SIMEKA

member of Sanlam group

What you should consider **before withdrawing from your savings pot**

The two-pot retirement system came into effect on 1 September 2024 and consists of your vested, savings and retirement pots.

You can withdraw money from your savings pot once a tax year if the balance is at least R2 000. It is however crucial to understand the impact of a withdrawal from your savings pot.

A quick overview of these pots:

Vested pot

Your retirement savings at 31 August 2024, less the amount allocated to the savings pot as a starting balance

Savings pot

One-third of your contributions from 1 September 2024

Retirement pot

Two-thirds of your contributions from 1 September 2024

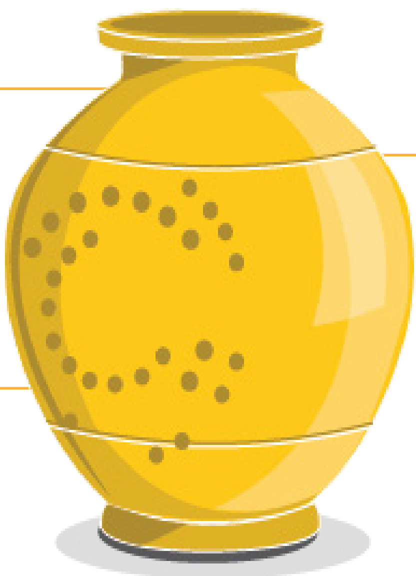
Why you should access your retirement savings pot with caution:

Impact on your retirement savings

If you withdraw from your savings pot, you will have less money when you retire, which can potentially impact your lifestyle and financial security when you retire.

Long-term investment growth

Should you withdraw from your savings pot prior to retirement, you will not fully utilise compound investment return. Compound investment return is where the earnings from an investment are added back to the original investment, and those earnings then earn returns as well. This process generates more returns on the initial investment, leading to potentially faster growth over time for you.



Tax and administrative implications

The amount you withdraw will form part of your taxable income for the tax year and will be taxed accordingly. Any other tax that you owe SARS will also be deducted from any savings pot withdrawal benefit before you receive it. You will also pay an administration fee on the withdrawal benefit. You may therefore receive less money than you expected, if any.

More in the section under *unpacking the tax implications.*

Remember, when it comes to your retirement savings:

- Withdrawal should only be considered during times of financial hardship
- Consider making additional voluntary contributions
- Start saving early
- If unsure, speak to a certified financial adviser
- Preserve your retirement savings when changing jobs
- Don't underestimate the power of compound investment return
- Consider the tax implications before you make a withdrawal
- Stick to your long-term investment plan

Saving for retirement is a long-term investment plan, and your financial independence at retirement largely depends on the investment decisions you make during your working life.

This responsibility puts you in control of your financial future.

Unpacking the tax implications in more detail

Tax at marginal rate

Withdrawals from the savings pot are taxed at your marginal tax rate, which is the highest tax rate you pay on your income.

Taxable Income (R)	2025/2026 Rates of tax
R0 – R237 100	18% of each R1
R237 101 – R370 500	R42 678 + 26% of the amount above R237 100
R370 501 – R512 800	R77 362 + 31% of the amount above R370 500
R512 801 – R673 000	R121 475 + 36% of the amount above R512 800
R673 001 – R857 900	R179 147 + 39% of the amount above R673 000
R857 901 – R1 817 000	R251 258 + 41% of the amount above R857 900
R1 817 001 and above	R644 489 + 45% of the amount above R1 817 000

Potential to enter a higher tax bracket

Since your savings pot withdrawal is added to your income, your withdrawal can push your earnings into a higher tax bracket, leading to even more tax being payable.