

## Retirement Fund Change

Hi Clinton,

You may have heard talk online or around the office cooler of a "two-pot" retirement system. This relates to **legislative changes to retirement fund savings from 1 September 2024**.

While not all of you have retirement funds invested with me, these new rules will impact everyone who has retirement savings, so I felt it of value to send to all my clients. If you would like me to look at your current retirement savings and advise on them, please do let me know.

Below is a brief video outlining these new regulations, if you prefer to watch rather than read about the changes.

[Watch now](#)



The truth is the "two-pot" system will actually consist of three pots:

### **Vested Pot**

- This pot will contain funds that you have accumulated up to 31 August 2024.
- 10% of this value, up to a maximum of R30,000, will be transferred into the Savings Pot as "seed capital". The rules for the Savings Pot will apply to these funds.
- Existing rules will continue to apply to the remaining 90%:
  - You can access these funds at retirement, earliest age 55.
  - One third can be taken as a taxable lump sum withdrawal.
  - Two thirds must be used to purchase an annuity from which you will be paid a monthly pension.

New contributions to your retirement fund from 1 September 2024 will be split between the Savings and Retirement Pots:

### **Savings Pot**

- One third of each new contribution will go into the Savings Pot, and be added to the "seed capital" from the Vested Pot, if applicable.
- You can make one withdrawal from this Savings Pot every tax year, with a minimum withdrawal of R2,000 and no maximum.
- There is likely to be an administration fee payable on any withdrawal, dependent on your investment provider.
- The withdrawal will be taxed at your personal marginal tax rate applicable at the time.

### **Retirement Pot**

- Two thirds of each new contribution will go into the Retirement Pot.
- No withdrawals can be made from this pot at any time prior to retirement.
- At retirement, earliest age 55, the same current rules will apply:
  - One third can be taken as a taxable lump sum withdrawal.
  - Two thirds must be used to purchase an annuity from which you will be paid a monthly pension.

If you were over 55, were a member of a provident fund as at 1 March 2021, and you're still in the same fund, you are excluded from the two-pot system, and you will need to opt in to qualify for the Savings Pot benefit.

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### The Good and the Not-So-Good!

The two-pot system has the potential to create good outcomes for retirement fund members, helping those who desperately need some access, while ensuring greater levels of preservation due to the inaccessibility of the retirement component.

Having some access to your retirement investment without having to resign from employment may assist you in times of need. However, it is important to remember that the intended purpose of your retirement investment is to provide you with an income in retirement. While the savings component allows you access, it is prudent to guard against thinking of it as a discretionary savings account. **Each time you access a savings withdrawal benefit, the amount available to provide you with an income in retirement will be reduced.** In addition, that savings withdrawal benefit will be taxed and has the potential to push you into a higher tax bracket, depending on your income and the value of the withdrawal.

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If you have any concerns or queries about this new two-pot system, please feel free to contact me.

Regards,  
Clinton Ramsbottom

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### Del Financial Services

#### Offices:

130 Adelaide Tambo Drive, Durban North, KwaZulu Natal, 4051  
Unit 7, Milkwood Village, Beacon Road, George, 6529  
Unit B 207 Taylor Street, Stellenbosch, Cape Town, 7600

[Contact Details](#)

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