

OLDMUTUAL

MEMBER SURVEY

INSIGHTS ON MEMBER SAVINGS POT
WITHDRAWALS - THE TWO-POT RETIREMENT SYSTEM



CORPORATE CONSULTANTS

DO GREAT THINGS EVERY DAY



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The two-pot retirement system was implemented on September 1, 2024. The legislation's objective was to enhance financial well-being by striking a balance between long-term savings and short-term needs.

OMC conducted a survey in March 2025 to analyse member behaviour regarding the two-pot retirement system, about the following issues:

- Member behaviour and consideration for future preservation
- Withdrawal and communication channel for accessing the savings component
- Overall satisfaction with the withdrawal process

The findings are based on 35,278 responses, representing a 21% response rate, as well as extensive claims data from the retirement funds administered by OMC. The survey was conducted over three days, from 3rd to 6th March 2025, using a sample taken from the initial withdrawals at the end of the 2024/25 financial year.



DETAILED INSIGHTS

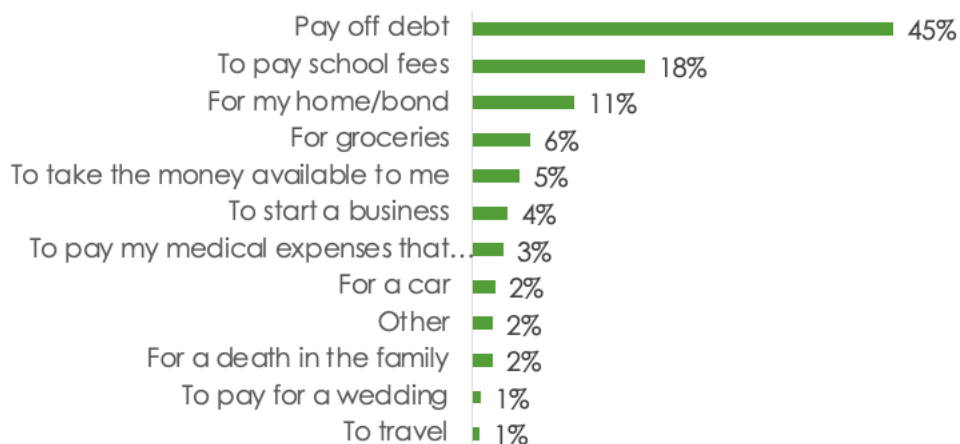
Sectors and salary bands for members

As anticipated, a substantial share of withdrawals originated from members who are more financially vulnerable.

The highest withdrawal rate (68%) came from the retail industry, followed by the mining industry of 48% (and the financial services industry).

Ongoing internal data from Old Mutual indicates that lower-income bands, specifically those earning between R5,000 and R9,999, account for the highest number of two-pot withdrawals to date. Forty-five per cent of respondents indicated that servicing debt was the primary reason for withdrawal, while over thirty-five per cent used their funds for day-to-day expenses such as school fees, groceries, and bond repayments, highlighting increasing household financial pressure.

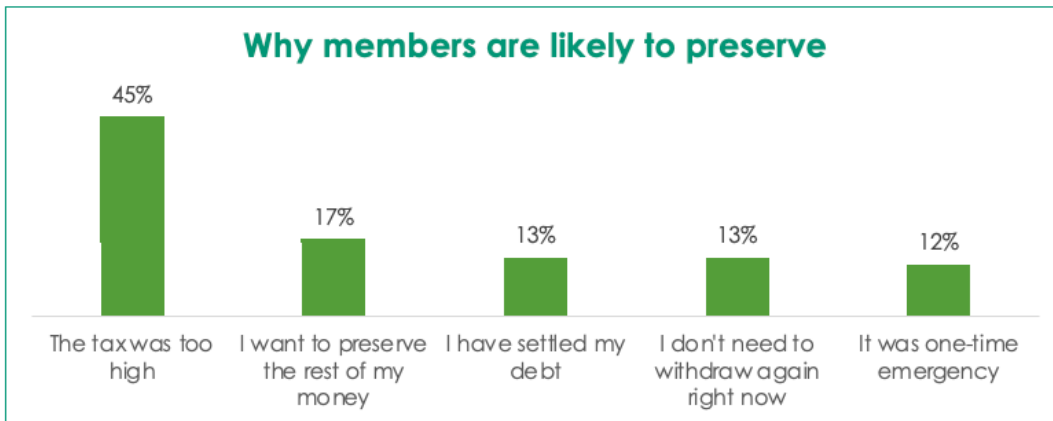
Main reason for withdrawal



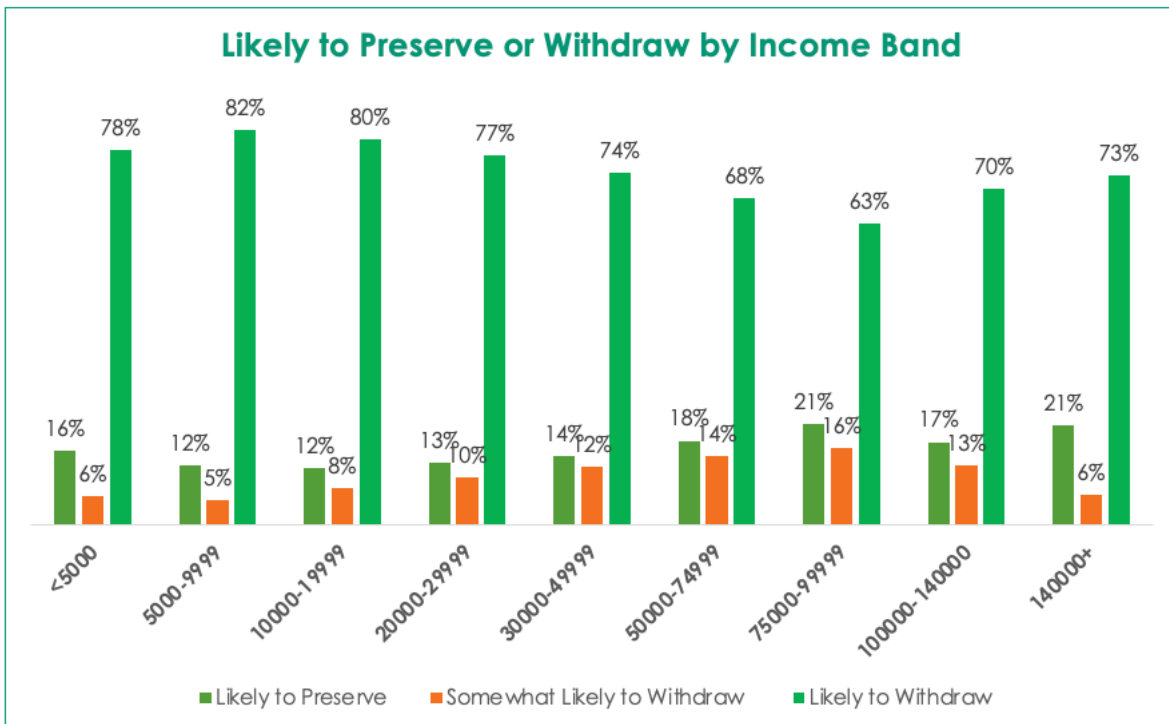
This highlights that the two-pot system provided tangible short-term financial relief to lower-income members.

In the 2024 survey, conducted before the official launch of the two-pot system, 60% of respondents indicated that they intended to use their accessible funds for debt repayment. However, the 2025 survey revealed that only 45% of those who made withdrawals actually used the funds for their intended purpose. This suggests that members may have overestimated the amount they would be able to access, and that immediate day-to-day financial pressures may have taken precedence over debt repayment once the funds became available.

Of the 15,997 (45%) members who withdrew from their savings components to pay off or service debt, 79% are likely to withdraw again by the end of the next financial year.



The survey further found that those in salary brackets between R5000 and R19999 were the most likely to withdraw again. This finding highlights the urgent need to investigate debt trends and develop tailored debt solutions for low-income individuals.



The **top 3 reasons** cited by members for these withdrawals are:

- pay/service debt (45%)
- pay school fees (18%)
- for my home/bond (11%)

PLANS TO PRESERVE REMAIN LOW AMONGST MEMBERS

Almost 80% of fund members indicated that they are “likely to very likely” to withdraw again, while 13% indicated that they are “unlikely to do so.” Of those who are “very unlikely” to withdraw, 43% cited high taxes as the primary reason for this decision. Tax is therefore a deterrent for at least a segment of the sample over the medium term.

As of 17 March 2025, 16% of the 21% who initially indicated that they were “likely to preserve” or “somewhat likely to withdraw” have withdrawn again in the current financial year (2025).

The majority of members across all schemes show a strong likelihood of withdrawal. Overall, additional efforts are required to inform all members about the benefits of preservation and its effect on their long-term savings.

The likelihood of withdrawal is exceptionally high across all income brackets.

Members earning between R5,000 and R19,999 indicated the highest likelihood of withdrawing, while the R75,000 to R99,999 bracket showed the least likelihood.

The higher income brackets were expected to show the highest interest in preservation, although there is also distress at these income levels.



HIGH TAX

High taxes emerged as the primary deterrent for individuals who are unlikely to withdraw from the funds.

This finding suggests that emphasising the significant tax implications of early withdrawal may be a crucial strategy for discouraging premature withdrawals, particularly among those who indicated they were “highly likely” to withdraw. Compared to other funds, retail industry members expressed the least concern regarding the tax being too high, with only 4 out of 10 members considering the tax to be excessive.

On average, from the Old Mutual data:

- Members of the retail industry claimed R9,096 and paid R1,222 in taxes.
- Members from the mining sector claimed an average of R42 748 and paid an average of R14,255 in taxes

TRENDS IN THE INDUSTRY

Recent reports from industry peers, including Sanlam, Momentum, and Alexander Forbes, indicate that the primary reason for withdrawals was to repay debt. Data from Standard Bank suggests that there has been no significant decrease in debt.

According to the Bureau of Market Research (BMR), since the implementation of the two-pot retirement system, many consumers have utilised their withdrawals to fund vehicle purchases, potentially leading to increased debt. Used car registrations surged significantly between September and December 2024, with October 2024 marking the highest monthly total since 2012.

The industry insights further illustrate that higher-income clients showed little interest in early withdrawals, whereas demand was greater among lower-income employees. This observation can be further examined, as Old Mutual data indicate a higher percentage of withdrawals among middle- and high-income earners in the mining sector.

Data from the industry and Old Mutual indicate that withdrawals were primarily made by members earning between R5,000 and R9,999, as well as those in the R15,000 to R19,999 bracket. In contrast, individuals earning R80,000 per month accounted for less than 1% of withdrawals. This aligns with expectations, considering that lower-income groups comprise the majority of the working population in South Africa.

The OMCC survey indicates that the mining and retail sectors account for the largest share of claims. Various external industry data also confirm these results.

This implies that access to retirement funds provides individuals with greater financial flexibility.

Trustees, employers, and management committee members must ensure that member education campaigns continue to empower individuals regarding the preservation and long-term benefits of savings. The problem with over-indebtedness and “under saving” is complex in South Africa. To solve complex problems, we need holistic thinking to build and co-create as we go. Improving member outcomes by combining remuneration, financial wellbeing and employee benefit solutions to guide our members towards better outcomes for themselves and the ones who rely so desperately on their success”

Additionally, payroll flexibility and debt management solutions enhance a comprehensive financial support programme for employees, alongside the selected Employee Assistance Programme.

Source:

Old Mutual Survey 2025

May 2025

