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EMPLOYEE BENEFITS CONSULTING (PTY) LTD

UNDERSTANDING THE TWO-POT RETIREMENT SYSTEM

The Two-Pot Retirement System was introduced on 1 September 2024 to give members limited access to retirement savings during their working years, while still preserving savings for retirement.

A member's retirement benefit is now divided into three separate pots, each with a different purpose.

THE SAVINGS POT

The Savings Pot is designed to provide access to **emergency** funds before retirement.

One-third of retirement fund contributions from 1 September 2024 are allocated to the Savings Pot.

Members may apply for one withdrawal from the Savings Pot during a tax year, subject to the applicable rules and minimum withdrawal amounts.

It is important to remember that money withdrawn from the Savings Pot will no longer be available at retirement.

THE RETIREMENT POT

The Retirement Pot is designed to preserve savings for retirement.

Two-thirds of retirement fund contributions from 1 September 2024 are allocated to the Retirement Pot.

Money in the Retirement Pot **cannot be accessed before retirement**, except in limited circumstances permitted by legislation.

At retirement, the value of the Retirement Pot must be used to provide a retirement income unless it is under a certain value as prescribed in legislation.

THE VESTED POT

The Vested Pot contains the retirement assets accumulated before 1 September 2024, together with investment returns.

The rules that applied before 1 September 2024 continue to apply to the Vested Pot.

To ensure that members did not lose any rights that existed before the implementation of the Two-Pot Retirement System, the benefit was placed in a separate Vested Pot.

This means that members retain the rights and benefits that existed under the retirement fund legislation and fund rules before the introduction of the Two-Pot Retirement System.

The Vested Pot may therefore be treated differently from the Savings Pot and Retirement Pot when a member leaves employment or retires.

WHY IS 1 MARCH 2021 IMPORTANT?

On 1 March 2021, changes were made to the retirement fund legislation affecting provident funds.

Members who were 55 years or older on that date and remained members of the same provident fund retained certain retirement rights that existed before the legislative changes.

These are known as **vested rights** and may affect how retirement benefits are paid at retirement.

MEMBERS OLDER THAN 55 ON 1 MARCH 2021

For members of provident funds who were 55 years or older on 1 March 2021 and remained members of the same fund and did not opt into the Two-Pot Retirement System, additional vested rights may apply.

At retirement, part or all the Vested Pot may be taken as a cash lump sum, depending on the member's vested rights and the applicable retirement fund rules.

Any amount that is not taken in cash may be used to provide a retirement income.

MEMBERS YOUNGER THAN 55 ON 1 MARCH 2021

At retirement, part or all of the Vested Pot and Savings Pot may be taken as a cash lump sum, depending on the member's vested rights and the applicable retirement fund rules.

The Retirement Pot must be transferred to an insurer to purchase an annuity.

If the amount that must be used to purchase a retirement income, including the amount in the Retirement Pot, is less than R240 000, the benefit may be taken in cash.

Any amount in the Vested Pot that is not taken in cash may be used to provide a retirement income.

WHAT HAPPENS AT RETIREMENT?

At retirement, the Savings Pot may be taken as cash or used to purchase an annuity.

The Retirement Pot must be used to provide a retirement income, unless below the legislated threshold.

The Vested Pot remains subject to the retirement rules that applied before 1 September 2024.

Pot	Can members access it before retirement?	What happens at retirement?
Savings Pot	Yes, one withdrawal per tax year (subject to legislation)	May be taken as cash or used to purchase an annuity.
Retirement Pot	No (except where permitted by legislation)	Used to provide a retirement income, unless below the legislated threshold.
Vested Pot	Subject to the legislation that applied before 1 September 2024	Depends on the member's vested rights and the applicable fund rules and legislation

REMEMBER

The Savings Pot was introduced to assist members during genuine financial emergencies.

Repeated withdrawals reduce retirement savings and the benefit of compound investment growth. The more money that remains invested until retirement, the greater the opportunity for long-term financial security.