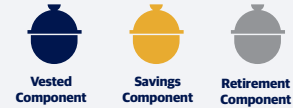




TWO-POT RETIREMENT SYSTEM



You may have up to **3 pots** (known as components) in total from 1 September 2024.

David retires at the age of 65

NO WITHDRAWALS

If David does not take any pre-retirement withdrawal from his Savings Component, at retirement he would have R5 172 000 in today's value

EMPLOYER PENSION FUND	
Vested Component	R1.2 million - One-third (R400 000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R2 million - used to purchase an annuity income
Savings Component	R1 million - available as a lump sum at retirement
RETIREMENT ANNUITY	
Vested Component	R360 000 - One third (R120 000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R408 000 - used to purchase an annuity income
Savings Component	R204 000 - available as a lump sum at retirement

LUMP SUM AT RETIREMENT

At retirement David would be able to withdraw up to R1.724 million as a lump sum. He would pay tax on the total amount exceeding R550 000.

Savings Component	He can take both the R1 million in the employer fund Savings Component and R204 000 in the Retirement Annuity Savings Component
Vested Component	He can take one-third of both Vested Components as a lump sum - R400 000 from the employer's fund and R120 000 from the retirement annuity.

David would be required to use the remaining R3.448 million to purchase an income in retirement

No Withdrawals = total retirement savings R5 172 000

WITHDRAWALS EACH YEAR

If David withdrew from his Savings Component each year, he would have R1.2 million less at retirement. He would only have access to R520 000 as a lump sum - this would be the one-third available in the Vested Component of his two retirement funds. He would still have the R3.448 million to purchase an income

RESIGNATION OR RETRENCHMENT

If at the age of 50 David resigned from his job before retiring, he would be able to access the following

Vested Component	Retirement Component
David could access the funds in the Vested Component of his employer fund in full, but not the funds in his retirement annuity.	David could not access any funds from the Retirement Component before his retirement
Savings Component	
He can access any funds in the Savings Component of both his employer pension fund and his retirement annuity once every year of assessment. Each withdrawal must be a minimum of R2000.	
(Members of pension funds can take a second withdrawal in the same year of assessment when they resign provided the value of the Savings Account is less than R2000. This double dip will not be applicable to the RA).	
If David had made withdrawals in previous years this would reduce the amount available. This is why it is important to only use the Savings for emergencies - you never know when you will need them.	

VS

EMPLOYER PENSION FUND	
Vested Component	R1.2 million - One-third (R400 000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R2 million - used to purchase an annuity income
Savings Component	No Savings Component (zero amount)
RETIREMENT ANNUITY	
Vested Component	R360 000 - One third (R120 000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R408 000 - used to purchase an annuity income
Savings Component	No Savings Component (zero amount)

Withdrawals each year = total retirement savings R3 972 000