Sanlam

Two-pot retirement system

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What you should know about the **two-pot retirement system**

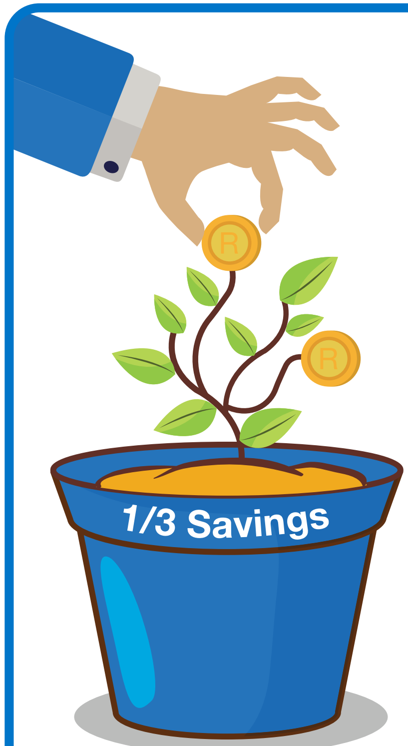
At Sanlam, we are committed to empowering our clients to live confidently, securely and prosperously. As part of this, we want to help you to make the best possible decisions to reach your retirement goals to secure your financial future.

We encourage our clients to only access their retirement savings as a carefully considered last resort. It's crucial to contribute regularly to retirement savings and to capitalise on the magic of compound interest as much as possible. When going through financial difficulties, we urge you to seek financial guidance from a trusted financial adviser to make the optimal decision that will serve you now, and in the long term.

Note: This information reflects our understanding of the two-pot retirement system as of December 2023, including the proposed 1 September 2024 implementation date. For now, clients do not need to do anything - we will provide guidance when action is required.

How does the **two-pot retirement system** work?

Your retirement contributions (past and future) will be divided into three components (previously referred to as pots). The idea is to empower more South Africans to preserve their retirement savings when changing or leaving a job and allow people to access their savings component if they experience financial hardship. From 1 September 2024:



- **One-third of your contributions will go to your savings component.**
- This component will receive a once-off capital boost from the vested component of your retirement fund (a minimum of 10%, up to R30 000).
- After that, one-third of all new contributions will go into this component, which will also grow due to investment returns.

- **Two-thirds will go into a retirement component, which you cannot touch until retirement.**
- All future growth and earnings remain in the retirement component until you retire.
- These funds must then be used to buy a retirement income, unless legislated minimum values apply.

If you contribute R3 000, R2 000 will go to your retirement component, and R1 000 will go to your savings component. You will not be able to access this R1 000 until the balance in the savings component reaches a minimum value of R2 000.

Important: This excludes all contributions you have made up until 31 August 2024. These funds will be allocated to the vested component.

What is the **"vested component"**?

These are all the funds that accumulated in your retirement fund up until 31 August 2024.

These savings will stay under the current retirement fund legislation.

For example:

- For retirement annuities, you will not be able to access any funds until you retire.
- For pension and provident funds, the vested component will still be exempt from compulsory preservation, so you can withdraw a taxable lump sum should you resign or be retrenched.

Can I **access** any of my funds in the **savings component** from 1 September 2024?

Yes, you can, however, there are limits in terms of the amount and the number of times you can withdraw.

Your vested component will provide initial seed capital for your savings component. 10% of your fund balance (capped at R30 000) will be allocated to your savings component and you need a balance of at least R2 000 before you can make a withdrawal.

Please note that withdrawals from this date will be dependent on the applicable fund rules being approved.

For example, if your fund has R30 000 in it, R3 000 will be transferred to your savings component.

How will the **tax on a withdrawal** from the savings component work?

Every withdrawal you make from your savings component is added to your taxable income and will be taxed at a fixed marginal tax rate at the time of withdrawal.

If your annual income is R300 000, your marginal tax rate according to the 2023/24 income tax table will be 26%.

What happens **if I am retrenched**; what funds will I be able to access?

For **pension funds** and **provident funds**, if you are retrenched you will be able to access all the funds in your vested component as well as your accumulated savings in the savings component.

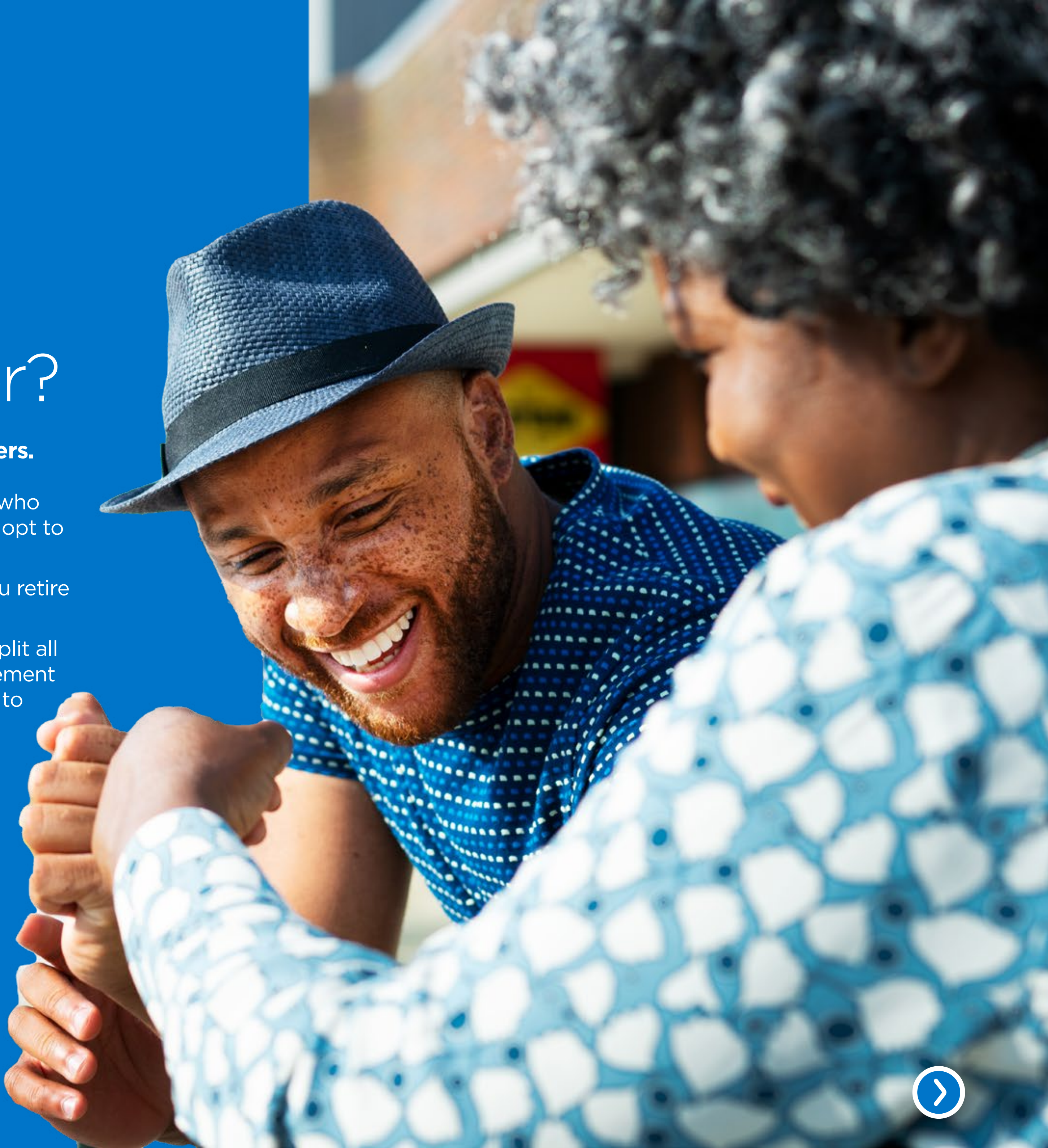
For retirement annuities, you will only be able to access your savings component.

Does **age** matter?

Yes, it can matter for provident fund members.

On 1 September 2024, provident fund members who were 55 years or older on 1 September 2021, can opt to either:

- contribute to the vested component (until you retire or leave the fund) or
- opt into the two-pot retirement system and split all new contributions between savings and retirement components. Then you will no longer be able to contribute to the vested component.



What happens to **legacy retirement annuity fund policies**?

Your retirement annuity policy will be exempt from the two-pot retirement system if it is a legacy policy that conforms to specific characteristics in the draft legislation.

Speak to your financial adviser to understand what the two-pot retirement system means for you, specifically. Together, you can ensure that you stay on track to reach your retirement goals.

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