



## Latest developments

On 9 June 2023, the latest iteration of the Two-pots retirement system was written into the Revenue Administration and Pension Laws Amendment Bill.

The Two-pots retirement system is proposed to come into effect on 1 March 2024.

A once-off transfer to the savings component will be allowed.

Withdrawals are permitted once during the assessment year.

## Essential framework

Previously, the proposed Two-pots system consisted of a retirement pot and a savings pot. Now, the essential framework of the proposed system consists of three main components - retirement, savings, and vested.



### Retirement Component:

These are future contributions saved for retirement and can only be accessed at retirement.



### Savings Component:

This component is more flexible. You will be allowed to withdraw from this prior to retirement.



### Vested Component:

This is your past savings and comprises of vested and non-vested benefits.

Government's intention is that the essential framework of the proposed Two-pots retirement system balances the need for long-term retirement security with the flexibility to address short-term financial requirements.

## Why is this important

This new system will affect the way in which members of a retirement fund can access their monies during their working life, and will impact their retirement benefit. This system will have an impact on the administration of retirement funds, taxation, and education. Members will require further counselling on their benefit options.



## Retirement Component

- Two-thirds of future contributions are preserved in the retirement component.
- This component of your savings is preserved until you reach the normal retirement age.
- When you retire, you'll use this component to buy an annuity. However, if the combined value of your non-vested benefit and the retirement component is less than R165 000 you will have the option to take it as a lump sum instead.
- If you emigrate, you can cash out this component after three years of non-RSA residency.



## Savings Component

- One-third of your future contributions goes into this component.
- You may transfer 10% of your benefit, determined as at 29 February 2024, subject to a maximum limit of R25 000 into this component. This is referred to as your seeding capital.
- These savings can be accessed before retirement. You can make a single withdrawal in an assessment year, and if you have multiple contracts within the same fund, you can withdraw against each contract.
- If you resign after making a withdrawal in an assessment year, a second withdrawal in that same year is not allowed, unless the remaining balance is less than R2 000.
- The minimum withdrawal amount is R2 000 per contract.
- There is no maximum limit on the withdrawal amount.
- In the event of your death, the savings can be paid out as a lump sum to beneficiaries or allocated to the retirement component.
- Withdrawals are taxed at marginal rates as per the tax tables.



## Vested Component

- Vested and non-vested benefits, arising from the annuitisation legislation of 1 March 2021 will be allocated to the vested component.
- Prevailing legal rules of vested benefits, continue to apply after 1 March 2024, but no future contributions will be allocated to the vested component from 1 March 2024, with one exception:
  - Members of provident funds who were over 55 on 1 March 2021:
    - may choose to continue to contribute towards their vested benefits until exiting the fund or retirement, and;
    - may elect to contribute to the savings and retirement components, and
    - if elected, may contribute to the savings and retirement component, with no future contributions allowed to the vested component.
- The vested component may be taken as a lump sum upon resignation.
- The non-vested benefit must purchase an annuity, provided that if the sum of the non-vested benefit and the value of the retirement component is less than R165 000, the benefit may be taken as a lump sum.



## Retirement tax table

Tax on lump sum on retirement, retrenchment, and death	
Tax free	R1 - R550 000
18%	R550 001- R770 000
27%	R770 001- R1 155 000
36%	R1 155 001 and above

## Transfer between components within a fund (intra-fund)

From	To
Savings Component	Retirement Component
Vested Component	Retirement Component

## Transfer of components between funds (inter-fund)

From	To
Savings Component	Savings Component
Savings Component	Retirement Component
Vested Component	Vested Component
Vested Component	Retirement Component
Retirement Component	Retirement Component

## Example of implication of withdrawals

Nom is 26 years old with an existing fund credit of R80 000.  
Nom's total contribution to her retirement fund is R1 800 per month.



### Scenario 1

Nom takes full withdrawal available each year

The Fund savings component has 10% of existing credit

The value at retirement, if she takes all available withdrawals is: R10 385 226

The realistic retirement income per annum (nominal) is: R623 113 (6%)

Real terms (today's money): R95 016

### Scenario 2

Nom doesn't take any withdrawals

The value at retirement, with no withdrawals taken is: R14 669 166

The annual income (nominal) is: R880 150 (6%)

Real terms (today's money): R131 272

GTC will keep you updated on further developments regarding the Two-pots retirement system.

Contact your GTC advisor or one of our benefit consultants, for more information.

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