

TWO-POT

IN PRACTICE



WHAT YOU NEED TO KNOW

How will my savings withdrawal be taxed?

You will pay tax on your withdrawal amount, in line with your marginal income tax rate – the rate at which your salary is taxed. So your savings withdrawal will be added to your income, and the total will then be taxed.



Example:

Bongi's taxable income is **R370 000** a year.

Based on the current income tax table her tax is equal to **R59 997**.

If **Bongi** decides to access a savings withdrawal benefit of **R25 000**, she will be pushed into a higher tax bracket and will be liable for tax of **R67 722**.

That means Bongi is paying R7 725 MORE TAX!



What are the pitfalls of accessing my savings now?

How much would your savings be worth, if you leave them alone, instead of making a withdrawal?



Example:

John, aged **40**, wants to withdraw **R80 000**.

His retirement savings earn **10%** returns over the long-term. John's retirement date is at age **65**.

If John leaves that **R80 000** alone, when he retires it will have grown to **R866 776**.

Simply put, unless you **DESPERATELY** need access to your savings – unless it is a matter of life or death – rather leave them alone!

