

Retirement fund members in financial need will be able to access a portion of their savings to pay for emergencies or unforeseen expenses from their savings component, while ensuring that the balance is preserved until retirement.

High-level overview of the Two-Pot Retirement System



100%

Vested Component

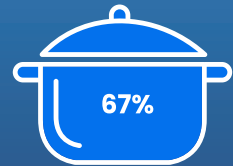
- Addresses what is currently in your retirement saving plus investment returns prior to 1 September 2024.
- Can take a full withdrawal on resignation or retrenchment.
- Can make one full or partial withdrawal from a benefit preserved in a Preservation Fund.
- If the total non-vested benefit is less than R247 500, the full non-vested benefit can be taken in cash.



33%

Savings Component

- Addresses immediate financial needs.
- You can access 1/3 from your retirement fund contributions prior to retirement.
- Can be withdrawn once in a tax year, provided the amount is not less than R2 000.
- No limit on the amount you can withdraw.
- You can also keep this invested or withdraw it, or use it to buy a retirement income.
- Tax at marginal rates applies for amounts withdrawn.



67%

Retirement Component

- 2/3 of retirement fund contributions must remain invested until retirement.
- Cannot be accessed as a cash withdrawal before or at retirement.
- These savings, and any investment growth can be used to buy a retirement income.

55 years on 1 March 2021

You will have the option to participate in the two-pot retirement system.

If you do not want to participate in the new system, then all your contributions will be allocated to the vested component, and they will then not have a savings component or a retirement component.

Seed Capital

You will also have access to some seed capital, amounting to 10% of your current retirement savings, this will be capped at R30 000.

TWO-POT RETIREMENT SYSTEM: Frequently Asked Questions

1 What is the Two-Pot Retirement System?

It is a new retirement savings system for South Africa. It provides a more secure and sustainable way for you to save for retirement.

2 Why is it called the Two-Pot Retirement System?

Under the new system, all South Africans with retirement savings will have these savings distributed between two main 'pots' or components: the Savings Component and the Retirement Component. This is why the new system is commonly called the 'Two-Pot Retirement System'. However, if you began saving for retirement before the new system comes into effect, you will also have a third 'pot' or component - the Vested Component.

Savings Component



This 'pot' or component is designed to help you finance short-term emergency situations. You can withdraw from this component once every tax year.

Retirement Component



This 'pot' or component is designed to help you save for your retirement in the long term. The savings in here cannot be withdrawn before you retire.

Vested Component



If you began saving for retirement before the new system comes into effect, your past contributions go into this 'pot' or component.

Your contributions in this component will be governed by existing legislation (i.e. there are different rules for your Vested Component, while your Savings and Retirement Components will be governed by the Two-Pot retirement system.

Your advisor at MIRF can provide you with more details).

3 How will the Two-Pot Retirement System work?

Savings Component

- One-third (about 33%) of your retirement fund contributions will automatically be allocated to your Savings Component.
- You can withdraw from your Savings Component once in a tax year. The minimum withdrawal amount is R2 000. There is no maximum withdrawal amount per tax year.
- You will need a balance of at least R2 000 in your Savings Component before you can make a withdrawal.
- You can withdraw without leaving your job or retiring.
- The yearly withdrawal can help you pay for financial emergencies. However, instead of withdrawing, you can also keep this amount invested or use it to buy a retirement income when you retire. Choosing not to withdraw will help you grow your retirement savings even more.
- You will pay tax on any amounts you withdraw. Remember, withdrawals from your Savings Component are not a loan.
- You are withdrawing from your own savings. The less you withdraw, the more you are saving for retirement.

Retirement Component

- Two-thirds (about 67%) of your retirement contributions will be automatically allocated to your Retirement Component.
- You can only access your funds in the Retirement Component when you retire.
- When you retire, you will be required to use the funds in your Retirement Component to buy a monthly pension (this is called an annuity). This helps you stretch your retirement savings for as long as possible.
- However, if you have less than R165 000 in your Retirement Component when you retire, you will be able to take this full amount out as a lumpsum.



33%

of your retirement fund contributions will automatically be allocated to your Savings component



67%

of your retirement contributions will be automatically allocated to your Retirement Component.



4 If I want to withdraw from my Savings Component, what constitutes an emergency?

Medical expenses, paying off outstanding debt, or covering basic living costs can all be considered emergencies. You are not required to disclose what you are withdrawing for.

However, we encourage you to withdraw only for real emergencies, as you are using your own savings, leaving you less to retire on.

Withdraw only for real **emergencies**



5 What are the requirements when I want to withdraw from my Savings Component?

- You must ensure that your personal information with the Fund is correct. You can confirm this by checking your details on your member benefit statement.
- You must have your correct and active SARS tax number.
- You must have an active bank account.
- You must have a minimum of R2 000 in your Savings Component.
- Remember, you will pay tax on any amounts you withdraw.

You must have a minimum of
R2 000
in your savings component



6 What will happen first when the Two-Pot Retirement System comes into effect?

As soon as the new Two-Pot Retirement System comes into effect, 10% of your retirement savings will automatically be transferred into your Savings Component (once-off).

This amount is called your 'seed capital'.. The amount of seed capital transferred is capped at R30 000.

10%

of your retirement savings will automatically be transferred into your Savings Component (once-off)



R30K

The amount of seed capital transferred is capped at



7 What happens if I resign?

- You will be able to withdraw from your Savings Component once in a tax year, as explained.
- You will not be able to withdraw from your Retirement Component until you retire.
- If you have a Vested Component, you will be able to withdraw from here, subject to the applicable fund rules and the SARS tax tables for withdrawals.

8 What will happen when I retire?

- All funds remaining in your Savings Component can be withdrawn in full.
- The first R550 000 withdrawn will be tax-free. The rest will be subject to applicable tax.
- If you do not withdraw all the funds in your Savings Component, you can transfer the remainder to your Retirement Component. As explained, your Retirement Component will pay you a monthly pension.
- Any funds in your Vested Component can also be withdrawn as a cash lump sum, or be used to buy a monthly pension.

9 Does the Two-Pot Retirement System affect housing loans and sureties?

Housing loans and sureties will be paid out proportionately from your Savings, Retirement, and Vested Components.

10 How will divorce orders be affected by the Two-Pot Retirement System?

Divorce orders/settlement agreements will be paid out proportionately from your Savings, Retirement, and Vested Components.

Housing loans and sureties

will be paid out proportionately from your Savings, Retirement, and Vested Components.



Divorce orders/ settlement agreements

will be paid out proportionately from your Savings, Retirement, and Vested Components.



11 Will transfers between components be allowed?

Within the same Fund:

- Transfers from your Vested Component to your Retirement Component are allowed.
- Transfers from your Savings Component to your Retirement Component are allowed.
- These transfers are tax-free.

Between different Funds:

- Transfers between the same type of components are allowed e.g. transferring funds from the Retirement Component in Fund A to the Retirement Component in Fund B.
- Transfers from a Vested Component in Fund A to a Retirement Component in Fund B are allowed.
- Transfers from a Savings Component in Fund A to a Retirement Component in Fund B are allowed.
- These transfers are tax-free.

Transfers
TAX FREE



Note that transfers between different funds will only be allowed when you resign or retire from your respective retirement fund. If you choose to make an inter-fund transfer, all components will need to be transferred at the same time.

12 What happens after I pass away?

On your death, your beneficiaries will be able to access the funds in all three components as either a cash lumpsum, or as a compulsory annuity, or a combination of both.