



Two-Pot and your Savings Pot: 4 Things to Consider Before Withdrawing

With many South Africans looking forward to early access to a portion of their retirement savings under the new Two-Pot Retirement System, it's easy to get absorbed in the hype. However, before you make this decision, **remember that taking any voluntary withdrawal reduces your potential to achieve a comfortable retirement outcome.**

BEFORE WITHDRAWING FROM YOUR SAVINGS POT, keep the following in mind:

TWO-POT RETIREMENT SYSTEM



Each time you withdraw from your Savings Pot, you will need to pay an **administration fee and will be taxed at your marginal tax rate.** Learn more [here](#).



Your Savings Pot is intended to be your **cash lump sum at retirement.** Withdrawing from this Pot before retirement will reduce the amount available to you when you retire.



Upon retirement, your Retirement Pot cannot be taken in cash (unless your total savings is very small). This Pot must be used to **secure a pension**, which will provide you with a regular income after retirement.



Your retirement savings are designed to grow over time through market returns. Withdrawing from your Savings Pot could mean **missing out on future growth of your savings.**

Many people find a cash lump sum at retirement helpful for paying off outstanding debt in a tax-efficient manner, making it easier to transition into retirement.

Let's explore a fictional example to show you the impact of withdrawing from your Savings Pot:

- Bonggi starts his career at 25 years old and retires at age 65 years.
- Bonggi's retirement savings start date is **1 September 2024.**
- His monthly net contribution of retirement savings is **15% per month.**
- Inflation (Consumer Price Index – CPI): **5%**
- His salary increase is **6% per year (i.e. CPI +1%)**
- The net investment growth on his retirement savings: **10% per year (i.e. CPI +5%)**



The table below illustrates how Bonggi's total retirement savings are impacted by different choices he makes regarding a Savings Pot withdrawal.

Example	Withdrawal	Total Retirement Savings at Retirement Age 65 (R = Annual Salary at Retirement)	Outcome
Base Case	No withdrawal throughout his working career	15 R's	His savings should have accumulated to 15 times his annual salary at retirement, of which 5 times can be taken in cash, and 10 times can be used to secure a retirement income.
1	Bonggi makes a once-off Savings Pot withdrawal only at age 30 and continues saving until age 65.	14 R's	This reduces his savings to 14 times his annual salary at retirement. The maximum cash withdrawal is limited to 4x his annual salary.
2	Bonggi makes a complete once-off Savings Pot withdrawal at age 40 and continues saving until age 65.	12 R's	This reduces his savings to 12 times his annual salary at retirement. The maximum cash withdrawal is limited to 2x his annual salary.
3	Bonggi makes a complete once-off Savings Pot withdrawal at age 50 and continues saving until 65.	11 R's	This reduces his savings to 11 times his annual salary at retirement. The maximum cash withdrawal is limited to 1x annual salary.
4	Bonggi makes a complete once-off Savings Pot withdrawal at age 60 and continues saving until 65.	10 R's	This reduces his savings to 10 times his annual salary at retirement. The maximum cash withdrawal is limited to 1/3x his annual salary.

It's possible to replenish your retirement savings with future contributions before retirement, but it's not easy.

For example, for Bonggi to replenish his lost earnings so that he achieves the same outcome at age 65:

EXAMPLE 1

- He will need to increase his monthly contributions from 15% to 16.5%.

EXAMPLE 2

- He will need to increase his contributions to 21% of his salary.

EXAMPLE 3

- Not even a 100% salary contribution to his retirement savings will be enough to replenish his lost potential retirement savings.

Therefore, if possible, avoid accessing your retirement savings before retirement, unless it is a true emergency.

It is important to remember that the intended purpose of your retirement investment is to provide you with an income in retirement.
Speak to a financial adviser before accessing your retirement savings.

For more information, read all our previous Two-Pot communications on the [SuperFund Communications Hub](#)