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Your Exclusive Guide to Sanlam Umbrella Fund Benefits

Sanlam Member Portal | Knowledgebase

Your top Two-pot system questions answered

We answer your 5 most burning questions about how the Two-pot system affects your retirement journey.

WATCH VIDEO

Yes, your Two-pot withdrawals will be taxed

A look at the tax and charges that apply when you make a withdrawal under the Two-pot system.

READ MORE

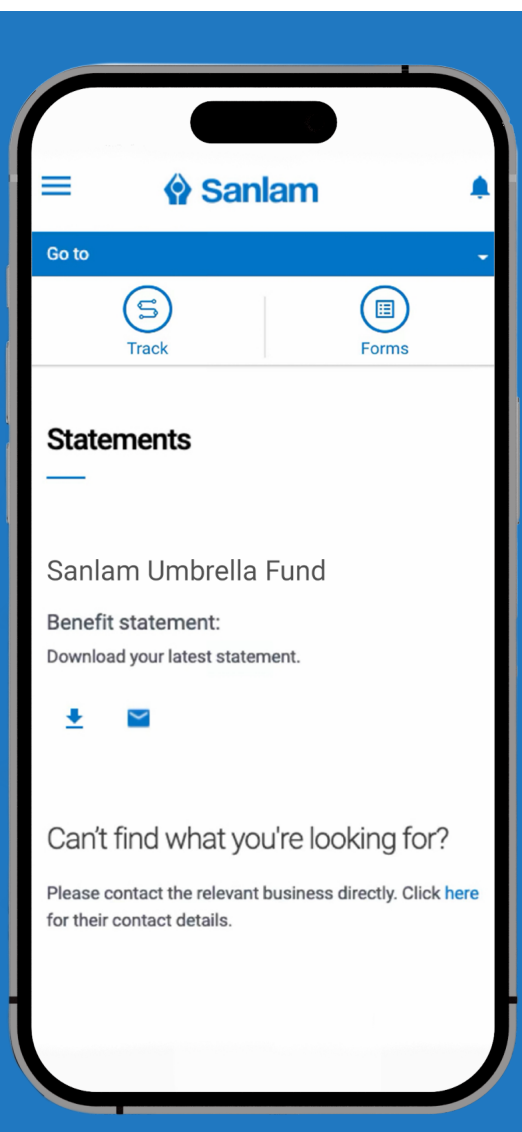
Understanding your death benefits

Get a break down of the different components of your death benefits, what is covered, and how they'll be taxed.

READ MORE

Take control of your retirement savings with the Sanlam Portfolio App

Want to track your retirement savings, view your benefits and manage your beneficiaries? These and many other essential tools are available to you on the Sanlam Portfolio App – **for free!**



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Refer to the Sanlam website for directors and company secretary details.

Yes, your Two-pot withdrawals will be taxed

Before you make a withdrawal from your Emergency Savings Pot, you should know how you'll be taxed.

As the saying goes, "In this world, nothing can be certain, except death and taxes".

In South Africa, we're taxed on the money we earn, as well as what we spend on goods and services through value-added tax (VAT).

By contributing to your retirement fund, your tax obligation is reduced, but you'll be taxed when you make an early withdrawal.

Here we look at the tax that applies when you make a withdrawal under the Two-pot system – while you are employed, and when you retire.

While employed

When you make a withdrawal from your Emergency Savings Pot at any time before retirement, you'll have to pay tax on these funds.

The amount you withdraw will form part of your taxable income for the current tax year and will be taxed according to your marginal tax rate, whether you withdraw a small or large lump sum.

To find out what your marginal tax rate is, **click here** for the South African Revenue Service's (SARS) tax tables.

Any other tax that you may owe SARS will also be deducted from your Emergency Savings Pot withdrawal.

Over and above the tax implications of withdrawing from your Emergency Savings Pot, you'll also be charged an administration fee for each withdrawal you choose to make. You'll only be able to withdraw once every tax year, which runs from 1 March to 28 or 29 February the next year.

Once you make a claim for a withdrawal from your Emergency Savings Pot, your Fund will apply for a tax directive. Once in progress, this tax directive can't be reversed. This means that you won't be able to change your mind once you've made a claim for a withdrawal.

SARS has made a **Two-pot retirement system calculator** available **here** that will help you get an idea of what tax will be payable if you decide to make a withdrawal.

If you resign, you can then withdraw from your Vested Pot (which is the money saved in your retirement fund as at 31 August 2024, plus returns) and it will be taxed according to the withdrawal tax table shown below, same as before the Two-pot system came into the picture.

	TAX LIABILITY
First R27 500	0%
R27 501 – R726 000	18%
R726 001 – R1 089 000	27%
R1 089 001 and above	36%

* The tax payable at each withdrawal (from your Vested Pot) is cumulative over your lifetime, according to the table above.

At retirement

You won't be able to withdraw from your Retirement Pot before you retire. You can only use the money in this pot to buy a pension (annuity) when you retire.

When you retire, the lump sum available for you to take in cash will be limited to the money available in your Emergency Savings Pot, plus your vested (cash) portion and one-third of the money available in the non-vested (annuity) portion of your Vested Pot. Any money in these pots that hasn't been taken as a cash lump sum will be used to buy a pension (along with the amount in your Retirement Pot). The total of any lump sum taken when you retire will be taxed according to the table below.

	TAX LIABILITY
First R550 000	0%
R550 001 – R770 000	18%
R770 001 – R1 155 000	27%
R1 155 001 and above	36%

* The tax-free amount of R550 000 reduces by any withdrawal from the Vested Pot over your working life.

Important:

If you make any withdrawals before you retire, you'll have less money when you retire. **You don't have to withdraw from your Emergency Savings Pot if you don't need to**, but the option is there in case of emergencies.

If you have any questions about how the Two-pot system will affect your retirement goals, reach out to a Retirement Benefits Counsellor:

Call toll free: 0800 111 956
WhatsApp: 0861 223 646
Email: IMS@sanlam.co.za
Send free SMS: 38300
Calling from outside of South Africa: +27 21 916 6499

You can also access recordings from our Imali Zam member webinars where we share information about how the Two-pot system works:

English | **isiXhosa** | **Setswana**

Understanding your death benefit

No one wants the stress of worrying about how our loved ones will be provided for when we die. Death benefits offer peace of mind during a difficult time.

Your retirement savings have a significant role to play besides providing you with an income when you retire. If you die before retirement, your investment will provide death benefits in the form of much-needed financial security and peace of mind for your dependants.

Here, we'll break down the different components of the death benefit, what is covered, and how they'll be taxed.

Member share

Your member share refers to the portion of the retirement fund that belongs exclusively to you. It's made up of all the accumulated savings in your retirement fund, including your contributions, your employer's contributions (if applicable), and the investment returns earned over time. When you die, this amount forms part of the overall death benefit paid out to your beneficiaries and dependants.

Will the benefit be taxed?
The portion taken as a lump sum will be taxed, according to the applicable retirement fund lump sum benefits tax table. Any approved group life cover will be added to this lump sum to form the death benefit and the tax rate will depend on the total amount. However, if the benefit isn't taken as a lump sum, but as an annuity (pension) instead, the income from the annuity will be taxed, based on your marginal tax rate.

Approved group risk cover

Approved group risk cover offers additional financial protection to members of the Fund, for the benefit of their beneficiaries and dependants. If you die as a member of the Fund, your beneficiaries and dependants will receive your death benefits as a lump sum payout or as an annuity.

Will the benefit be taxed?
If the death benefit, which is made up of the group risk cover and the member share, is paid out as a lump sum, it is taxed as a lump sum death benefit. The tax rate will be in accordance with the retirement fund lump sum benefits tax table and takes the total amount into account. However, if the benefit is not taken as a lump sum, but as an annuity instead, the income from the annuity will be taxed, based on your marginal tax rate.

Unapproved group risk cover

In some cases, your employer might have taken out a policy for unapproved risk cover, which provides an extra layer of insurance beyond the approved group risk cover. Unapproved group risk cover will be paid out to your nominated beneficiaries. If you haven't completed a nomination form for this benefit, then the money will be paid into your estate, which could result in delays in your beneficiaries receiving it.

Will the benefit be taxed?
The proceeds of unapproved risk cover, which is paid out directly by the insurance company, are tax-free because the premiums are taxed as a fringe benefit.

Funeral benefits

Arranging a funeral can be very expensive. This benefit will assist your family with the immediate costs associated with your funeral, such as the casket, undertaker, grave and tombstone, as well as the gathering costs, for example catering, marquee hire and other costs. By having a funeral benefit in place, your loved ones won't have to dip into their own savings or struggle financially during an already difficult time. Funeral benefits are paid out to your nominated beneficiary. If you haven't completed a nomination form for this benefit, then the money will be paid into your estate, which could result in delays in your beneficiaries receiving it.

Will the benefit be taxed?
Since the premiums of funeral benefits are taxable as a fringe benefit to you, the benefit paid out directly by the insurance company is tax-free.

It's not an easy conversation to have, but it's important that your family is informed about the benefits available to them when you die, and what they need to do to claim these benefits. Reach out to a financial advisor to understand how your dependants will be affected so you – and they – can live a life of confidence.

Remember:

Make sure your beneficiaries' information is updated via the Sanlam Member Portal or Sanlam Portfolio App as and when your life circumstances change, for example, due to marriage, divorce, death or the birth of a child.

It's good practice to update these forms at least once a year.