



# TWO-POT RETIREMENT SYSTEM



Vested  
Component



Savings  
Component



Retirement  
Component

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

## If David retires at the age of 65

Someone mid-career would have accumulated retirement funds prior to September 2024, and it is important to understand how these existing funds would be treated.

### David is 45 years old on 1 September 2024. He is a member of his employer pension fund and he has a retirement annuity policy.

His employer pension fund has accumulated benefits of R500 000 on 31 August 2024. An amount of R30 000 is deducted and automatically transferred to his Savings Component as 'seed capital'. The remaining R470 000 is transferred to his Vested Component.

His retirement annuity policy has accumulated benefits of R150 000. An amount of R15 000 (10%) is deducted and automatically transferred to his Savings Component as seed capital. The remaining R135 000 is retained in the Vested Component.

### From 1 September 2024, His monthly contributions are split as follows:

Employer pension fund: R2000 to the Savings Component and R4000 to the Retirement Component

Retirement annuity: R400 to the Savings Component and R800 to the Retirement Component

His benefits grow at an effective rate of 10% per annum, monthly compounded.

David retires 20 years later at the age of 65.

\*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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# TWO-POT RETIREMENT SYSTEM



## NO WITHDRAWALS

If David does not take any pre-retirement withdrawal from his Savings Component, at retirement he would have R9.17 million in fund benefits

EMPLOYER PENSION FUND	
Vested Component	R3.2 million - One-third (R1,06 million) available as a lump sum and remainder to purchase an annuity
Retirement Component	R2.8 million - used to purchase an annuity income
Savings Component	R1.4 million - available as a lump sum at retirement
RETIREMENT ANNUITY	
Vested Component	R900,000 - One third (R300,000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R580,000 - used to purchase an annuity income
Savings Component	R290,000 - available as a lump sum at retirement

### LUMP SUM AT RETIREMENT

At retirement David would be able to withdraw up to R3.05 million as a lump sum. He would pay tax in terms of the retirement fund lump sum tax table on that amount exceeding R550 000.

Savings Component	He can take both the R1.4 million in the employer fund Savings Component and R290,000 in the Retirement Annuity Savings Component
Vested Component	He can take one-third of both Vested Components as a lump sum-R1.06 million from the employer's fund and R300,000 from the retirement annuity.

David would be required to use the remaining R6.12 million to purchase annuity income in retirement

No Withdrawals = total retirement savings R9.17 million

## WITHDRAWALS EACH TAX YEAR

If David withdrew all the benefits in his Savings Component each tax year, he would have R1.69 million at retirement. He would only have access to R1.36 million 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 R6.12 million to purchase an income

### RESIGNATION OR RETRECHMENT

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 Components of both funds 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 tax year of assessment. Each Savings Withdrawal Benefit must be a minimum of R2000 and he will be taxed at his marginal tax rates.  
(Members of can take a second Savings Withdrawal Benefit the same tax year when they terminate their membership in the fund provided the value of the Savings Account is less than R2000).

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.

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EMPLOYER PENSION FUND	
Vested Component	R3.2 million - One-third (R1.6 million) available as a lump sum and remainder to purchase an annuity
Retirement Component	R2.8 million - used to purchase an annuity income
Savings Component	No Savings Component (zero amount)
RETIREMENT ANNUITY	
Vested Component	R900,000 - One third (R300,000) available as a lump sum and remainder to purchase an annuity
Retirement Component	R580,000 - used to purchase an annuity income
Savings Component	No Savings Component (zero amount)

Withdrawals each year = total retirement savings R7.48 million

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