

The **Two-Pot** Retirement System:

An update from Sanlam Corporate



Fraud prevention for emergency savings withdrawals

In the 3rd edition of the two-pot update newsletter shared in October 2023, we highlighted the substantial fraud risk all stakeholders are exposed to, in circumstances where we allow members to enter unverified banking details on the member portal when withdrawing from their emergency savings pot. We have no doubt that syndicates and unscrupulous credit providers will exploit such a process to either defraud members of their retirement savings or use it for non-intended purposes.

To counter this, we have developed several lines of defence.



Employer-preloaded salary bank accounts

Our most important line of defence is to enable Employers to pre-load members' salary bank account details on the [employer portal](#) – where they'll also be able to make updates when needed. This means that when members log into the member portal, their salary bank account details will be pre-populated and non-editable. Members only need to complete certain fields, such as the withdrawal amount and agree to the terms and conditions.



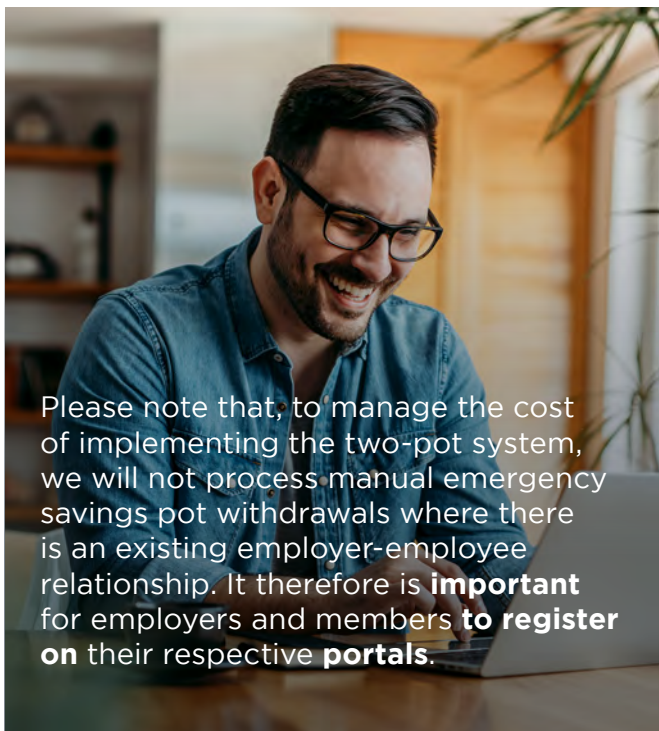
Employer submitted requests

Very similar to the withdrawal process at resignation, the alternative is for the Employer to receive the emergency savings pot withdrawal request directly from the member and submit it via the employer portal. In this case the Employer will be able to input the member's bank account details, for example, if the member wishes for the emergency savings pot withdrawal to be paid into a different account than their salary bank account.



Personal details verification

We will also verify members' personal details with the bank before processing any claim. Additionally, members will receive an SMS (where the claims is submitted by the Employer) or a one-time pin (where the claims is submitted by the member) during the withdrawal process to ensure security.



Please note that, to manage the cost of implementing the two-pot system, we will not process manual emergency savings pot withdrawals where there is an existing employer-employee relationship. It therefore is **important** for employers and members to **register on their respective portals**.

Income tax: New requirements for tax directives

SARS recently published a draft document outlining new requirements when the Administrator applies for a tax directive. SARS requires a tax directive for the emergency savings pot withdrawal, similar to other withdrawals and Section 14 transfers.

One fundamental change to these requirements is that the Administrator must provide a tax number for all members, including those who fall below the tax threshold. Therefore, members below the tax threshold can only make an emergency savings pot withdrawal if they are registered for tax. SARS is expected to issue a formal notice to employers explaining this change, and we will keep you informed when that notice is published.

Withdrawal at termination of employment

The two-pot system complicates withdrawals when an employee exits from a retirement fund. For example, currently when a member resigns, they select one option for their entire fund credit – such as cashing out, preserving in-fund, or transferring to another fund.

When the two-pot system comes into effect, members may need to make separate choices for each pot, as the tax treatment of the three pots differs at resignation and retirement. The tables below illustrate these changes:

Benefit payment before retirement (Resignation/retranchment)

Vested Pot	Emergency Savings Pot	Retirement Pot
<ul style="list-style-type: none"> • Take part or full cash • Preserve in-fund • Transfer to another Fund with other pots 	<ul style="list-style-type: none"> • Take part or full cash, except if emergency savings pot withdrawal made in the same tax year. If the balance in the pot is R2 000 or less, a further withdrawal will be allowed • Preserve-in fund, but must transfer if part cash taken from vested pot • Transfer to another Fund with other pots 	<ul style="list-style-type: none"> • Cannot take anything in cash • Preserve-in fund, but must transfer if part cash taken from vested pot • Transfer to another Fund with other pots
Withdrawal tax tables	PAYE	Non-tax event



Retirement

Vested Pot	Emergency Savings Pot	Retirement Pot
<ul style="list-style-type: none"> • Vested fund credit take full or part cash • Purchase a pension • Non-vested fund credit 1/3rd taken in cash; 2/3rds purchase a pension. <p>Can take all in cash if 2/3rds + retirement pot below R165 000</p> <ul style="list-style-type: none"> • Preserve in/out of fund 	<ul style="list-style-type: none"> • Take part or full cash • Purchase a pension • Preserve in/out of fund 	<ul style="list-style-type: none"> • Take as cash if 2/3rds of non-vested fund credit + retirement pot below R165 000 • Purchase a pension • Preserve in/out of fund
Retirement tax tables. R550 000 tax free, not impacted by emergency savings pot withdrawal	Retirement tax tables. R550 000 tax free, not impacted by emergency savings pot withdrawal	Retirement tax tables. R550 000 tax free, not impacted by emergency savings pot withdrawal

Member education and engagement

Member education is key in helping our members understand the changes that the two-pot system brings about. We are running several initiatives and campaigns to raise awareness and provide information to members. Click below to access complimentary educational material you are welcome to use or share with your teams.

[CLICK HERE TO VIEW INFOGRAPHIC](#)

[CLICK HERE TO VIEW VIDEO](#)

Contact us

We trust you found the information in this newsletter informative.

Please feel free to contact us at 2pot.sc@sanlam.co.za should you have queries, questions or ideas to share with us.





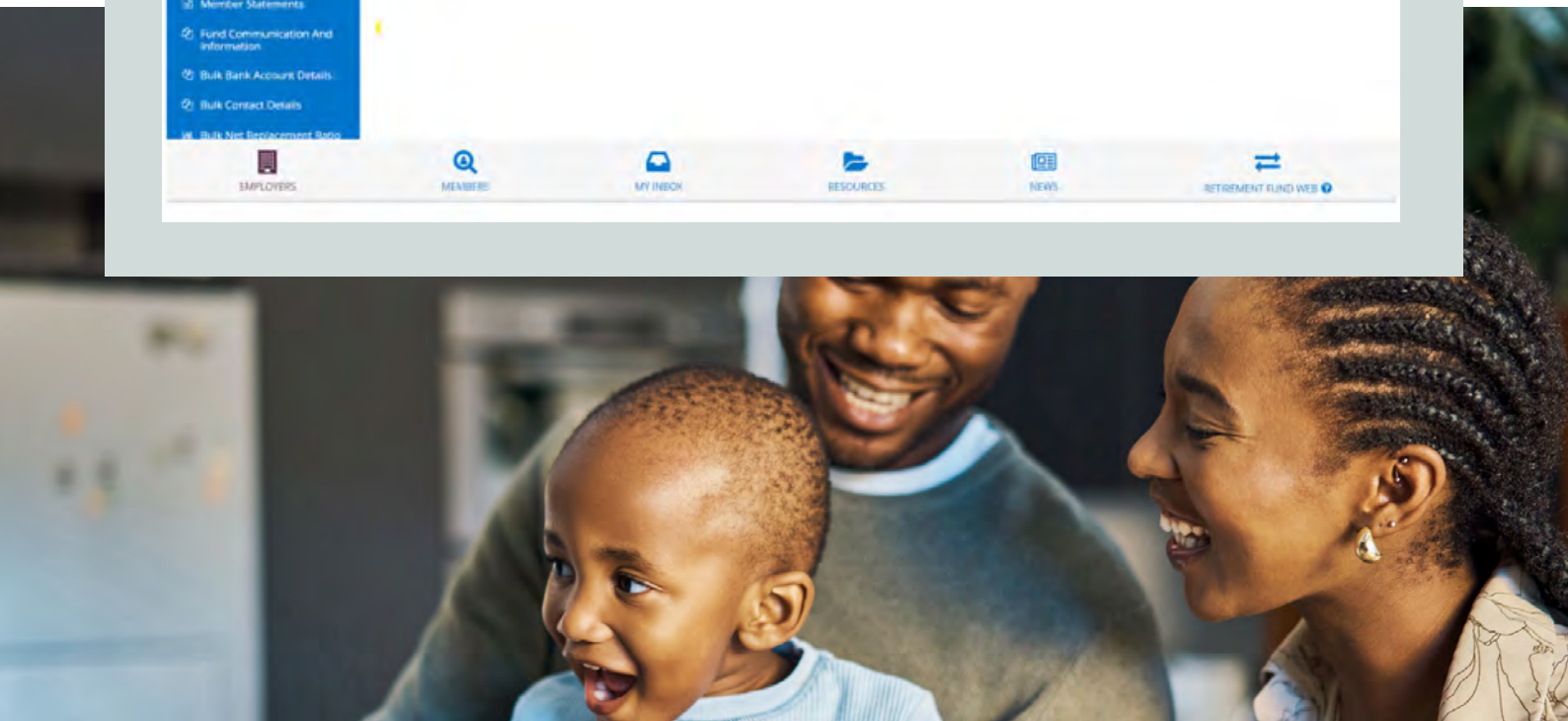
We're happy to report that we have completed this development and include screen prints of the employer portal.

Our next step is to test the functionality with selected Employers, before making it available to all, well in advance of 1 September 2024.

Membership No	Bank Name	Bank Branch Code	Bank Account No	Bank Account Type	Bank Account Holder Name	Initials	First Name	Surname	ID/Passport No	Employee/Payroll No
70632570	Standard Bank (South	051001	31008666	CUR	Stuart Phillips	S	Stuart	Phillips	5706065127088	AA444
70632595						A	Anna	Johnson	6504205137088	BB555
70632627						T	Tebogo	Legodi	7709065145088	CC666

The screenshot shows the 'Bulk Bank Account Details' page in the Sanlam Employer Portal. The page has a left-hand navigation menu with options like 'Number of Members', 'Active Members', 'Product Overview', 'Investment Returns', 'Member Movement', 'Claim Status', and 'Retirement Fund Web'. The main content area includes a 'DOWNLOAD' button to download bank details on record and an 'UPLOAD' button to upload details from a pre-populated spreadsheet. Below these buttons, there is a 'Bank Accounts Static' section showing 'We currently have 24 Bank accounts on record'. A 'Notes regarding the UPLOAD function...' section follows, containing seven numbered instructions for using the upload feature, such as 'Always use the Bulk Bank Account upload function to upload' and 'To help avoid technical difficulties, do NOT upload spreadsheets which contain formulas, V-loooks, merged cells, special formatting or multiple sheets.'

This screenshot shows the 'Bulk Bank Account Details' page with the 'Select Paypoints' section active. The 'Select Paypoints' section includes three checked options: 'Select All', 'Demo Paypoint 1', and 'Reserves'. Below the selection options is a blue button labeled 'BULK BANK ACCOUNT DETAILS'. The rest of the page layout, including the navigation menu and footer, is consistent with the previous screenshot.





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DEMO HOLDINGS (PTY) LTD

Number of Members 2

Active Members

Product Overview

Investment Returns

Member Movement

Claim Status

Retirement Fund Web

TOOLS

Reports & Downloads

EMPLOYERS MEMBERS MY INBOX RESOURCES NEWS RETIREMENT FUND WEB

Bulk Bank Account Details

Upload Bulk Bank Account Details

NOTE - the bank accounts must be uploaded in an Excel file using the prescribed format. Download an example [here](#).

Choose File No file chosen

OK CANCEL

*Disclaimer: The member bank details uploaded will be used for paying out member benefits. Sanlam Corporate will not be liable for payments to incorrect bank accounts provided.

Bank Accounts Stats:

We currently have 2/4 bank accounts on record.

Notes regarding the UPLOAD function:

1. An easy way to use the Bulk Bank Account upload function is to simply:

- Download the member bank account details spreadsheet using the DOWNLOAD button.
- Update the required bank account details on the downloaded sheet.
- Upload the updated sheet using the UPLOAD button.

Sanlam

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Bulk Bank Account Details

DOWNLOAD Download latest details on record

UPLOAD Upload bank account details from a pre-populated spreadsheet - [here](#) is a template with the required format

Bank Accounts Stats:

We currently have 2/4 bank accounts on record.

Notes regarding the UPLOAD function:

1. An easy way to use the Bulk Bank Account upload function is to simply:

- Download the member bank account details spreadsheet using the DOWNLOAD button.
- Update the required bank account details on the downloaded sheet.
- Upload the updated sheet using the UPLOAD button.

Your file has been submitted for validation and updating. You will receive an email when the process is completed. PLEASE READ THE EMAIL TO CONFIRM THAT ALL UPDATES WERE SUCCESSFUL AND NO VALIDATION ERRORS WERE ENCOUNTERED.

