

# Retirement reform

## Two-pot system

### A big picture overview

Contributions from  
1 September 2024  
onwards

One third of contributions

Two thirds of contributions



#### Vested pot

This pot refers to the accumulated benefit in the fund as at the day immediately before implementation of the 'two-pot system' (i.e. as at **31 August 2024**).

It is subject to the **tax and fund rules** that applied prior to the implementation of the two-pot system.

Any cash lump sum withdrawal benefits taken before retirement will be subject to tax in **accordance with the lump sum withdrawal tax table**.

If a member wishes to transfer these funds to another pot before retirement, then it may **only be transferred to the retirement pot**, after which the rules of the retirement pot will apply to the transferred funds.

No further contributions can be made to this vested pot from **1 September 2024** (except for certain older members).\*

Members of preservation funds who have not accessed their **once-off withdrawal**, will be allowed to do so at any time in the **future**.

#### Savings pot

Members can make one withdrawal from this pot per **tax year**.

Minimum **R2 000** with no maximum.

Withdrawals from the savings pot will be **taxed at marginal tax rates**.

If a member wishes to transfer these funds to another pot **before retirement**, then it may only be transferred to the retirement pot, after which the rules of the retirement pot will apply to the **transferred funds**.

At retirement, the **remainder of the savings pot may be withdrawn as a cash lump sum**, taxed in accordance with the retirement tax table.

#### Retirement pot

Funds in the **retirement pot** cannot be accessed by members until retirement.

The funds in this pot must be used to **provide an annuity**, unless the value is **lower** than an amount prescribed from time to time, in which case you may **withdraw it as a lump sum**.

Deductions in terms of section 37D will be affected proportionately across the three pots. These may include maintenance orders, divorce orders etc.

"Marginal tax rate" refers to the member's personal income tax bracket. "Withdrawal tax table" and "Retirement tax table" refer to two fixed sliding scales in the Income Tax Act that calculate the tax payable when money is taken before or at retirement.



**10%** of the value of the member's share in a retirement fund immediately before 1 September 2024, subject to a maximum of **R30 000**, will be transferred to the savings pot. This will be known as the seeding capital.



\*Current members of provident and/or provident preservation funds who were 55 years or older on 1 March 2021 will not automatically participate in the two-pot system. If they do not choose to be subject to the two-pot system, they may continue to contribute to the vested pot. If no choice is made, members will remain outside of the two-pot system.