



Standard Bank

Financial Consultancy Two-Pot Retirement System



South Africa's two-pot retirement system was implemented on **1 September 2024**. All retirement contributions after 1 September 2024, will be split into a Savings pot and a Retirement pot.

HOW WILL YOUR RETIREMENT CONTRIBUTIONS BE SPLIT?

1/3
of your
contributions

Withdrawals
allowed

2/3
of your
contributions

No withdrawals
allowed

3/3
of your
contributions

Withdrawals allowed
in the event that you
resign or retire

SAVINGS POT

Starting on 1 September 2024, one third of your contributions goes into your Savings pot where you can withdraw from it once a year if needed.

A small amount of your savings from your vested pot will be transferred to your new Savings pot. This amount is 10% of your savings but cannot be more than R30 000. You will be able to withdraw the money in your Savings pot once in every tax year.

The minimum withdrawal amount is R2 000 and is subject to your marginal income tax rate. For every withdrawal you will also pay an administration fee.

RETIREMENT POT

Starting on 1 September 2024, two thirds of your contributions will go to your retirement pot.

You cannot withdraw from your retirement pot. When you retire, you will receive the money saved in your retirement pot as an annuity.

VESTED POT

Prior to 1 September 2024, your existing retirement funds would have been invested in a single retirement pot for your retirement.

These savings are only available for cash withdrawals subject to tax, in the event that you resign or retire.

The new rules will not affect your existing retirement savings or investment growth up until 31 August 2024.

MEET MSIZI

A 36-year-old man, has **R600 000** set aside for retirement. His gross monthly salary before deductions and taxes is **R45 000**.



When Msizi retires, he can withdraw all or a portion of his Savings pot as a cash lump sum (taxable) and use his retirement pot to set up retirement income.

Msizi's retirement age is 60 years, and he contributes R3 600 (8%) monthly towards his retirement. 10% of his retirement savings amounts to R60 000, however keep in mind that this amount is capped at R30 000 and therefore on 1 September 2024, R30 000 will be transferred to Msizi's Savings pot. As a result, his remaining vested pot will be R570 000.

The Two-pot System has been put into practice, and Msizi will be able to do the following with the R30 000 Savings pot:

- Withdrawal (tax-related).
- Not take it out until after retirement. He may decide to take it as a lump sum amount (taxed) on retirement.

MEET BIANCA

A 42-year-old lady, has
R200 000 in retirement funds.

She changed employment in December 2023 and withdrew all her retirement savings. As of 31 August 2024, she will have R7 500 in retirement funds, of which 10% (R750) was deposited into her Savings pot on 1 September 2024.

Bianca wishes to withdraw from her Savings pot, however she cannot withdraw from her Savings pot since the balance in her Savings pot (R750) is less than the minimal withdrawal amount (R2000).

On 30 November 2024, Bianca has a balance of R3000 saved in her Savings pot.

She withdraws R1 500 from her Savings pot on 15 December 2024, which means she cannot make another withdrawal until 1 March 2025.

- Withdrawing is like borrowing from your future self. The amount withdrawn implies that you will receive less lump sum upon retirement. The retirement funds are reduced by the amount withdrawn plus the compound interest lost.
- Although the new rules allow you to withdraw from your Savings pot before retirement while you are still working, it is recommended that you keep all your retirement savings invested for your retirement. This increases your chances of having enough money to live on when you retire.
- At Standard Bank Financial Consultancy, we recommend that you keep all your retirement savings invested for retirement whenever possible, including any savings in your Savings pot.
- If you need to withdraw from your savings, we urge you to speak to your Financial Planner beforehand to better understand the implications of withdrawing, and to withdraw money only if you need it for an emergency.

In case you are unable to reach your Financial Planner, we have a dedicated Client Contact Centre that will gladly assist you if you need any information or assistance.

Please feel free to reach out to the **Contact Centre** on: **+27 (086) 003 4778** or email **SBFCSupport@standardbank.co.za**

Kind regards,
Standard Bank Financial Consultancy

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