

2-Pots Postponed

WHAT YOU NEED TO KNOW ABOUT THE 'TWO POT' RETIREMENT PROPOSAL

On 25 October this year, Treasury proposed postponing implementation of the two-pot retirement system by 12 months, to 1 March 2025, to allow time for the necessary systems to be created or updated. It also acceded to a request by Cosatu to increase the amount accessible to workers immediately on the implementation of the system from R25 000 to R30 000.

To refresh your memory, the proposed changes allow you to take a portion of your Fund savings in cash before you exit the Fund. Previously, you only had this option at exit, through resignation, retrenchment, or retirement.

Why?

To allow you to access a **PORTION** of your retirement savings if you are experiencing a financial emergency;

AND

To make sure that the **BULK** of your savings remain invested, so that you will have an income when you reach retirement age.

What?

The new proposal will mean that you will be able to make one withdrawal from your Fund savings in any 12-month period – **BUT:**

- That withdrawal may not be less than **R2 000**.
- You will be **taxed** on any amount you withdraw in cash, at marginal tax rates.
- It will apply to your **new** savings, from the date of implementation.
- You must **preserve** your **old savings**, and **two thirds** of all your new savings. You will be allowed **one withdrawal** from your **old savings, but only of R30 000 or 10% - whichever amount is smaller**.
- You will **not** have immediate access to your new savings! You will have to wait until you have **R2000** in your new savings pot. (See the example on the next page.)

So, actually, there are three pots!

1: Your old savings

This pot will stay invested and continue to grow with investment returns.



You will only be able to access this money when you exit the Fund, except for a small once-off withdrawal.

2: Two thirds of your new savings

Two thirds of your new savings that you cannot access. Two thirds of your new contributions will go to this pot.



You will only be able to access this money when you retire.

3: One third of your new savings

One third of your new savings that you can access, if you want to, once every 12 months. If you don't withdraw this money, it will carry over.



One third of your new contributions will go to this pot.



Example

Mike has **R500 000** invested in his Fund on the date that the new system is implemented.

He contributes **R600** a month to his Fund from this date.

Old Savings Pot



Cannot be accessed **before**
Leaving the Fund, except for a once-off
withdrawal of max R30 000 or 10%

Retirement Pot



Cannot be accessed
before retirement

Emergency Pot



Can be withdrawn when it reaches **R2000**,
once every 12 months, if you need it

TOTAL SAVINGS

When?

The new system has been postponed to **1 March 2025**, because:

- Retirement funds will have to change their rules and systems, and have their updated rules approved by the FSCA.
- SARS will also need to update their systems to cater for the new retirement pots and to track withdrawals.
- Retirement funds must train employees and educate their members about the reform and its implications.

What else?

- On retirement or death, the savings pot can either be withdrawn in full or transferred to the retirement pot.
- Retirement pots and savings pots cannot be split between funds. In other words, a member cannot transfer a savings pot to another fund without transferring the relevant retirement pot to the same fund.
- No transfers can be made into the savings pot, unless from other savings pots.

And finally...

A Big Disclaimer, a Warning, and a few Suggestions!

- The proposals are still part of a draft document that is not yet in Parliament's hands and were tabled with the Medium-Term Budget Policy Statement (MTBPS) on 1 November 2023.
- Your Fund will communicate the final legislation and how it will be implemented in due course.
- You should always make sure that you are on track for a comfortable retirement before making any decisions about how to use your savings. This money is meant to keep you secure when you are no longer working.
- Check your latest Fund Net Replacement Ratio letter, or Projection Statement, or Benefit Statement, to see if you are on track.
- Speak to your Fund's benefit counselling team for assistance and ask if there are any tools or calculators you can use to help you with your long-term planning.