buy it – especially if it’s on credit.

You can also do more to pay off your debt sooner:

- Pay on time
- Aim to pay more than the required minimum
- Make extra payments when possible

3. KEEP YOUR EYE ON THE PRIZE

The beauty of saving from early on is that your money will continue to grow the longer you leave these funds untouched. By staying focused on your life goals and working hard to realise them, your money will eventually start to work for you, and you’ll enjoy the benefits of making smart financial decisions from day one.

If in doubt, speak to an accredited financial advisor to help you plan, or contact our dedicated team of retirement benefit counsellors who can give you information about your retirement benefits or refer you to a financial adviser to assist you with your financial planning needs. Contact them on: IMS@sanlam.co.za

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Use your emergency savings pot for emergencies

Access your retirement savings with caution – and use the emergency savings pot for emergencies only!

The new two-pot system is aimed at giving you access to a portion of your retirement savings, before you retire, in case of emergencies.

The system is set to launch on 1 March 2024, and the implications for your retirement will come into effect from this date.

A quick refresh on how the two-pot system works:

1. One-third (33%) of your contributions will go to the emergency savings pot. You will be allowed to take money from this pot if you need to, even before retirement.
2. Two-thirds (67%) of your contributions will go into the retirement pot. You can't take money out of this pot. This money must be used to provide you with a monthly pension when you retire.
3. Even when you resign, you will not have access to the retirement pot, but will have to preserve the benefit and use it to provide you with a monthly pension when you retire.

A third pot – called the vested pot – will contain your total retirement savings up to 29 February 2024. From 1 March 2024, you will not make any more contributions to this pot. Your vested pot will continue according to the current retirement rules, meaning that you will be allowed to receive the benefit in cash if you resign or leave your job before your retirement age.

THE TWO POT SYSTEM

Frequently asked questions

Q How much of my retirement money will go into each pot on 1 March 2024?

Vested pot	Emergency Savings pot	Retirement pot
The value of the benefit in your fund on 29 February 2024 will immediately go into the vested pot (less the amount allocated to the savings pot as a starting balance).	The emergency savings pot will have 10% of the value of your benefit as at 1 March 2024, but to a maximum of R25 000 in it to start with.	The retirement pot will not have any money in it to start with.

Q Into which pot will my future retirement fund contributions go?

No contributions will be made to this pot after 1 March 2024, except for members of provident funds who were 55 or older on 1 March 2021, who elected to continue contributing to this pot, and who do not want to take part in the two pot system.	On 29 February 2024, 10% of your vested pot, up to a maximum of R25 000, will be transferred to your savings pot as a starting balance.	Two-thirds of contributions after 1 March 2024 will go to the retirement pot.

Q What can I withdraw if I leave my job before my retirement age?

You may withdraw the full balance.	You may withdraw the full balance, but you may only withdraw once in a tax year unless the amount in savings pot is less than R2 000.	You cannot make withdrawals from this pot.

Q What can I withdraw (receive in cash) when I retire?

Based on the rules before 1 March 2024, it depends on whether you were a member of a pension or provident fund and whether annuitisation is applicable to your benefit.	You may withdraw the full balance.	You cannot withdraw from this pot. You must use the savings to provide a monthly pension when you retire. If the total amount is below a certain minimum, you can take everything in cash.

REMEMBER: Withdrawals from the emergency savings pot are subject to tax. What's more, taking money out of this pot also means you'll have less when you retire. So, only access your savings for true emergencies.

We will keep you up to date with developments throughout the process in future editions of the Prosper newsletter.

Be sure to visit the Sanlam Member Portal or download the Sanlam Portfolio App on your phone, to get more information on your retirement savings and benefits and make use of our useful tools and calculators. You also have access to retirement benefit counsellors who are available to guide you when you need it most:

Call toll free: **0800 111 956**
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