

The two-pot system for retirement savings

what you need to know



New legislation for retirement funds, called the **two-pot system**, will be implemented from **1 Sept 2024**.

Why is the two-pot system being introduced?

During stressful financial times, retirement fund members often resign so they can access their retirement savings. **The new two-pot system will give members of pension, provident and retirement annuity funds access to short-term financial relief in an emergency as they will be able to withdraw some of their retirement savings before they retire.**



How will it work?

From 1 September 2024, your retirement fund savings and monthly contributions will be allocated to three pots.

Your accumulated retirement savings up to **31 August 2024** will be allocated to the Vested pot and will not be affected by the two-pot system.



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



1

VESTED POT



At retirement, the savings in your Vested pot benefit will be paid according to the Fund rules.



Your Vested pot will continue to grow with investment returns.

The draft Bill proposes that 10% of your Vested pot on 31 August 2024, up to a maximum of R30 000, will be transferred to your Emergency Savings pot as a starting balance.

10% maximum of R30 000



33% of your net fund contributions will be allocated to your Emergency Savings pot.



This pot will grow with monthly contributions and investment returns.



2

EMERGENCY SAVINGS POT



You can make one withdrawal from this pot in a tax year.

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



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



@ Retirement
Lump sum OR buy pension



Important – there are financial consequences to withdrawals

The goal of your retirement savings is to pay you a pension when you are no longer working. If you withdraw money from your retirement savings, you will lose out on the compound growth you would earn by saving this money and you will have less money to live on when you retire.

This could negatively affect your retirement plans. The emergency savings pot is there to help you cope with financial emergencies and not to pay for a new car or an expensive holiday. You are encouraged to preserve your savings for retirement.





67% of your net fund contribution will go to your retirement pot.

This pot will grow with monthly contributions and investment returns.



3

RETIREMENT POT



Buy pension @ retirement

The total balance in your Retirement pot must be used to buy a pension at retirement. If your balance is less than R165 000 it can be taken in cash.

No withdrawals can be made from this pot.



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 fund until 1 September 2024 (referred to as members 55+) can:

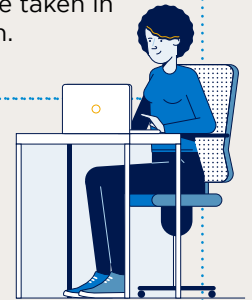
Stay in the vested pot

- These members will continue making contributions to their Vested pot according to their current Fund rules.
- At retirement, any amount in their Vested pot 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 Emergency Savings and Retirement pots and will be able to make one withdrawal per tax year from their Emergency Savings pot (see above for more information).
- This decision needs to be made before 1 September 2025 and it is a once-off decision.
- These members will still be able to take their Vested pot 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.

Any withdrawals will mean less money at retirement.



The two-pot system is **not** available to:



- ⦿ Unclaimed members
- ⦿ Pensioners
- ⦿ Deferred pensioners, i.e. members who have retired but who have not elected to receive their retirement benefit
- ⦿ Beneficiary fund members

Where can I get more help or advice?

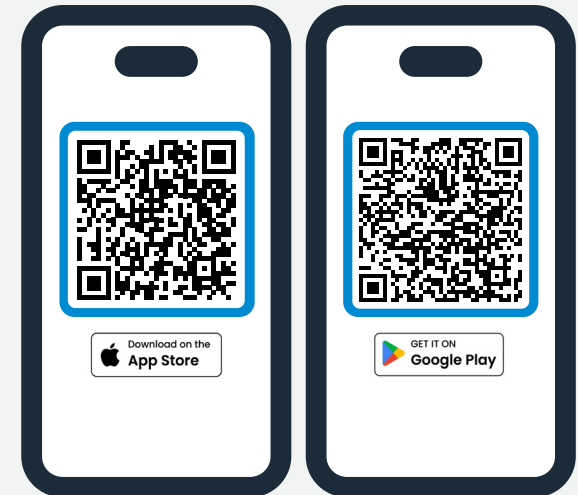
If you want advice or more help, please speak to a **Retirement Benefits Counsellor**, who will assist you with information or refer you to your employer approved financial adviser for advice.

What you need to do now

- 1** Make sure your employer has your correct personal details eg. surname changes, contact details and tax number.
- 2** Download the **Sanlam Portfolio App** on your phone or visit the **Sanlam Member Portal online**. It's essential for accessing your emergency savings.



Please **register on the member portal by following this link in the browser.**



Please **register by downloading the App on your phone by scanning this QR code.**