

Stirring the Pot^(s)

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

As a retirement fund member, you have probably seen articles in the news about the proposed changes to your options when it comes to accessing your Fund savings.

The changes are commonly referred to as the 'two pot' retirement system. Simply put, 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.
- It only applies to your **new** savings, from the date of implementation.
- You must **preserve** your **old savings**, and **two thirds** of all your new savings. You **might** be allowed **one withdrawal** from your **old savings**.
- You will **not** have immediate access to your savings! You will have to wait until you have **R2000** in your 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 possibly for a 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 **possibly** for a
once-off withdrawal



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Can be withdrawn when it reaches **R2000**,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 2024**, 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!

- None of the above has been finalised: the proposed changes are still in draft form. Things might change before the final legislation is promulgated.
- Your Fund will communicate the final legislation and how it will be implemented to you 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.