



Breaking News

BULLETIN

UPDATE: TWO-POT RETIREMENT SYSTEM

The implementation date of this retirement system has been confirmed as 1 September 2024. The Fund will communicate the relevant steps to follow with regards to withdrawals and transfers, applicable to this new retirement system, within due course.

The following main changes to how members, including Paid-Up members of the Fund, save for retirement will apply from 1 September 2024 (pensioners of the Fund are not impacted):

- Existing **member rights** on 31 August 2024 (Fund Credit value on this date/your total savings in the Fund), will be protected (Vested Component) and be subject to the same rules/tax treatment governing member benefits today.
- **Contributions** (what you and your employer contribute to the Fund each month excluding any risk benefit cover contributions) will from 1 September 2024 be split as follows:
 - Savings Component: **one-third** of total contributions will be allocated to this component.
 - Retirement Component: **two-thirds** of total contributions will be allocated to this component.

Note: clarity is still being awaited by the retirement funds industry on how contributions received by the Fund from 1 September 2024, that relate to contribution periods prior to this date, should be treated!

- **Savings Component:** members may withdraw, once every tax year, a minimum amount of R2,000 from this component, without having to leave their jobs. Any amount withdrawn from this component will be taxed at your marginal tax rate, and NOT at the withdrawal lump-sum tax table (no tax-free portion applies).
- **Retirement Component:** the savings in this component cannot be withdrawn and must be utilised to provide a monthly income at retirement.
- **Vested Component:** No contributions allowed from 1 September 2024. Members who leave the service of their employer will still be able to withdraw the full value of this component after 1 September 2024 (taxed per the withdrawal lump-sum tax table).

Innovating Your Future Responsibly



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- **Seed Capital:** On 1 September 2024, the Fund will transfer 10% of each member's Vested Component (Fund Credit value on 31 August 2024) to their new Savings Component, limited to a maximum transfer amount of R30,000.
- **Investment Growth** will be earned in, and be allocated to, each of the three components. Your selected Member Investment Choice (MIC) portfolio/s, or applicable Life Stage portfolio, will apply across all three components.

The two-pot system is a significant change to the South African retirement savings system. It is a necessary reform as statistics show that 90% of South African retirees are unable to maintain their standard of living into retirement due mainly to accessing retirement savings during their working careers. Over the longer-term, this new retirement system is expected to improve retirement provision outcomes due to the preservation principles governing the Retirement Component.

Although the two-pot system allows limited access to retirement savings through withdrawals from the Savings Component, the Fund encourages members to preserve their retirement savings for retirement. Accessing your retirement savings should only be considered as a last resort!

Withdrawing from these savings, even relatively small amounts, will negatively impact you financially, undermining the compounding effect of long-term savings. You will pay higher tax on amounts withdrawn and your future retirement capital will be reduced resulting in a reduction in your future retirement income.

Further information is available on the Sentinel website together with a short explanatory video! To view this, please visit:

<https://www.sentinel.za.com/main/two-pot-retirement-system/>

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