

Understanding the two-pot system for retirement savings



The revolutionary two-pot system means you could get access to a part of your retirement savings early. [Here's more on what it's about.](#)

As the high cost of living continues to put a strain on many individuals' finances, the two-pot system offers a potential solution by balancing long-term retirement savings goals with meeting short-term financial needs.

The proposed two-pot system – expected to come into effect in March 2024 – will allow you, as a member of a pension or a provident fund, or a retirement annuity policyholder, to access a portion of your retirement savings before you reach retirement age.

While this could give you short-term financial relief, it's important to remember that withdrawing any part of your retirement savings early means you will have less money available when you retire – and this could impact your long-term retirement goals.

Although the official introduction of this system is still some way off, this is essentially [how it will work:](#)

1

A portion of your monthly retirement contribution will go into a savings pot, from which you can make a once-off withdrawal per year. Amounts withdrawn from the savings pot will be taxed at your marginal income tax rate.

2

The rest will be preserved in a long-term retirement pot for when you retire.

3

Only contributions made once the system kicks in will be affected, not your full investment.

Remember, the system is only expected to come into effect next year.

This is a big change to the current way of saving for retirement. So watch this space for more information as this develops. For now, continue to do the right thing for your future by remaining invested.

And remember, growing your money takes time, discipline and commitment. As our Confidence Rule #42 says: Slow and steady builds the nest egg.

As always, our dedicated benefit counsellors are available to give you information about your retirement benefits. They can also refer you to a financial adviser to assist you with your financial planning needs.

Contact them on: IMS@sanlam.co.za

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