



The two-pot system

Guidance on certain frequently asked questions and answers

In the previous [Member Connect](#), you were informed that National Treasury proposed that with effect from 1 March 2024, one-third of your future retirement contributions will be allocated to a savings pot and two-thirds to a retirement pot. Your current savings in your retirement fund, if any, will be ring-fenced in a vested pot.

Note that at present, the two-pot retirement system is at proposal stage and comments are being considered by National Treasury. Some details may therefore still change.



Question



Answer

Exactly how much money will I be able to withdraw on 1 March 2024?

You will be able to withdraw 10% of your savings in your retirement fund on 29 February 2024 to a maximum of R25 000. For example, if you have R50 000 saved in your retirement fund, you will be able to withdraw R5 000.

Will I receive the full amount that I choose to withdraw, into my bank account?

No, there will be administration costs involved in every withdrawal from your savings pot. It will also be taxable at your marginal tax rate.

As an example, if you have R5 000 in your savings pot, and request to withdraw the entire amount, you may receive for instance only R3 000 in your bank account as you will pay R1 500 tax (if your marginal tax rate is 30%) and an administration fee of for instance R500 (the fee will depend on the fund, **this is for illustration purposes only**).

When can I apply for payment of this early withdrawal benefit?

The two-pot system is proposed to take effect 1 March 2024. However, due to the final legislation not being promulgated yet, fund administrators are not able to finalise their processes yet and as a result it is not possible at this stage to tell exactly when and how you may apply. The period until payment will also depend on various factors such as the volumes of claims to be processed, where your benefit is currently invested (certain investment portfolios have notice periods), whether SARS' systems are ready to issue a tax directive on the payment, whether you have any arrear taxes, and the administrator of your retirement fund's administration processes.

May I withdraw all the money I have in my savings pot every year?

Yes, you may. One-third of your contributions will going forward be allocated to your savings pot (minus administration and insurance costs) and investment return will be added.

If you decide to make a withdrawal, you may withdraw everything in your savings pot as there is no cap on the maximum amount that you can withdraw. However, the minimum amount that can be withdrawn is set at R2 000 per annum. You will be able to withdraw once in every tax year. If you have less than R2 000 in your savings pot, you will not be able to withdraw until the amount in your savings pot is more than R2 000.

Can I still take the rest of my money in the fund in cash when I change jobs?

You will not be able to take any amount from your *retirement pot* when you change jobs. This will be preserved for retirement in terms of government's intention of compulsory preservation and you will only be able to access it at your retirement, and only in the form of a pension.

From your savings pot you will be able to withdraw the balance if you did not take another withdrawal within the same tax year.

The amount in your vested pot may be taken in cash.



Question



Answer

When can I retire from my retirement fund?

You may retire at any time after you have reached the age when early retirement in your fund is allowed. This is age 55 in most funds.

If I make a withdrawal from my savings pot, will I be able to receive the rest of the money in my savings pot when I resign?

You may only make one withdrawal from your savings pot in any tax year (1 March to 28 February of the following year). This means that if you have made a withdrawal in June 2025, and you resign in December 2025, you will need to wait until the next tax year, i.e. March 2026 before you may withdraw the balance from your savings pot. Since you will not be able to withdraw from your retirement pot, it means that when leaving service, you will only receive the money held in your vested pot.

Must I take the seed amount, and must I make a withdrawal every year? May I opt out of the two-pot system?

There is no provision in the proposals to opt out of the two-pot system, but you need not withdraw the seed amount (10% of your savings to a maximum of R25 000) and you may transfer the amount in your savings pot to your retirement pot for your retirement. The frequency of such a transfer will depend on the rules of your fund.

Members older than 55 years on 1 March 2021 may be able to opt out of the two-pot system and will then only contribute to the vested pot. Clarity has been requested from National Treasury on this aspect.

Will I be able to withdraw amounts in the savings pot from all my retirement funds, including my retirement annuity and preservation fund?

Yes, you will be able to withdraw from all retirement funds of which you are a member, including all your retirement annuity funds and preservation funds. If you are a member of both a pension and provident fund, you may withdraw from both as they are separate legal entities.

If I contribute more than the tax-deductible amount to my retirement fund, how will the two-pot system affect me?

The tax deductibility of contributions will remain the same - up to 27.5% or R350 000 per annum of your total contributions to the fund, is tax deductible. Contributions in excess of the tax-deductible amount, will also be split one-third to the savings pot and two-thirds to the retirement pot.

What will happen with the different pots when I pass away while I am a member of a retirement fund?

Your beneficiaries will be able to take the money in all the pots as a lump sum or they may purchase a pension with it, the same as before the implementation of the two-pot system.

Can I take the money in all the pots if I am retrenched?

National Treasury will implement the two-pot system in phases and this question will be dealt with in phase two.

How will it affect my retirement savings if I do not withdraw from my savings pot?

If you do not withdraw the R25 000 from your savings pot (assuming you have saved a benefit where 10% is more than R25 000) and you contribute R1 000 per month to your retirement fund, with an expected investment return of 10% and you save for 20 years, you will have accumulated R2 400 134 in your savings pot at retirement. In the same scenario, where you withdrew the initial R25 000, you will have R2 231 946 (R168 188 less than you would have had, had you not withdrawn the seed amount).

If you do not withdraw from your savings pot and leave the money for your retirement, it will be taxable as a lump sum benefit in terms of the retirement lump sum tax table. These tax rates are significantly lower than the marginal tax rates, at which withdrawals from the savings pot will be taxed, should you withdraw from it before retirement.