



# TWOPOT RETIREMENT SYSTEM



## The power of preservation



**Vested Component**



**Savings Component**



**Retirement Component**

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

Let's consider the \*example of a 35 year-old who joins a retirement fund after 1 September 2024. She will not have a Vested Component. She contributes R6 000 a month to her retirement fund. An amount of R4 000 would be allocated to her Retirement Component and R2 000 would be allocated to her Savings Component.



**Savings Component**



**Retirement Component**

### Assuming she never withdrew from her Savings Component

- Based on an effective rate of 10% per annum, monthly compounded. She would have a total fund value around R12.4 million at age 65.
- At age 65, R4.13 million would be available in the Savings Component as a lump sum.
- Her cash lump sum retirement benefit would be taxed according to the lump sum retirement tax table and she would receive the first R550 000 tax-free.
- She would have R8.27 million in her Retirement Component which must be used to purchase an annuity income.

### If she withdrew all her benefits from her Savings Component before age 65

- The withdrawals would be fully taxed at her marginal tax rate and she would not have the R4.13 million in her Savings Component to provide a cash lump sum at retirement.
- She would only have the R8.27 million in her Retirement Component by age 65 which she would be required to use to purchase an annuity income.

\*This example is provided for illustrative purposes only and no amounts are guaranteed by Liberty. Amounts have been rounded up or down where necessary. Care should be taken when making investment decisions based on projections.

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