

# The Two-Pot Retirement System explained

The two-pot retirement system is an important change the South African government is making to help you access your retirement funds early if you need to. The new system takes effect on 1 September. So, what's it all about? Let's break it down.

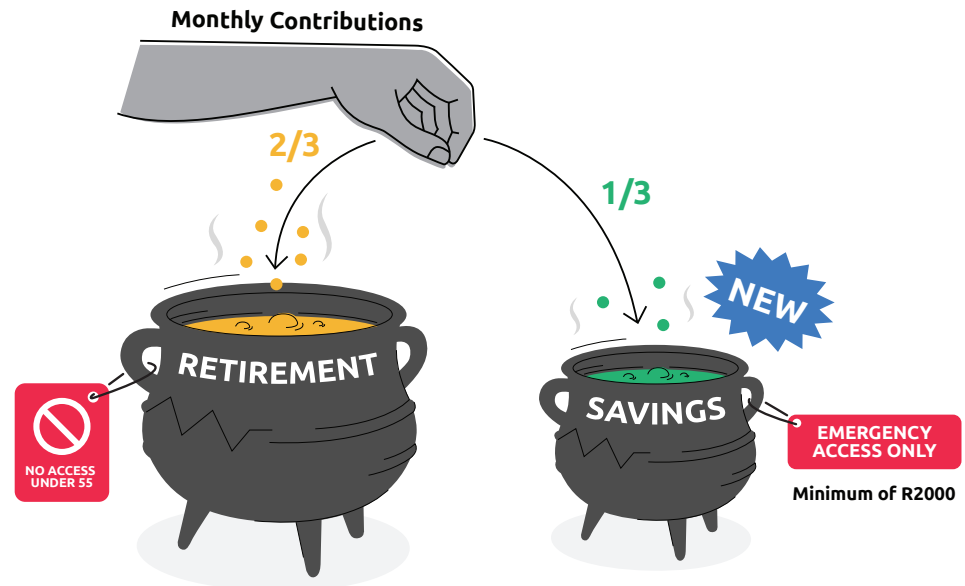
## The Current System



Right now, your retirement savings are invested as one lump sum. You can only access this money once you retire, or if you change employers (subject to certain rules).

## The New System

From **1 September 2024**, your retirement funds will be split in two pots:



### 1. Retirement Pot

- This will contain 2/3 of your future contributions from 1 September 2024
- From 1 September, two thirds of your monthly retirement savings will go into this pot.
- You'll only be able to access this money when you turn 55.
- All accumulated contributions in this pot will purchase an annuity on retirement

### 2. Savings Pot

- This pot will automatically be seeded with 10% to maximum R30 000 from the vested pot.
- After 1 September, one third of your monthly retirement savings will go into this pot.
- You can withdraw from this pot once a year if you need to (you'll be taxed on it as with your other income).
- No withdrawals less than R2000

# Example



## Meet Thembi

For this example, we assume the following:

- An annualised investment return of 11%
- A contribution rate of 11%
- Salary growth of 3%

She currently saves R1800 towards retirement. From 1 September onwards, R1200 of this goes into her retirement pot each month, while R600 goes into her savings pot.

### Monthly Contributions

R1800



R1200

Retirement Pot

R600

Savings Pot

2020

She joins a retirement fund at age 20, and her salary is R122 000 per year.

31 AUGUST  
2024

Four years later, on 31 August 2024, her vested pot contains R85 000.



1 SEPTEMBER  
2024

On 1 September 2024, her savings pot is seeded with R8 500, and her vested pot contains R76 500.



## FAQs

### Who do these changes apply to?

The changes will apply to all retirement funds, including public sector funds.

### Why are there new rules?

Many South Africans struggle financially in retirement, because they've withdrawn their retirement savings early. These new rules help people to have enough money when they retire, by ensuring that a certain amount of savings stays preserved in a retirement fund until that person retires. At the same time, people can still access some of the cash if they need it.

### What if I'm already over 55?

You're automatically excluded from the new two-pot system if you're 55 or older on 1 September 2024, but you can choose to opt in if you'd like through their savings pot.

### What else should I know?

The two-pot system isn't magic. Its effectiveness depends on how disciplined you are with saving, and how long you'll contribute to your retirement pot.

### What should I do now?

Think of your future self. Although the government has made these changes so you can access some savings before retirement, it is never in your best interest to withdraw money from your retirement fund before you actually retire.