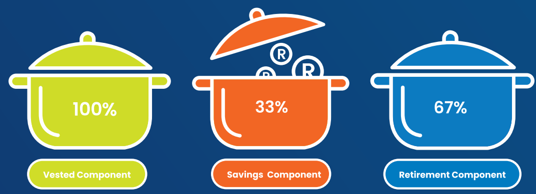
Motor Industry
Retirement Funds

MIRF Legal Note

The Two-Pot Retirement System
Implications of accessing your savings benefit



The **Two-Pot Retirement System** was implemented on **1 September 2024** and it is important for retirement fund members to be aware and to understand the impact of withdrawing from their savings component.

Implications of Withdrawals from the Savings Pot.

Example:
John starts work on his 25th birthday and works till 65. He earns R 10,000 a month for the entire period. His contribution to his provident fund is R1,500 per month.

Pension of:
62%

Did you know?
If John withdraws **all** his savings every year.

What does he retire with?
John retires with: **R1 068 829**
(He could in theory get a pension of **62%** of his fixed salary which amounts to around **R6 200**)

Pension of:
77%

Did you know?
If John withdraws **50%** of his savings every year.

What does he retire with?
John retires with: **R1 336 036**
(He could in theory get a pension of **77%** of his fixed salary which amounts to around **R7 700**)

Pension of:
92%

Did you know?
If John does **not withdraw** any of his savings.

What does her retire with?
John retires with: **R1 603 243**
(He could in theory get a pension of **92%** of his fixed salary which amounts to around **R9 200**)

**The above examples are expressed in today's money terms, assuming there are no salary increases, therefore no inflation implied.*

Reduction of Retirement Benefits:

- Withdrawals directly reduce the amount available as a one-third cash lump sum at retirement.
- The withdrawal amount and the lost compound interest significantly impact the final retirement value.

Taxation:

Withdrawals are taxed at the member's marginal tax rate. Additionally:

- Any amounts owed to SARS (under an IT88 directive) will be deducted.

Administration Fees:

- Withdrawals may attract processing fees by the fund administrator.

Replenishing Savings

Members can make Additional Voluntary Contributions (AVCs) to recover the withdrawn amounts, subject to fund rules.

- One-third of AVCs will be allocated to the Savings Component, allowing members to rebuild their balances.

Recommendations for Members

- Access the Savings Component only in cases of financial distress or emergencies. Members must independently determine what constitutes a financial emergency.
- If funds are not urgently needed, consider leaving the balance to grow with compound interest until retirement.

Protecting Your Retirement Savings

Your retirement savings represent one of the most significant investments of your lifetime. Continuous education, awareness, and proactive financial planning are essential to achieving a sustainable retirement outcome.

Additional Guidance

Members are encouraged to:

1. Establish separate emergency savings accounts to avoid reliance on the Savings Component.
2. Seek professional financial advice to evaluate the long-term impact of accessing the Savings Component.