



Important retirement fund changes are coming 1 September 2024

The 2-Pot System

What do I need to know?

- This leaflet gives **general, basic** information about the 2-pot system
- Your **Penpro benefit statement** gives specific information on **your individual Penpro fund**

How can I prepare?

- Ensure that Penpro has your **latest contact details**
- Ensure that you have a valid **tax reference number**
- Ensure you have a **plan for your future retirement** and understand the **tax impact** of 2-pot withdrawals

What effect will withdrawals have?

- Withdrawals **reduce** your **retirement fund value** (you lose the **lump sum** and **all future growth** you would have had)
- 2-pot withdrawals are **added to your income** and taxed at **PAYE rates**

What is the 2-pot system?

- The two-pot (or two-component) system creates two 'pots' from 1 September 2024 onwards:
 - **SAVINGS pot**
 - **RETIREMENT pot**
- You can make **withdrawals from your savings pot before retirement** for emergencies
- Funds in your **retirement pot** are **only accessible on retirement**
- Your fund value **before 2-pot starts** and all future growth on it is **protected** in a **VESTED pot**, with all your current rights

When does the 2-pot system start?

- The 2-pot system starts on **1 September 2024**

Who does the 2-pot system apply to?

- **All members** of pension, provident and preservation funds aged **55 yrs or less on 1 March 2021**
- Members **55 yrs and older on 1 March 2021** who **opt-in** to the 2-pot system

What are the pros and cons of the 2-pot system?

Pros

- Access to **emergency** funds without having to resign
- More money preserved for **retirement**

Cons

- **Higher tax rates** on 2-pot withdrawals (added to earnings, taxed as income)
- **Reduced** retirement funds (lump sum and future growth are lost)



Two-Pot System

All contributions made up until 31 August 2024 are protected in your **VESTED POT**.

All future growth less costs stays in this pot.
Your current rights remain.

VESTED
POT

10% of your **VESTED POT** value, **maximum R30,000**, will be transferred into your **SAVINGS POT** as 'seed capital'

SAVINGS
POT

All contributions from 1 September 2024 onwards will be **split**:

- **One third** to **SAVINGS POT**
- **Two thirds** to **RETIREMENT POT**

(Growth and costs are applied to each pot separately and remain in that pot).

SAVINGS
POT

RETIREMENT
POT



What are my rights for each pot?

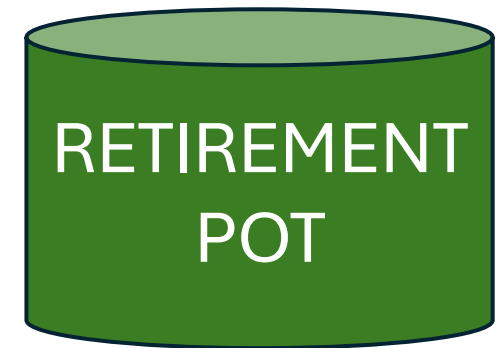


All your **current rights will continue to apply** to the value in your **VESTED** pot after the start of the 2-pot system.

- You can **withdraw** your full VESTED value if your **employment terminates** for any reason other than retirement
- At **retirement**, the withdrawal **rules depend on the type of fund** you are in (pension, provident, preservation) and the value of your fund.



- **While still working**, you can **withdraw** the full value in this pot **once per year, minimum R2,000**, taxed at PAYE rates
- If you **stop working** (other than retirement) you can **withdraw** the full value in this pot (subject to one withdrawal per year)



This pot can only be accessed when you **retire**, even if you stop working.

At **retirement**, you must use the value in this pot to buy a pension **annuity**, subject to the *de minimis* value (you can withdraw the full value R165,000 or less)



Where can I get help to answer my 2-pot questions

Your Employer

- Your **Employer** has your **personal , income and fund information** and can help answer your questions on the 2-pot system
- Your Employer **estimate the tax** you may pay on 2-pot withdrawals

Broker / Financial Advisor

- The **broker** appointed by your Employer can provide **financial advice**
- Your personal financial advisor and/or tax consultant can help you **plan your retirement** and estimate the impact of withdrawals on your retirement funds

Penpro Administrators

- **Penpro** can provide **information** regarding your fund values and options
- Information is available from:
- **Website:**
<https://penpro-admin.co.za>
- **Tel:**
0860 736 776
- **Email:**
admin@penproadmin.com