

DECODING THE TRIPLE COMPONENTS OF THE TWO-POT RETIREMENT SYSTEM

The two-pot reform will change how fund members can access assets in their retirement funds and aims to achieve two objectives:

- 1 To allow fund members not yet retired access to a portion of their retirement assets in times of **acute financial stress**.
- 2 To improve long-term preservation of retirement assets until fund members retire.



Seed capital from Vested component

10% of member's fund value on 31 August 2024 (capped at R30 000)

Transferred as 'seed capital'

=
starting balance

Cannot be accessed

by members as cash withdrawals

↓
Total benefit value must be used to provide an annuity at retirement

Some exceptions

If benefit amount is below a certain minimum

Members' current rights will remain protected

and the legislation as it exists currently will continue to apply

↓
On retirement, the member will be able to take up to 1/3 of the balance in the Vested component as a lump sum and use the balance to purchase a compulsory annuity

↓
Any lump sums received on retirement taxed according to the retirement lump sum table

Rules that apply to vested provident fund benefits

(pre-1 March 2021 contributions plus growth)

will continue to apply

Withdrawals

Limited to one per tax year

↓
minimum amount of R2 000

↓
taxed at the member's marginal income tax rate

Retirement

Benefits remaining when the member retires can be withdrawn (partially or in full)

taxed according to retirement lump sum table

Any remaining balance in the Savings component at retirement may be added to the Retirement component and used to purchase an annuity.

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Savings component



Retirement component



Vested component



A few frequently asked questions

1	What is this “Two Pot system” and what does it mean for me?	The two-pot retirement system is a reform that will allow retirement fund members to make partial withdrawals from their retirement funds before retirement, while preserving a portion that can only be accessed at retirement to help improve retirement outcomes. This means members need not resign to access part of their retirement benefit if they are in financial distress.
2	Do I qualify for a cash component withdrawal on 1 September 2024?	If your fund credit is R20 000 or more on 1 September 2024.
3	Is a savings component withdrawal a loan from my fund that I must pay back?	No.
4	How much can I access effective 1 September 2024?	A MINIMUM of R2 000 or 10% of your fund credit to a MAXIMUM of R30,000.
5	Will I receive my savings component in my account on the 1 September 2024?	No, savings component payments will commence from mid October if all documents and tax affairs are in order.
6	Will I pay tax on the savings component withdrawal?	Yes, at marginal tax rates - there is no tax-free amount.
7	Do I have to withdraw my savings component?	No, only if you are in financial need distress.
8	How many savings component withdrawals can I make?	One in each tax year with is from 1 March to 28/29 February.
9	If I don't retire from my current company, do I lose my retirement component?	No, you still have a retirement component, you just cant take it in cash - you need to preserve it in the fund or transfer it to your new employer's fund or a preservation fund or retirement annuity fund.
10	Will I still qualify for a SASSA grant when I purchase an annuity with my retirement component?	Members may still qualify for a SASSA grant if they meet all the requirements of the SASSA means test.
11	How will I claim my savings component benefit?	The claim process will be online using the Robson Savage website. To get your password for the website, you require an email address. Further details will be sent out in due course, but in the meantime, please provide your HR with your email address so that they may provide it to Robson Savage, to capture on your record.
12	How will the two-pot system affect provident fund members who were 55 years or older on 1 March 2021?	<p>These members will not automatically form part of the two-pot system. Their current rights in respect of their fund benefits will remain protected and the legislation as it exists currently will continue to apply. However, they may choose to participate should they wish to do so.</p> <p>Such members will need to submit an ‘opt-in instruction’ to their provident fund administrators. If a member has opted into the two-pot system, they cannot reverse their decision.</p>