The new two-pot system for retirement funds

Presented by Member Education Services

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Why the Two-Pot system?

The "two pot" system aims to address two major issues in South Africa:

- South African's are battling in their retirement years
- South African's are also drowning in debt

National Treasury recognises that we need a solution that works for South Africans, by:

- balancing our long-term retirement savings goals, and
- meet possible short-term financial needs

Important note

- Start date – 1 September 2024
- Main purpose of retirement fund is still to provide you with an income during retirement.

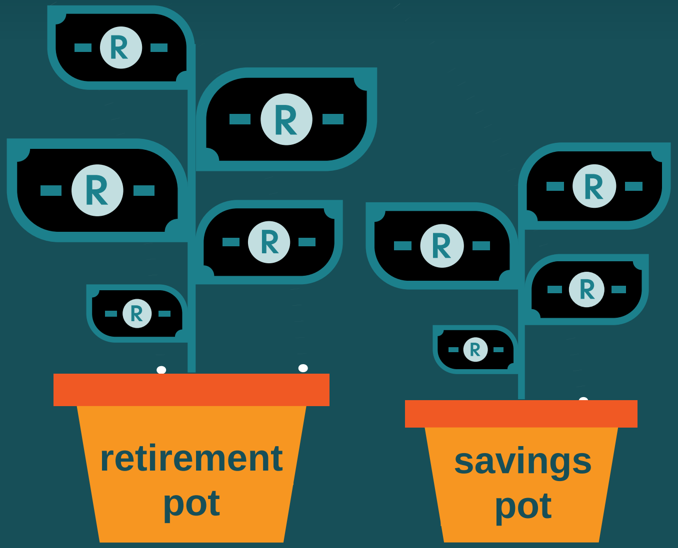
Currently no one can access their retirement funds while still employed. The law does not allow it

What do the changes mean for my retirement savings?

From 1 September 2024 any new retirement savings will automatically be split into two new pots for your retirement.

The changes will apply to all retirement funds

two-thirds of new retirement savings automatically go into your retirement pot

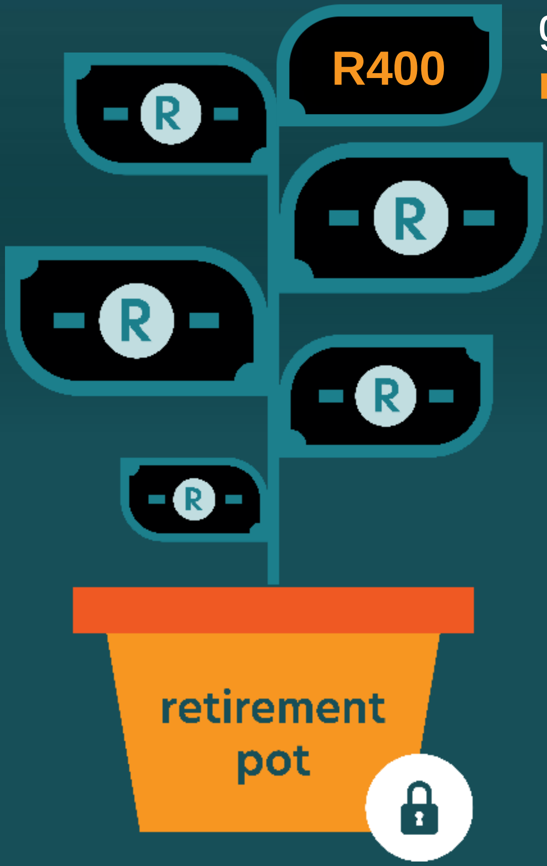


one-third of new retirement savings automatically go into your savings pot

Example

If you contribute

R600



R400 goes to your **retirement pot**

R200 goes to your **savings pot**

What happens to my existing retirement savings?

Today your retirement savings are invested in one pot for your retirement.

You can only withdraw cash from these savings if you leave your employer or retire. Rules apply.

Your retirement savings up to end August 2024, and any investment growth on these savings, **will not be affected by the new rules**.

This will be seen as your vested pot.

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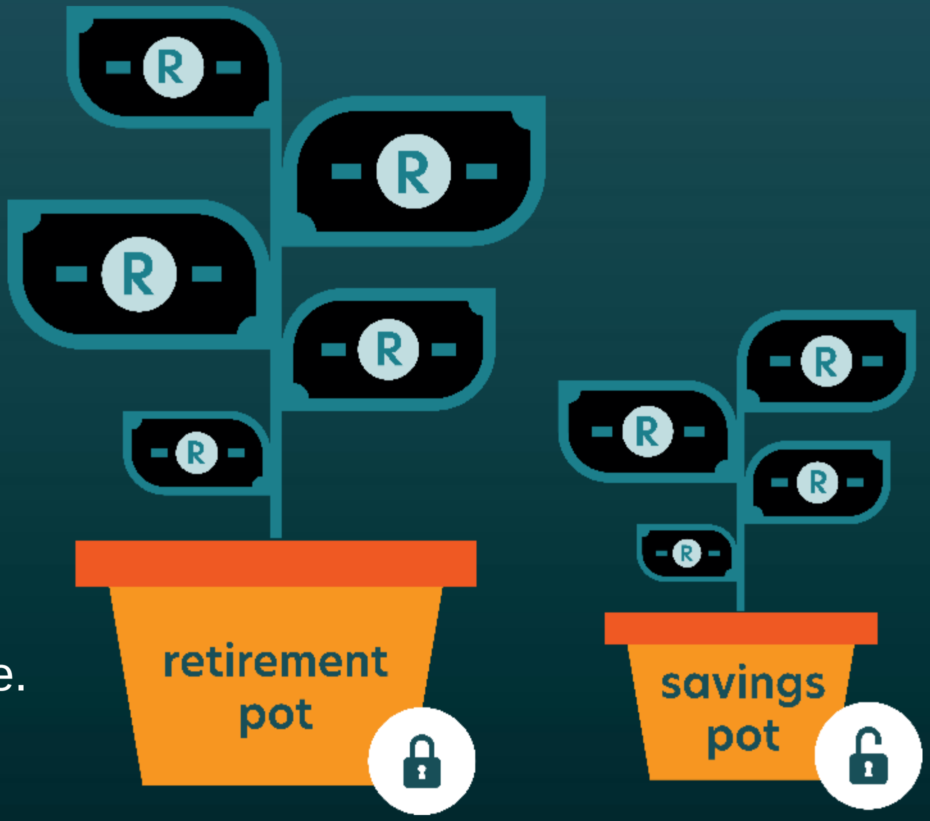
How my two new pots will work

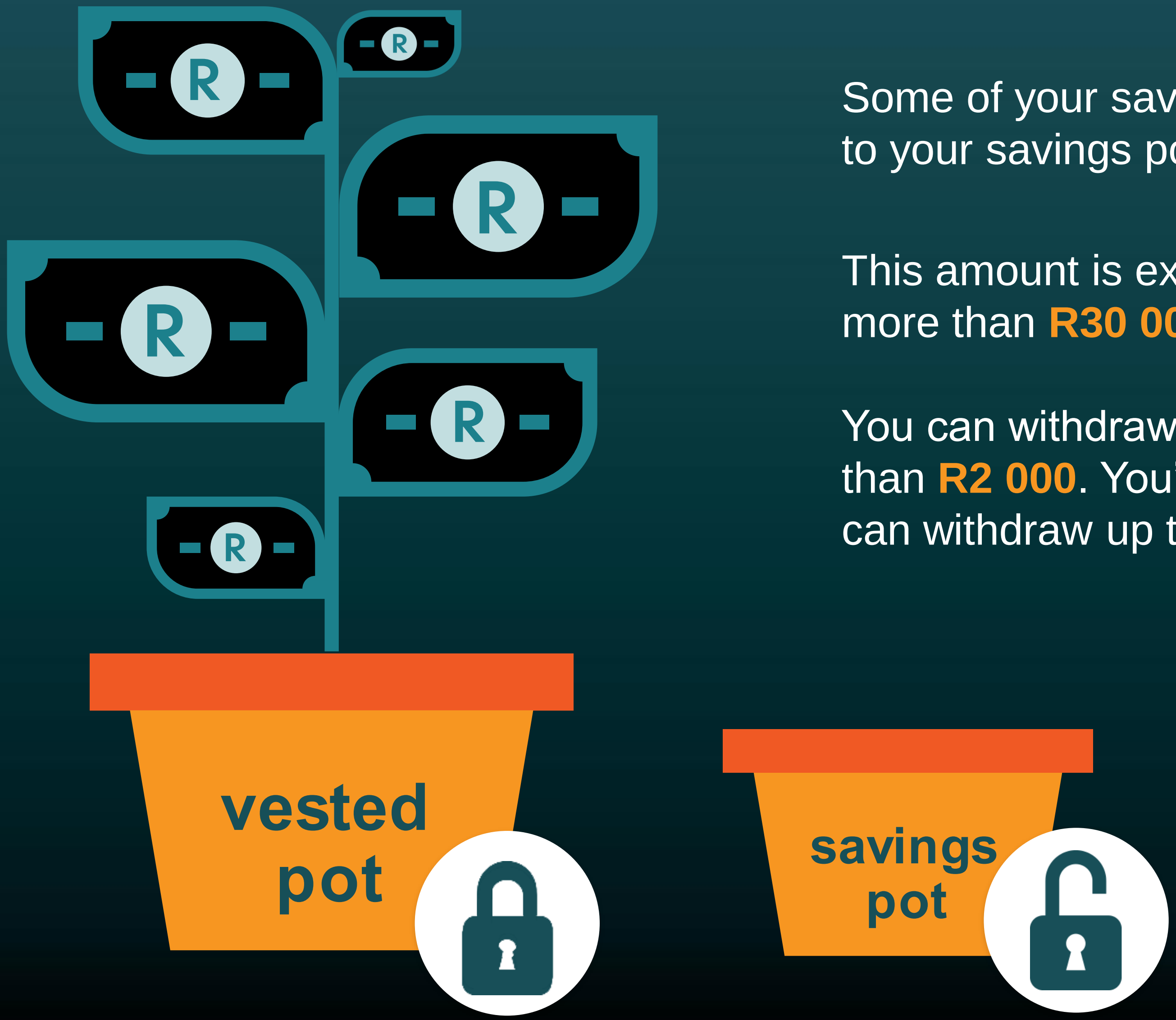


You must use your retirement pot to set up a retirement income. No withdrawals are allowed from this pot.

You can withdraw from your savings pot once a tax year if you need to.

Alexforbes recommends that you keep all your retirement savings for retirement whenever possible, including any savings in your savings pot.

When will money be available in my savings pot?

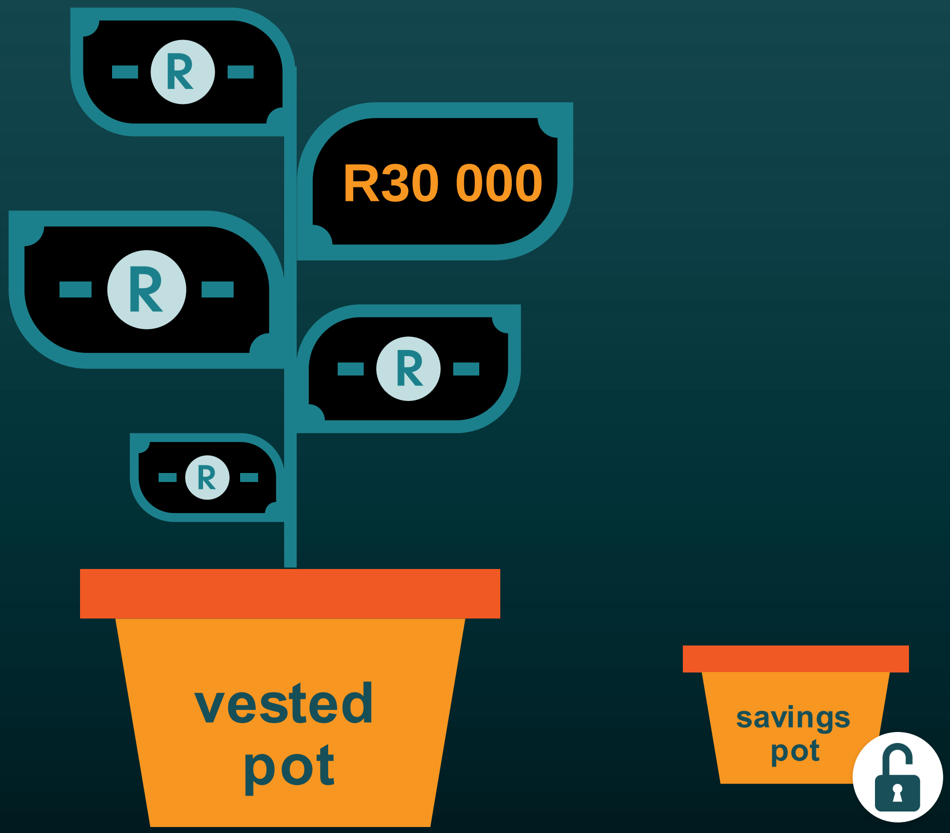


Some of your savings from your vested pot will be moved to your savings pot on **1 September 2024**.

This amount is expected to be **10%** of your savings, but not more than **R30 000**.

You can withdraw the money in your savings pot if it's more than **R2 000**. You'll pay tax on any cash you withdraw. You can withdraw up to **R30 000** if you have that much saved.

Example



If you have **R30 000** saved | **10%** | of that is **R3 000**

You can't withdraw less than **R2 000**.
This means that you can withdraw any amount from **R2 000** to **R3 000**.

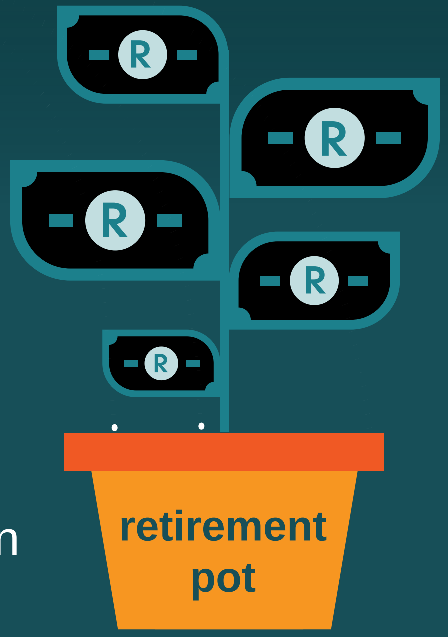
Tax and processing fees will first be deducted.
Taxed at marginal tax rate

Withdrawal taxed at marginal tax rate

Taxable income	Rates of tax
R0 – R237 100	18 % of taxable income
R237 101 – R370 500	R42 678 + 26% of amount over R237 100
R370 501 – R512 800	R77 362 + 31% of amount over R370 500
R512 801 – R673 000	R121 475 + 36% of amount over R512 800
R673 001 – R857 900	R179 147 + 39% of amount over R673 000
R857 901 – R1 817 000	R251 258 + 41% of amount over R857 900
R1 817 001 +	R644 489 + 45% of the amount over R1 817 000

Current scale – 2025 tax year

Any amounts you withdraw from your savings pot before retirement will affect your retirement



Your choice affects your future self

Keeps **your retirement** savings invested so they can keep growing

If you **withdraw** cash from your savings pot, you'll have to start saving again

Breakdown of the different pots

All your savings up to 31 Aug 2024

Contributions from 1 Sep 2024

1. Vested pot

All your contributions since joining, including all contributions from now up to 31 Aug 2024.

This pot cannot be withdrawn while working

Only access 10% of it but limited to R30 000

2. Savings pot

1/3 or 33% of contributions after 1 Sep 2024

Can be withdrawn while working

How the retirement fund will work from 1 Sep 2024

:

3. Retirement pot

2/3 or 67% of contributions after 1 Sep 2024

Will be received at retirement as income

What happens when I leave?

Old withdrawal rules will apply on the vested pot – withdrawals of retirement savings before September 2024 date is allowed

You can only withdraw from the savings pot from 1 September 2024

No withdrawal from the retirement pot will be allowed after 1 September 2024

What happens when I retire?

Provident fund members:

The old rules will apply to the vested pot – retirement savings on a provident fund saved before 1 March 2021 can be taken
in cash. Tax will apply.

Provident fund members above age 55

on 1 March 2021 and stays with the same fund:

Old rules will apply and compulsory annuitisation and two pot does not apply

Pension fund members:

Same rules apply at retirement

What if I am close to retirement?

Provident fund members over age 55 on 1 March 2021

You are not automatically part of the two-pot system

If you opt-in, seed capital will transfer to the savings pot.

If you don't make a choice, then the two pot system rules do not apply.

You can choose to opt into the two-pot system (you have12 months from 1 September 2024)

Vested pot seed capital will be calculated as at 31 August 2024

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Tax implications

Tax when you access from your savings pot:

- you will be taxed at your marginal tax rate
- processing fees will apply

Tax if you take cash when you resign:

- the withdrawal tax table will apply to the vested pot

Tax if you take cash when you retire:

the retirement tax table will apply

Transactional fee | Savings component withdrawal

A transactional fee of 2% pre-tax withdrawal (VAT inclusive) will apply across all members, *subject to:*

Saving component withdrawals between **R5,000** and **R30,000** will incur a fee equal to **2%** of the pre-tax withdrawal amount to a **maximum of R600**.

Saving component withdrawals between **R2,000** and **R5,000** will incur the **minimum** transaction fee **of R100.**

Minimum and Maximum fee limits will be subject to annual inflationary adjustments.

The **transactional fee** will apply to any member withdrawing money from their savings component.

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Savings withdrawal benefit | Pension Funds Amendment Bill

Pension Funds Amendment Bill allows for withdrawal benefits to be suspended in certain situations

Situations where a member may not be able to claim a savings withdrawal benefit

- Housing loan is in place and there are insufficient funds to repay the loan
- Employer obtains a judgement against a member for misconduct and there are insufficient funds to pay the Employer
- The fund is notified of divorce, non-member spouse must consent to savings withdrawal
- Where fund receives a maintenance order and there is insufficient value to pay the maintenance

Try to save your savings pot

Why it's not a good idea to use your savings pot before you retire:

1. You may not have enough cash to meet your needs when you retire one day.
2. You must pay tax at the highest rate that applies to you on any amounts you withdraw from your savings pot.
3. You may not have enough retirement savings to live on when you retire.

If you don't have emergency savings, you can start preparing for unexpected expenses today

Keep your **savings pot growing**

Be **better off** in retirement

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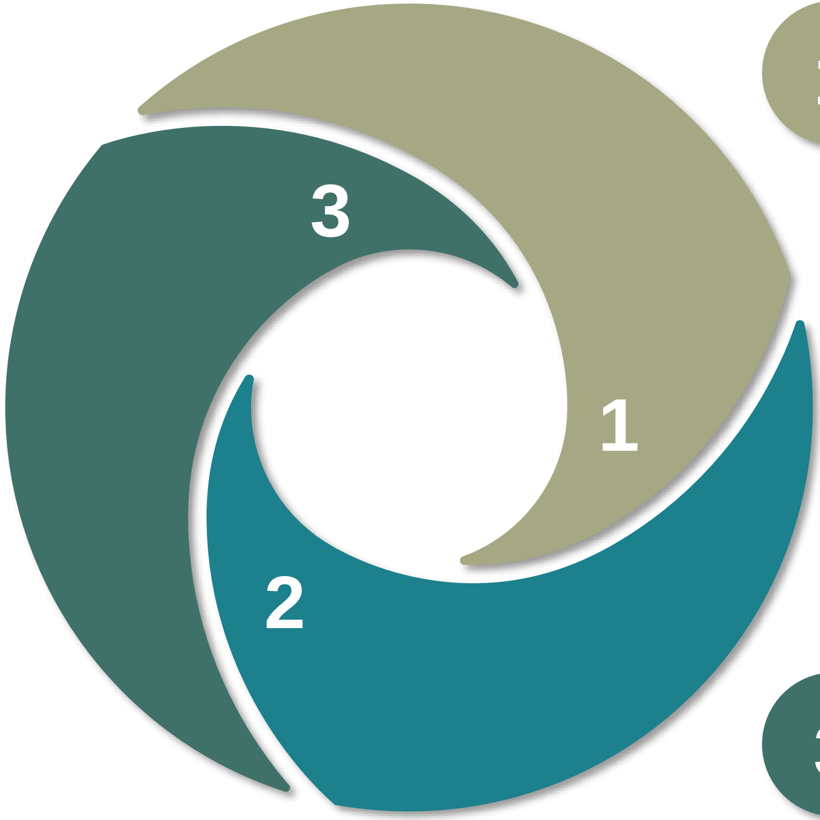
Responsible savings

Important note!



1 Link a goal to your savings

- Main goal of retirement fund is to provide you with an income during retirement.
- Consider other options before you withdraw from your savings pot

2 Know your current replacement ratio

- This is the percentage of your income you can replace at retirement
- Aim to replace 75% of your income at retirement

3 Aim to maximize your contributions

- The more you save, the better your outcome at retirement

Speak to a financial advisor to help you to achieve your financial goals

Impact of accessing the savings pot

Age 42
Monthly salary R37 500
Fund credit R1 030 000
(31 Aug 2024)

	Rajesh	Thuli	Peter
	Goal: retirement	**Goal: retirement, but life happens**	**No goals**
	Saves an additional 1% and takes nothing	Only withdraw from savings pot for emergencies	Takes vested pot and savings pot annually
Contribution rate	16%	15%	15%
Replacement ratio (75%)	66%	57%	33%
Replacement amount (R28 125)	R24 750	R21 375	R12 375

Consider your contribution rate

She currently earns **R29 000 p/m** and contributes **8%** to her retirement fund

Meet 24-year-old Thandi
She is thinking about increasing her contribution rate. She speaks to a financial advisor to see how this will impact her income at retirement

Thandi also wants to know the impact on her retirement income if she withdraws her total savings pot every year

				Impact on retirement income from withdrawing from savings every year	
	Contribution	Replacement ratio	Pension income p/m	Replacement Ratio	Pension income p/m
Current	8%	40%	R11 600	27%	R7 830
+ 4%	12%	60%	R17 400	40%	R11 600
+ 8%	16%	80%	R23 200	54%	R15 660

How do you apply for access to the savings pot?

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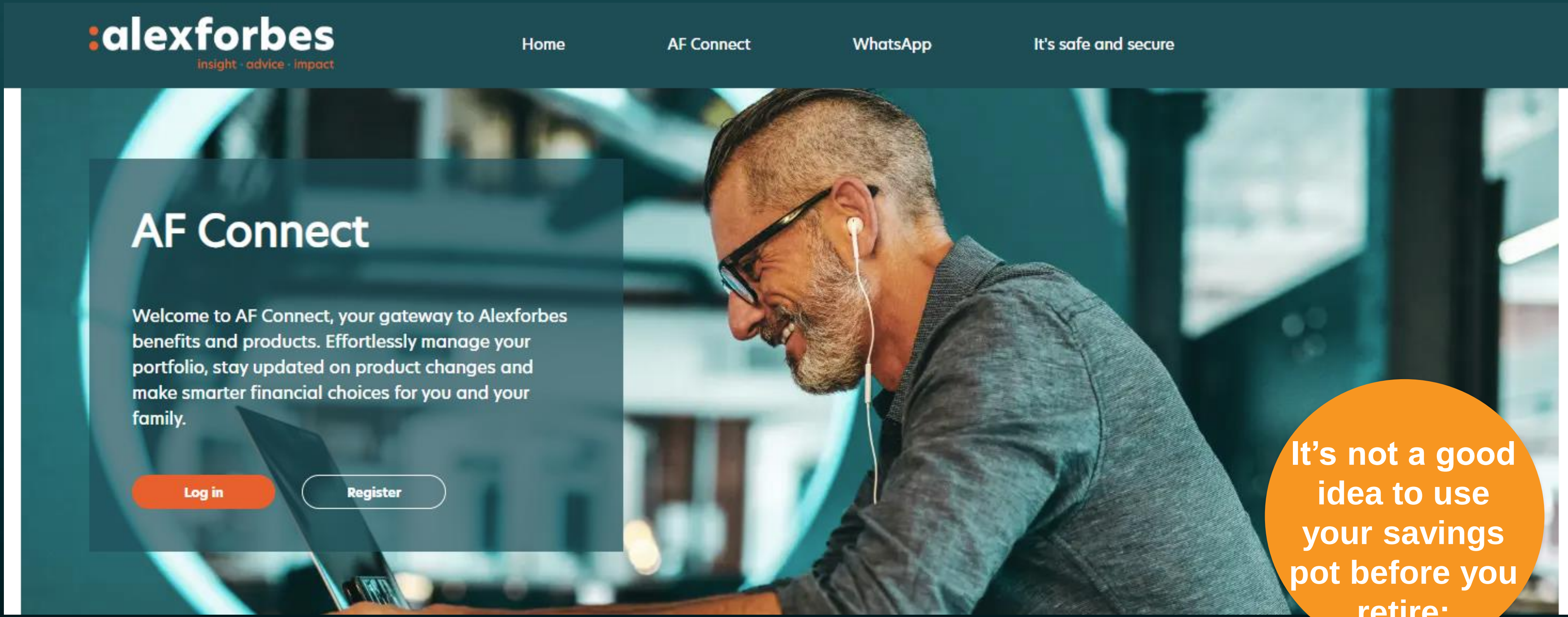

It's not a good idea to use your savings pot before you retire:

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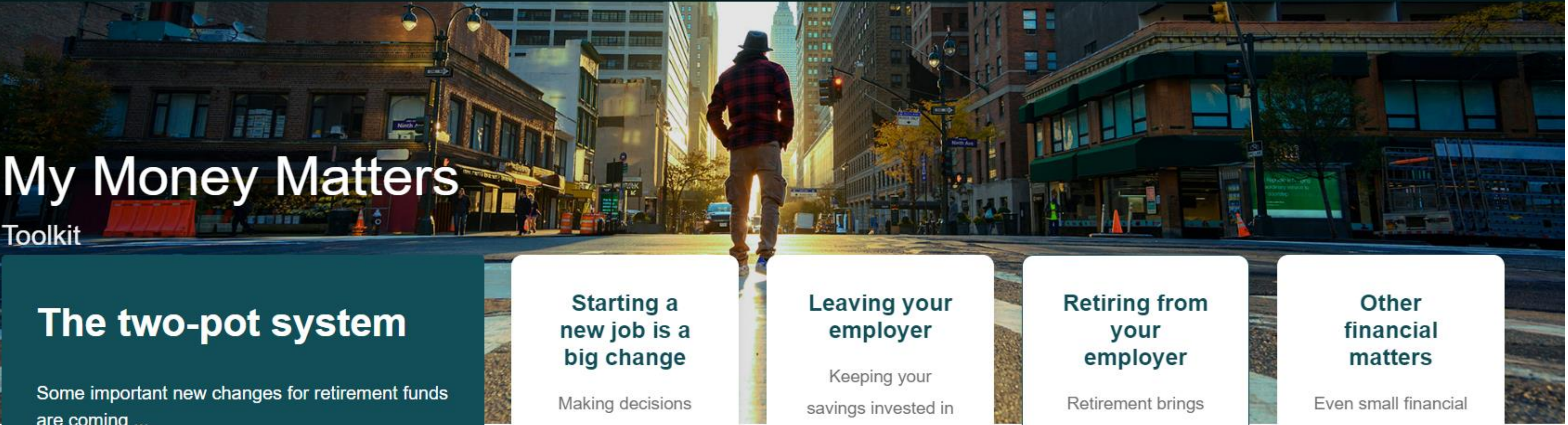
Home | Two-pot system | Starting a job | Leaving a job | Retiring soon | Other financial matters



My Money Matters

Toolkit

The two-pot system

Some important new changes for retirement funds are coming ...

Learn more

Starting a new job is a big change

Making decisions that affect your future self is easier if you know what matters most to you and what your goals are.

Leaving your employer

Keeping your savings invested in your retirement fund, instead of spending them, means they can keep growing.

Retiring from your employer

Retirement brings big life changes. Being informed and getting support will help you make the right decisions for you.

Other financial matters

Even small financial decisions you make every day can affect your ability to reach your goals.

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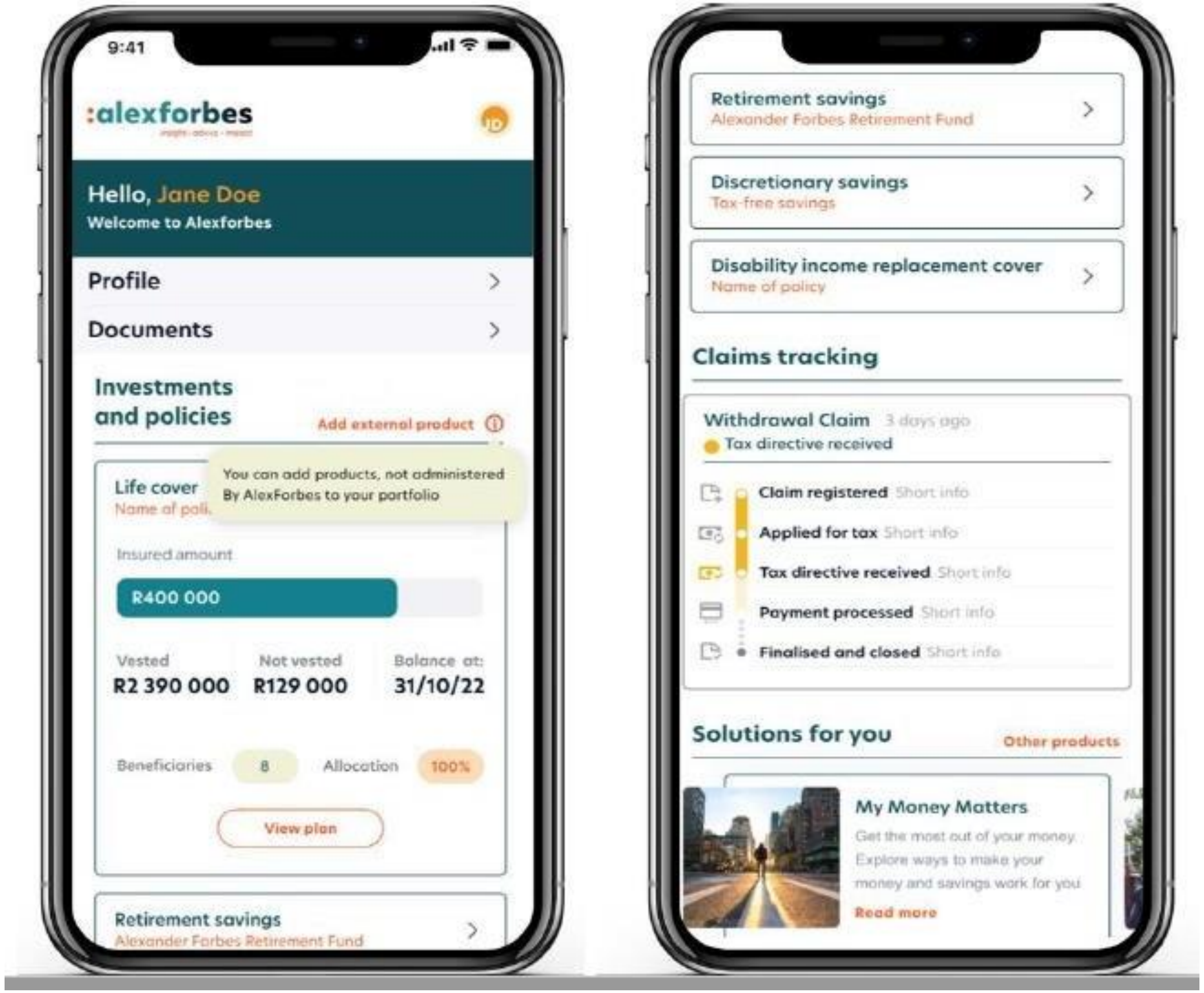

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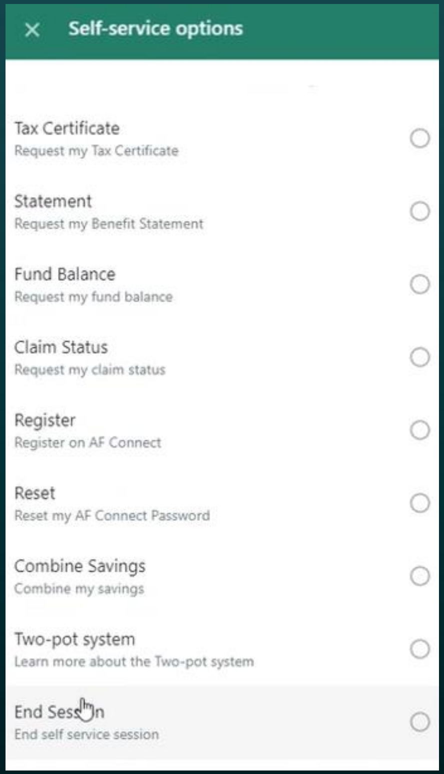
Whatsapp self-service | Objectives



Self-service via WhatsApp:
The info you need, when you need it, at your fingertips.

- Request my tax certificate
- Request my benefit statement
- Request my fund balance
- Request my claim status
- Register on AF Connect
- Reset my AF Connect password
- Combine my savings
- Learn more about the two-pot system

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