LIBERTY
Standard Bank Group

TWO-POT
RETIREMENT SYSTEM

Two-Pot Retirement System FAQ

Liberty Corporate Benefits

Reminder: A fee of R175 will be charged for each Savings Pot withdrawal. This will be deducted from your remaining share of fund after the claim has been processed.

Section 1: Claiming through Liberty Corporate Benefits

1. How can you make a Savings Pot withdrawal claim?

Liberty currently has two methods for you to make a Savings Pot claim:

- Via the Liberty Corporate Benefits chat on WhatsApp (+27 83 468 5293)
- Via the email claims process

The preferred and faster way to submit a Savings Pot claim is through the Liberty Corporate Benefits chat on WhatsApp. However, you may not qualify to claim via this channel if you:

- Do not have the required details detailed above; or
- Need to upload certain documents; or
- Have pending divorce proceedings, maintenance orders, or any other claims against you.

The email claims process can then be used as an alternative.

Be fraud aware
Criminals may take this as an opportunity to gain access to your personal details or funds. Please ensure that you:

- Only use the service number provided by Liberty. You can find this information on our website www.liberty.co.za or by contacting your fund financial adviser.
- Do not click on unknown links inviting you to claim.
- Do not share your personal information with individuals claiming to process your claim on your behalf.
- Do not share your One Time Pin with anyone.

2. How can you see the balance of your Savings Pot, and whether you are eligible to claim?

- You can request a member benefit statement to see the balances of each of your pots.
- You can check your eligibility to claim via the Liberty Corporate Benefits chat on WhatsApp.

3. How can you claim via the Liberty Corporate Benefits chat on WhatsApp?

- Add the Liberty Corporate Benefits number (+27 83 468 5293) to your phone contacts.
- Start by sending a "Hi" to the Liberty Corporate Benefits chat on WhatsApp.
- Follow the prompts to verify your identity. Once verified, confirm your contact details on our records.
- We will then check that you are eligible to make a Savings Pot claim. If eligible, you will be asked to submit your details such as your South African income tax number, annual income etc. via the prompts.
- Submit withdrawal amount you wish to claim from your Savings Pot.
- Read and accept member declaration as a final step, and your claim will be successfully submitted.

4. How can you claim via the email claims process?

- Download the Savings Pot claim form from the Liberty website, under the 'Find a Form' webpage. Or contact your fund financial advisor for assistance.
- Fill in the form, either by typing on the editable PDF or printing the form and completing manually.
- Attach any required documents.
- E-mail the completed form and supporting documents to the dedicated email address shown on the form. Alternatively, you can return this to your employer/fund financial adviser to submit on your behalf.

5. What information or documents will you need to make a Savings Pot withdrawal?

- Name
- Scheme Number
- Membership Number
- ID or Passport Number
- South African Bank Account Details
- South African Income Tax Number
- Annual Income
- South African Residential Address

6. Will you have to call to confirm the payment or progress of your claim?

We aim to keep you informed throughout the claims process. Should your claim become payable or if there is an issue (e.g., claim is declined), we will try to get in touch using the contact details we have on record.

7. Is there a fee to make a withdrawal from the Savings Pot?

Yes, a fee of R175 will be charged per withdrawal. This will be deducted from your remaining share of fund after the claim has been processed.

8. Will you need to submit proof of emergency before making a claim?

While Savings Pot Withdrawals aim to assist with emergencies, proof will not be required due to the subjectivity of what constitutes an emergency.

9. Will you need to pay tax on Savings Pot Withdrawals?

- Yes, you will be taxed according to your marginal tax rate (based on your annual income).
- SARS will also deduct any other amounts that they are authorised to deduct (such as outstanding amounts due to SARS (IT88)). Please ensure that you are in good standing with SARS before you submit your claim application.

Section 2: General questions on the new Two-Pot Retirement System

10. What is Two-Pot (the Two-Pot Retirement System)?

The Two-Pot Retirement System is a new retirement system in South Africa that was implemented on 1 September 2024.

It has two main goals:
- First is to help retirement fund members that have financial emergencies, and
- second is to help them retire with more retirement money.

To meet these two goals, three important things will happen under the new system:
- Firstly, members' retirement savings will be split into three 'pots', formally known as 'components'. A Vested Pot, a Savings Pot, and a Retirement Pot.
- Secondly, members will have more opportunities to withdraw some of their retirement money before retirement without leaving employment.
- Thirdly, members will have to keep some of their retirement money locked away until retirement.

11. What is the Savings Pot?

This pot enables members to access part of their accumulated Share of Fund prior to retirement, upon meeting certain qualifying conditions. This is done through claiming a 'Savings Pot Withdrawal Benefit'.

12. What is the Retirement Pot?

This pot aims to improve members' retirement outcomes by facilitating compulsory preservation. This part of their Share of Fund will only be accessible at retirement.

13. What is the Vested Pot?

This pot recognises any 'existing rights' members might have from the previous retirement regime, by carrying these rights through into the Two-Pot Retirement System.

The Vested Pot includes Vested Benefits and Non-vested Benefits, based on the retirement reform rules introduced on 1 March 2021 ('T-day').

14. Who will be affected by the Two-Pot Retirement System?

The Two-Pot Retirement System applies to members of all types of retirement funds, such as:

- both public and private sector funds,
- both defined benefit (DB) and defined contribution (DC) funds,
- pension and provident funds, retirement annuity funds and preservation funds.

Please note that there are certain types of retirement funds, and hence their members, that are excluded.

15. Which funds are excluded from the Two-Pot Retirement System?

- Funds that are not retirement funds
- Unclaimed benefit funds
- Beneficiary funds
- Exempted legacy retirement annuity contracts
- Funds that are in liquidation, closed or dormant on 1 September 2024

16. Which retirement annuity contracts are excluded from the Two-Pot Retirement System?

Exempted legacy retirement annuity contracts. These are retirement annuity contracts held by a member, entered into before 1 September 2024 with a pre-universal life or universal life construct. These contracts are subject to such conditions as the FSCA (Financial Sector Conduct Authority) may determine.

17. Which members are excluded from the Two-Pot Retirement System?

- Pensioners
- Provident fund and provident preserver members who:
  - were 55 and older on 1 March 2021, and
  - have remained in that same fund since 1 March 2021, and
  - have not elected to be part of the Two-Pot Retirement System.
- Members that are part of a fund which is excluded from the Two-Pot Retirement System.

18. How were members of preservation funds treated on the implementation of the Two-Pot Retirement System?

Existing members of preservation funds who started participating in Two-Pot from the implementation date have a Savings Pot, Vested Pot and Retirement Pot.

- These members may have been seeded, whereby Seed Capital was taken from their accumulated savings and allocated to their Savings Pot.
- The remainder of those savings was then allocated to their Vested Pot, where it remains split between Vested Benefits and Non-Vested Benefits.
- Their Retirement Pot started with a R0.00 balance, and as these members do not make contributions to their preservation funds, it will likely stay at R0.00.

The existing preserver members that do not participate only have a Vested Pot. All their benefits remained Vested Benefits which were placed in their Vested Pot on implementation.

Note that a certain group of existing provident preservation fund members were automatically excluded from participating in Two-Pot. It is, however, possible for these members to start participating.

19. How can/will excluded provident and provident preserver members start participating in Two-Pot?

- They can opt-in to participate in Two-Pot, by informing Liberty of their choice to opt-in.
- If they terminate their membership, they will participate in any new fund (that is subject to Two-Pot) that they become a member of.

20. How are accumulated retirement savings impacted when a member starts participating in Two-Pot?

The total value of the member's accumulated retirement savings should not be impacted. That is, the total value should not change because of becoming a participating member in the new Two-Pot Retirement System.

On day 1 that a member starts to participate, they will be given three 'pots' (formally named 'components'): A Vested Pot, a Savings Pot and a Retirement Pot.

If a member starts participating on 1 September 2024, a small part of their retirement savings on day 1 may go into their Savings Pot. This is known as 'Seed Capital'.

The remaining larger part of their retirement savings will go into their Vested Pot. This Vested Pot will still be split further between Vested Benefits and Non-vested Benefits. A member's current rights of access to these benefits and the manner in which these benefits are taxed will carry through into the new system.

Their Retirement Pot will start at R0.00 on day 1.

So, if one adds up the Vested, Savings and Retirement Pots, this will give the member's total accumulated retirement savings on day 1. One can think of this as their money just being arranged between different parts, but everything still stays as part of their total benefit.

21. Which pots does a member have?

If a member participates in the Two-Pot Retirement System, they will have a Savings Pot and a Retirement Pot, and might also have a Vested Pot.

If a member does not participate, they will only have Vested Benefits in their Vested Pot, and no benefits in a Savings Pot nor Retirement Pot.

A member's balances in each of their pots and their total Share of Fund will be shown on their Member Benefit Statement. If they have Vested Benefits and/or Non-vested Benefits (in their Vested Pot), these balances will also be shown.

22. What is 'Seed Capital'?

Seed Capital is an amount allocated to a member's Savings Pot to serve as a starting balance on 1 September 2024.

Seed Capital will come from the member's Vested Pot (i.e., from their accumulated retirement savings they have on 31 August 2024). It will be deducted proportionately from the Vested Benefits and Non-vested Benefits in the Vested Pot.

Seed Capital is calculated according to a specified formula and seeding will work according to certain rules.

23. How does Seed Capital or seeding work?

Seed capital, or seeding, works according to the following rules:

- A member can only be seeded once per retirement contract.
- A member has to be eligible for seeding to be allocated Seed Capital.
- Seeding happens at the point where a member starts participating in Two-Pot.
- Seed Capital is calculated according to a specified formula.

Only existing members are eligible for seeding. New members joining after Two-Pot is already implemented will not be seeded.

Excluded provident and preserved provident fund members can only be seeded if they terminated and newly joined a fund before Two-Pot is implemented, or, on opting in.

24. How is the Seed Capital amount calculated?

For each retirement contract that a member holds, Seed Capital will be calculated as 10% of a member's Share of Fund on that contract at the time of seeding, capped at a maximum of R30 000. The Share of Fund value will be the sum of Vested and Non-vested Benefits at seeding.

Thus, the following Share of Fund values will give the following Seed Capital amounts:

- If a member's Share of Fund is less than R300 000, their Seed Capital will be 10% of their Share of Fund.
- If the member's Share of Fund is R300 000 or more, their Seed Capital will be R30 000.

25. Will Seed Capital be allocated annually?

Seeding will not repeat. For each retirement contract that a member holds, Seed Capital can only be given one time, at the start of participation, and not again.

26. What is the R30 000 maximum for?

The R30 000 maximum only applies when calculating the Seed Capital amount. It is not a limit for anything else.

For example, the balance in the Savings Pot can grow to over R30 000 with time (as it accumulates with a 1/3rd of future retirement contributions and with investment returns earned).

Also, it is possible for Savings Pot withdrawal claims to be over R30 000 (as the maximum limit for these claims will be the balance in the Savings Pot, which can be more than R30 000).

27. Will all members get R30 000 as Seed Capital?

No. Not all members' retirement contracts will have R30 000 as Seed Capital. If the Share of Fund for a retirement contract is less than R300 000 at the time of seeding, this contract can only receive 10% of the Share of Fund as Seed Capital.

28. How does seeding work where a member has more than one retirement contract?

Each contract or policy in each retirement fund will be considered separately with respect to Seed Capital. It is possible for a member to receive Seed Capital on each of their different contracts.

29. How do contributions work for members that participate in Two-Pot?

Once a member starts to participate, their future retirement contributions (less charges and premiums) will be split 1/3rd to their Savings Pot and 2/3rds to their Retirement Pot. No future contributions will be allocated to their Vested Pot.

Additional voluntary contributions (AVCs) will also be allocated 1/3rd to the Savings Pot and 2/3rds to the Retirement Pot.

30. Do members have the option to direct Additional Voluntary Contributions (AVCs) to the Savings Pot?

No. Members will not be able to direct 100% of AVCs into the Savings Pot. 1/3rd of the AVCs will go into the Savings Pot, and the remaining balance (2/3rds) will go into the Retirement Pot.

31. How do investment returns work for members that participate in Two-Pot?

Once a member starts to participate, their future investment returns earned will stay attached to the pot they come from.

32. Can members invest in different portfolios for different pots?

No. There will be no immediate change to our umbrella funds' default investment strategy once the Two-Pot Retirement System is implemented. This also means members will not be able to make different investment choices per pot.

33. Does the Two-Pot Retirement System impact the current tax treatment of retirement fund contributions?

No. The Two-Pot Retirement System does not impact the current tax treatment of retirement fund contributions, so the total contributions will be subject to the existing deductibility rules.

34. Which transfers between pots will be allowed?

Transfers allowed within the same fund (intra-fund re-allocations):

- From a Vested Pot to a Retirement Pot.
- From a Savings Pot to a Retirement Pot.

Transfers allowed between different funds (inter-fund transfers):
Transfers of the same type of pots (like-for-like) to another fund:

- From the Vested Pot in Fund A to the Vested Pot in Fund B.
- From the Savings Pot in Fund A to the Savings Pot in Fund B.
- From the Retirement Pot in Fund A to the Retirement Pot in Fund B.

Transfers allowed to the Retirement Pot of another fund:

- From the Vested Pot in Fund A to the Retirement Pot in Fund B.
- From the Savings Pot in Fund A to the Retirement Pot in Fund B.

Notes on transfers:

- Inter-fund transfers (between different funds) will only be allowed when a member terminates their membership in the fund, resigns or retires from thir respective retirement fund.
- If a member chooses to make an inter-fund transfer, all three pots will need to be transferred at the same time and to the same fund.

35. Are transfers between pots taxed?

No. Transfers between pots may be made tax-free.

36. I am thinking of moving benefits from my other pots into my Retirement Pot. What should I consider?

- Transfers or re-allocations of benefits from a member's Vested or Savings Pot to their Retirement Pot cannot be reversed.
- The access rights to benefits within the Retirement Pot is more restrictive than the other pots.
- You may leave your retirement savings in your Savings Pot during your working lifetime, and still use it towards purchasing an income at retirement.

37. How will Section 14 transfers be handled?

From a member perspective, the process will be largely unchanged.

Excluded members will have to participate in the Two-Pot Retirement System if they make a transfer both before and after the implementation. The excluded members mentioned above are:

- Provident fund members who were aged 55 or older on 1 March 2021 and remained in the same fund since then.
- Provident Preservation fund members who were aged 55 or older on 1 March 2021.

38. How do deductions in terms of the Pension Funds Act work under Two-Pot?

For Section 37D deductions, excluding maintenance orders:

- The deductions will be applied proportionately across the three pots.
- Within the Vested Pot, the deductions will also be applied proportionately across the Vested Benefits and Non-vested Benefits.
- The deductions will comprise retirement fund lump sum withdrawal benefits and will be taxed in terms of the lump sum withdrawal tax table.

Further clarification is required relating to the deduction and tax treatment of maintenance orders.

39. What happens if a scheme goes into liquidation?

Retirement funds with no active participating members, including funds in liquidation will be exempt from the Two- Pot Retirement System.

If a fund is already part of the Two-Pot Retirement System, and a liquidator has been appointed, then members will not be able to make withdrawals from the Savings Pot anymore. Only after a Section 28 payment approval has been received by the FSCA, will members be allowed to attempt withdrawals.

40. How will pension-backed loans work if one cannot withdraw from the Retirement Pot before retirement?

For pension-backed home loans, the pension fund serves as collateral for the mortgage. This means that the borrower's retirement savings are used to secure the loan. While members are not permitted to withdraw from the Retirement Pot before retirement, a Section 37D deduction will apply if members are not able to pay the outstanding amounts, which will be applied proportionately across the three pots.

There may be some impact of secured home loans on Savings Pot withdrawals. When applying for a Saving Pot withdrawal, retirement funds are required to ensure that the amount withdrawn does not put the Share of Fund in a position where it cannot honour any guarantees it has given. This means that there may be situations where a member may not be able to make a withdrawal from the Savings Pot, as the money is reserved for the guarantee.

41. How are unclaimed benefits treated?

Current Unclaimed Benefit Funds are excluded for the Two-Pot Retirement System. The members of these funds will only have a Vested Pot.

42. How are future maintenance court orders treated?

Maintenance court orders are currently intended to be treated differently to other Section 37D deductions since they are subject to tax in terms of a different section in the Income Tax Act. Further confirmation is required relating to the deduction and tax treatment of maintenance orders.

Section 3: Impact of T-Day on the new Two-Pot Retirement System

43. What is T-day?

T-Day refers to 1 March 2021, where several retirement reform initiatives came into effect.

These include:

- Introducing the annuitisation requirement at retirement for provident and provident preservation funds (and the introduction of Vested Benefits and Non-vested Benefits).
- Making the transfer of retirement savings to a wider group of retirement funds tax-free.
- New emigration withdrawal requirements for pre-retirement withdrawals by retirement annuity and preservation fund members

44. Where do 'Vested Benefits' and 'Non-vested Benefits' come from?

Before 1 March 2021, the rules of provident and provident preservation funds allowed members to take up to 100% of their Retirement Benefits as a taxable cash lump sum at retirement. These rules have since been changed to align more closely with those of pension funds and retirement annuity funds.

As of 1 March 2021 (T-Day), members of provident and provident preservation funds may now be required to 'annuitise' a portion of their Retirement Benefits, i.e., use a portion of their retirement savings to purchase an annuity, which provides an income during retirement.

However, these members who accumulated benefits prior to 1 March 2021 did so with the legitimate expectation of being able to take up to 100% of their benefits as taxable cash lump sums at retirement. In recognition of their expectation, these members will still have the right to access up to 100% of those accumulated benefits as taxable cash lump sums at retirement.

It was therefore decided to categorise a member's accumulated benefits, based on their age on 1 March 2021, between those qualifying for vested rights and those not qualifying for vested rights. And hence, the introduction of "Vested Benefits" and "Non-vested Benefits", with each benefit type having different rules for access at retirement.

45. What are Vested Benefits?

Vested Benefits recognise any benefits to which members have vested rights coming from the previous retirement regimes, by carrying these rights through into the T-Day and now Two-Pot regime.

As a result, up to 100% of Vested Benefits may be taken as a taxable cash lump sum at retirement.

Only the following groups of members can still have Vested Benefits:

- Current members who were members of provident funds before 1 March 2021
- Current members who were members of provident preservation funds before 1 March 2021

Vested Benefits are housed within the Vested Component.

46. What are Non-vested Benefits?

Non-vested Benefits are benefits that do not qualify for vested rights in the same way as Vested Benefits do. These benefits are treated as per the annuitisation rules introduced by the T-Day regime.

As a result, at least 2/3rds of Non-vested Benefits must be used to buy an annuity at retirement, and the remainder may be taken as a taxable cash lump sum. Only under certain conditions may 100% of Non-vested Benefits be taken as cash.

Only members coming from the T-day regime (that were already members on the implementation of Two-Pot) can still have Non-vested Benefits.

Non-vested Benefits are housed within the Vested Component.

47. Which benefits are 'Vested Benefits' and which are 'Non-Vested Benefits'?

Vested Benefits:

- Vested Benefits comprise a member's accumulated retirement savings in a provident preservation fund and contributions to a provident fund prior to 1 March 2021 (known as T-Day), plus investment returns earned on these accumulated savings from T-Day onwards.
- For provident fund members who were 55 or older on T-Day and remain in the same provident fund, all retirement savings contributions made after T-Day (plus investment returns earned after that date) will also comprise Vested Benefits.

Non-vested Benefits:

- The Non-vested Benefits comprise a member's retirement savings in a pension fund, pension preservation fund or retirement annuity fund. They also comprise a member's contributions to a provident fund from T-Day, plus investment returns earned on these savings accumulated from T-Day onwards if that member was younger than 55 on T-Day, or was older than 55 and did not remain in the same provident fund after T-Day.
- At least two-thirds of Non-vested Benefits must be used to purchase an annuity at retirement (subject to a statutory commutation minimum).

48. What are the current rules affecting a member's retirement savings following the T-Day retirement reform?

As a result of the T-Day changes, certain members coming from this previous regime may have benefits categorised as Vested Benefits and/or Non-vested Benefits.

49. What happened to the 'Vested Benefits' and 'Non-vested benefits' after the implementation of the Two-Pot Retirement System on 1 September 2024?

The Two-Pot Retirement System will not affect a member's rights to the retirement savings accumulated up to 31 August 2024. After the implementation date, all the member's current rights of access will co-exist with the new Two-Pot system, whereby vested rights of members' benefits will be retained. A member's Vested Benefits and Non-vested Benefits (less Seed Capital if the member is seeded) will form part of the member's Vested Pot.

50. What will the new Vested Pot contain, and how will it be treated going forward?

This pot will remain split into Vested Benefits and Non-vested Benefits according to the T-Day rules. Investment returns earned on each of the member's Vested and Non-vested Benefit portions, from 1 September 2024, will continue to be allocated to those respective benefit portions. For most members, there will be no new contributions into the Vested Pot.

For new members joining on or after 1 September:

- These members will not have benefits in a Vested Pot.

For existing members on 1 September 2024 that participate in Two-Pot:
Their Vested Pot will contain:

- Their accumulated retirement savings as at the day they start participating in Two-Pot, less an amount allocated to Seed Capital if the member is seeded.
- The investment returns earned on these savings from the day they start participating onwards.

For existing provident fund members on 1 September 2024 that do not participate in Two-Pot:
Their Vested Pot will contain:

- All their accumulated retirement savings.
- All their future retirement fund contributions.
- All investment returns earned on the above.

For existing provident preserver members on 1 September 2024 that do not participate in Two-Pot:
Their Vested Pot will contain:

- All their accumulated retirement savings.
- All investment returns earned on the above savings.

Any cash lump sum withdrawals (e.g., on resignation, dismissal, retrenchment and emigration) from the Vested Pot will be taxed in accordance with the applicable lump sum withdrawal tax table.

Section 4: Claims before retirement

51. What can you withdraw from your retirement savings before you retire?

Different pots mean different rules for how you can access your retirement savings before you retire.

If you need funds for an emergency, you can access your:

Savings Pot:

- You can withdraw once in every tax year (that is from 1 March this year to 28/29 February next year).
- You must have a balance of R2 000 or more.
- You must also apply to withdraw R2 000 or more. There is no maximum limit, apart from the balance in your Savings Pot.
- You will be taxed according to your marginal tax rate (based on your annual income).
- SARS will deduct any other amounts that they are authorised to deduct (such as outstanding amounts due to SARS (IT88)). Please ensure that you are in good standing with SARS before you submit your claim application.
- A transaction fee of R175 will be applicable for each withdrawal.

If you are retrenched, dismissed or have resigned from your job, you can access your:

Vested Pot:

- You can access your Vested Pot in full as a cash lump sum if you are a pension or provident fund member.
- Your lump sum amount will be taxed in accordance with the lump sum withdrawal tax table, unless you are retrenched.
- If you are retrenched, your lump sum amount is taxed at retirement lump sum tax tables.

Savings Pot:

- You can access your Savings Pot if you have not accessed it during the tax year (subject to the same rules mentioned above). This is taxed at your marginal rates.
- If you have:
  - Made a withdrawal from your Savings Pot during the tax year; and
  - Have a balance of less than R2 000; and
  - You are also leaving your fund.

  You can withdraw the remaining balance in the Savings Pot. This is also taxed at your marginal rates.

If you emigrate, cease SA tax residence for at least 3 years, or if you are a non-resident and your SA visa has expired, you can access:

- Your entire retirement savings amount:
- This is regardless of which pots you have. This entire amount can be withdrawn as a cash lump sum.
- The cash lump sum will be subject to the relevant applicable tax laws.

If you are a pension or provident preservation fund member:

You can still take your one cash lump sum withdrawal benefit before retirement. This is from your Vested Pot, where the retirement lump sum withdrawal tax tables will apply. If you belong to our in-fund preserver fund, you may be restricted to taking a full once-off withdrawal, whereas other funds may allow a partial once-off withdrawal.

Withdrawals from the Savings Pot will be subject to the normal rules mentioned above.

Section 5: Savings Pot withdrawals

52. Do you have to withdraw from your Savings Pot on 1 September 2024?

No, you can submit a withdrawal claim for your Savings Pot any time during the year. However, you are limited to one withdrawal per tax year. Please also note that claims may not be processed in time for a particular tax year if it is submitted too close to the end of the period.

53. What happens if you do not withdraw from the Savings Pot?

You are not required to withdraw from your Savings Pot if you do not want to. There is no penalty if you do not withdraw, and your money will remain invested in the pot. If you continue to contribute, these funds will also increase the balance available in your Savings Pot.

If you want to withdraw at a later stage and you still meet the requirements at that time, you will still have access to your Savings Pot.

54. What is the impact of withdrawing from your retirement savings before you retire?

Taking money now means that you will have less money available for your retirement. Not only will your retirement savings decrease, but you will also lose out on potential growth on this portion of funds. The tax implications may also be higher if you choose to withdraw prior to retirement.

55. Why could the actual payout amount differ from the requested amount?

- When you make a Savings Pot Withdrawal, all requests will be converted to a percentage of available funds in your Savings Pot.
- Movements in the markets will affect the balance of the Savings Pot. The balance you see may change during the time between the request being submitted and it being processed.
- You are required to pay tax on your withdrawal, which depends on your annual income.
- Fees and deductions may also apply.

Section 6: Tax matters relating to Savings Pot withdrawals

56. Can a Savings Pot Withdrawal move you into the next tax bracket?

- Reminder: the marginal tax brackets apply in a stepped method, where the first portion of annual income is subject to a base rate, the next portion is subject to a higher rate and so on.
- The amount for the Savings Pot Withdrawal will be added on to your annual income, which could put you into the next tax bracket.
- The next tax bracket does not apply to your entire annual income, but may apply to your Savings Pot Withdrawal.

Please refer to the income tax tables for more information.

57. The annual income is required to make a claim from the Savings Pot. What does this annual income include?

- Annual income means all income from employment, an insurer or retirement fund i.e. salary remuneration less deductible retirement fund contributions, earnings, emoluments, wages, bonuses, leave pay, fees, gratuities, commission, pension, overtime payments, stipends, allowances and benefits, annuities, compensation, honorariums, interest income greater than R23,800 if you are younger than 65 or R34,500 if you are older than 65, share of profits, director's fees, rental income less allowable rental expenses, any other compensation.
- The annual income must exclude the lump sum amount on the tax directive application form.

58. What if you submit the incorrect annual income amount?

- Unfortunately, we will not have the ability to verify your annual income amount.
- If the annual income amount is not correctly completed, the tax calculation will be incorrect as this will result in an over or under estimation of the amount owing to SARS. This will be corrected when the final assessment is processed.

Section 7: Claims at retirement

59. What happens to your retirement savings when you retire?

When you retire, a part of your retirement savings must be used to buy an income for retirement (called an annuity), while the remainder will be allowed to be taken as a cash lump sum.

60. Which parts must you use to buy an annuity?

- Your entire Retirement Pot; plus
- At least 2/3rds of the Non-Vested Benefit in your Vested Pot.

61. Which parts can you take as a cash lump sum?

- Your entire Savings Pot; plus
- The balance left over in the Vested Pot not used to buy an annuity.

62. Are you allowed to buy an annuity with all of your retirement savings?

Yes, you can use up to 100% of your retirement savings to purchase an annuity. Using a greater amount of your retirement savings towards purchasing an annuity will likely lead to a higher income for retirement and being subject to lower amounts of tax.

63. Are you allowed to take all of your retirement savings as a cash lump sum?

Only if the balance of certain pots is below the statutory minimum. You can take all of your retirement savings as a cash lump sum if:

- 2/3rds of your Non-Vested Benefits in the Vested Pot; plus
- the full value in your Retirement Pot is less than R165 000 in total.

64. How will tax be applied?

- If you buy an annuity, tax only applies to the income you receive at retirement, which will be at your marginal rates.
- If you choose to take a cash lump sum, this will be taxed according to the lump sum retirement tax tables. The amount considered for tax is the entire amount you are taking as a cash lump sum across all your retirement savings contracts, including those at other providers as well.

Section 8: Death and disability events

65. What happens if you pass away before you retire?

On death, retirement savings (regardless of which pots) will be dealt with as a single benefit payable in accordance with Section 37C of the Pension Funds Act. Your beneficiaries may choose to take the benefit as:

- A cash lump sum retirement benefit; or
- a compulsory annuity; or
- a combination of both a cash lump sum and a compulsory annuity.

66. What happens to the payment of capital disability benefits?

The capital disability benefits will be split 2/3rds into the Retirement Pot and 1/3rd into the Savings Pot after the implementation of the Two-Pot Retirement System.