Retirement Reform Changes

glacier by Sanlam

The two-pot retirement system

The illustration below depicts the new system in the context of preservation funds and retirement annuity funds only. All information speaks to generic changes and not to any fund-specific implementation of the new rules.

WHAT WILL RETIREMENT LOOK LIKE FROM 1 SEPTEMBER 2024?

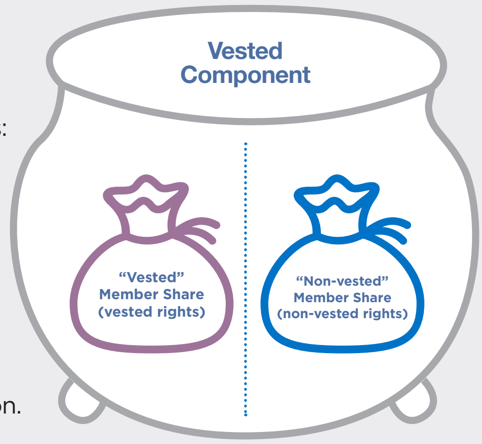
Retirement options in the vested component

Options at retirement will be based on the pre-implementation retirement rules. The rights members have today, will remain protected.

Vested rights portion

The full balance will be available as:

1. a cash lump sum,
2. a compulsory annuity, or
2. a combination.



Non-vested rights portion

Up to one-third will be available as a cash lump sum.

The balance of at least two thirds of the non-vested rights portion will be subject to the purchase of a compulsory annuity.

THE TAX IMPLICATIONS

Cash lump sum

- The cash lump sum is taxed according to the retirement lump sum tax table.
- Previous retirement fund lump sums received by the member may be taken into account in terms of the principle of aggregation.
- The member will receive the lump sum net of tax.

Compulsory annuity

If a member purchases an annuity (for example a living and/or life annuity) at retirement, the income paid to the member from the annuity will be taxed at marginal tax rates according to the income tax tables.

Retirement options in the retirement component

Members will not be allowed to withdraw a cash lump sum from the retirement component at retirement.

All the retirement savings in this component must be used to purchase a compulsory annuity which will provide income unless the de mimimis rule* applies.

** If the full value of the retirement component + 2/3 of the non-vested rights portion in the vested component < R165 000, the full value of the retirement component and the amount in the non-vested rights portion of the vested component may be taken as a taxable cash lump sum.*

THE TAX IMPLICATIONS

Compulsory annuity

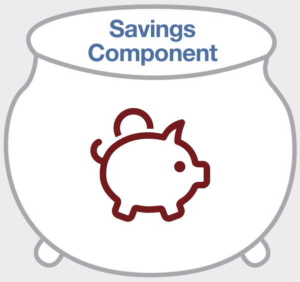
If a member purchases an annuity (for example a living and/or life annuity) at retirement, the income paid to the member from the annuity will be taxed at marginal tax rates according to the income tax tables.

Cash lump sum

(only applicable for this component if de minimis rule applies)

- The cash lump sum is taxed according to the retirement lump sum tax table and the aggregation principle applies.
- Previous retirement fund lump sums received by the member may be taken into account in terms of the principle of aggregation.
- The member will receive the lump sum net of tax.

Retirement options in the savings component



At retirement, members may take up to the full balance that is left in this component as a cash lump sum. Members will also be able to purchase a compulsory annuity with the value in this component.

THE TAX IMPLICATIONS

Cash lump sum

- The cash lump sum is taxed according to the retirement lump sum tax table.
- Previous retirement fund lump sums received by the member may be taken into account in terms of the principle of aggregation.
- The member will receive the lump sum net of tax.

Compulsory annuity

If a member purchases an annuity (for example a living and/or life annuity) at retirement, the income paid to the member from the annuity will be taxed at marginal tax rates according to the income tax tables.

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