OLDMUTUAL

TWO-POT RETIREMENT SYSTEM

While there are many misconceptions regarding the proposed Two-Pot Retirement System, we do have clarity on most of the details. Here's a look at some of the most common myths, and a brief explanation of how it will really work when it comes into effect.

"Many South Africans don't have enough saved for their retirement. We expect this new Two-Pot System to improve retirement outcomes over time."

- Michelle Acton, Executive: Retirement Reform at Old Mutual

MYTH #1 - I'll have access to all my retirement savings from 1 September 2024. When the Two-Pot Retirement System goes into effect, retirement fund members will only have access to the money that's in the Savings Component. This is a new system, so to make sure you're not starting from zero, **10%** of your existing retirement savings as of **1 September 2024** (up to a maximum of **R30 000**) will be moved into that Savings Component (or "pot"). This transfer will only happen once. Going forward, your Savings Component will be funded by the allocation of one-third of your total ongoing fund contributions
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MYTH #2 - My retirement savings will disappear when the Two-Pot Retirement System kicks in. There's no need to panic. Your existing retirement savings will be fully protected and will stay exactly as and where they are in your current retirement funds. The **Two-Pot Retirement System's** rules will only apply to your future retirement contributions, starting on the proposed effective date of 1 September 2024.

MYTH #3 - Only employee contributions go into the accessible pot. **The Two-Pot Retirement reforms** will apply to all contributions to your fund, so it will apply to both employee and employer contributions.

MYTH #4 - I can withdraw from all my pots when I quit my job. **The Two-Pot Retirement System** introduces mandatory preservation. In other words, it forces you to preserve a portion (two-thirds) of your future retirement savings until **the day you retire.** Under the old/current system, you could access all your retirement savings if you resigned or were dismissed or retrenched. Under the Two-Pot Retirement System, you can only access your existing (the balance as at 1 September 2024) and Savings (subject to accessibility rules) Components when you leave your job before retirement.

MYTH #5 - I can access my retirement savings to enhance my lifestyle. There's been a lot of discussion around the Savings Pot (or Savings Component), but early access to your retirement savings is the exact opposite of the real intention of the Two-Pot Retirement System. Early access will only be granted once a year, and it should only be accessed for emergencies. It's not intended for lifestyle enhancements – which is why you'll be taxed your marginal rate of tax on any withdrawals from the Savings Component.

MYTH #6 - I won't pay tax on withdrawals from my Savings Component. Any withdrawals from your Savings Component will be taxed at your normal marginal rate of income tax rate.

MYTH #7 - I can replace the money I withdraw from my Savings Pot as soon as I'm financially stable again. Your retirement savings are neither designed nor intended to be transactional savings accounts. No money that you withdraw from your Savings Component can be directly replaced at a later point. The only way to replace that money is by increasing your future contributions over time or once-off voluntary contributions, which would not be directly allocated to the Savings Pot. Only one-third of the amount would go to the Savings Pot and the other two-thirds would go to the Retirement Pot.

MYTH #8 - I will need to elect to join the Two-Pot Retirement System. The move to the proposed Two-Pot Retirement System will be automatic for all retirement fund members, so no action is required.Provident fund members who were older than 55 on 1 September 2024 will be the only exception, they will be given an option to opt in.

FOR MORE ON THE TWO-POT SYSTEM, SCAN THE QR CODE OR SPEAK TO YOUR FINANCIAL ADVISER.

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