

Unpacking the two-pot system

Why is Treasury implementing the two-pot system?

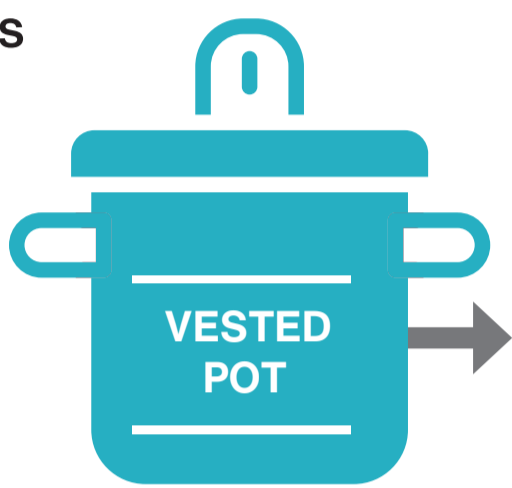
- To entrench a savings culture and allow more South Africans to retire comfortably.
- To improve members' retirement outcome.
- Treasury understands that members have emergencies and may need access to funds. For this reason, they are allowing you access to some of your retirement savings for emergencies without leaving your employer.

The proposed date of implementation is **01 September 2024**.

Your retirement savings will be divided into 3 Pots, namely a vested, savings and retirement pot. Different rules apply to each pot.

Retirement savings on 31 August 2024

Your retirement fund will do a once-off compulsory transfer of 10% of your retirement savings on 31 August 2024 or R30 000, whichever is the lower to the savings pot. The rest of the money will remain in your vested pot.



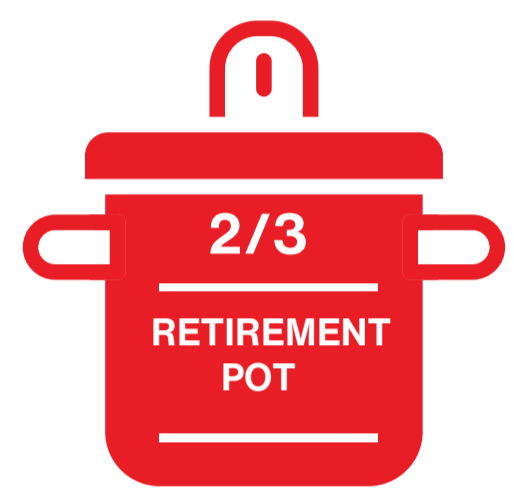
- The money in your vested pot will **still follow the same rules**.
- **When you leave your employer you can:**
 - stay as a paid-up member of your retirement fund.
 - take your money in cash.
 - transfer the money to another fund.

Retirement contributions from 01 September 2024

- Your retirement contributions will be split into 2 Pots.
- **One third to your savings pot, and two thirds to your retirement pot.**



- You can withdraw this money when you retire.
- You can withdraw, for emergencies, a minimum of R2 000 (before fees and taxes at your marginal rate) once a tax year without leaving your employer.



- You can't withdraw any money when you leave your employer. This money must remain invested until your retirement.
- You must buy an annuity when you retire.
- You can take cash if combined amount in your retirement pot and 2/3rds of your vested pot is R165 000 or less.
- You may transfer to the retirement pot in another fund.

Example

You have R250 000 in your retirement savings on 31 August 2024 and your monthly net retirement contribution is R1 200.

31 August 2024



R225 000

- R25 000 (10% of R250 000) will be transferred to your savings pot.
- The remaining retirement savings in your vested pot will be **R225 000**.
- **No further contributions will go to your vested pot.**

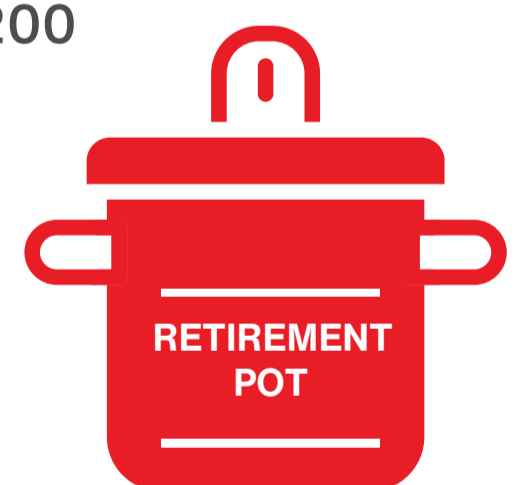
01 September 2024



R400pm plus R25 000

- The amount in your savings pot will be **R25 000**.
- **R400 of your contribution will go to your savings pot every month.**
- It should only be **accessed in emergencies** or at retirement.

R1 200



R800pm

- **R800 of your contribution will go to your retirement pot every month.**
- No cash withdrawals are allowed.

- The money in your **savings pot** should be used when you retire and **only** be accessed in an **emergency**. You must ensure that you save adequately for retirement in order to retire comfortably.
- It is important that you seek financial advice/guidance before considering accessing any of your retirement savings.
- The two-pot system will not automatically apply to you if you were 55 and over on 28 February 2021 and still in the same provident fund. Need to opt in.

For more information, please contact your Aon Retirement Consultant.

*On 04 December 2023, the Parliamentary Standing Committee on Finance reached a compromise with the Minister of Finance for a new proposed implementation date for the two-pot retirement system to be 01 September 2024. The implementation date will depend on the final legislation.