Secure Your Future with the

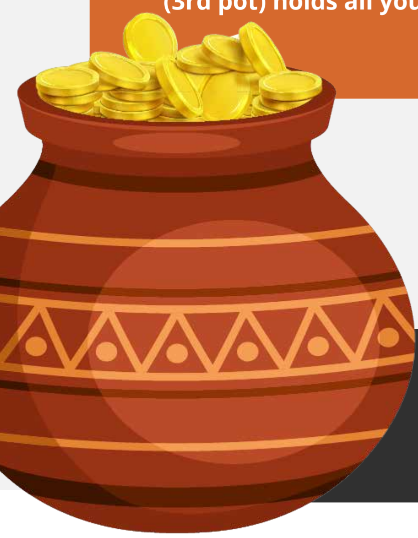
Two-Pot Retirement System

What is the Two-Pot Retirement System?

- The Two-Pot Retirement System is a strategic approach to retirement planning that divides the members savings into distinct "pots" or funds, each serving a different purpose. The aim is to give the member access to short-term financial relief in case of an emergency.
- The two-pot system is meant to help fund members in times of financial difficulty by allowing access to the members savings pot, or emergency pot, without resigning from your employer.

Your retirement contributions (past and future) will be divided into 3 pots.

From 1 September 2024, your monthly contribution will be divided between 2 “pots”. 1/3 of your contributions will be allocated to your savings pot and 2/3 will be allocated to your retirement pot. The vested pot (3rd pot) holds all your accumulated savings up until 31 August 2024. No further contributions will go into your vested pot.



Vested Pot

On 31 August 2024 a once-off compulsory transfer of 10% of your vested pot, with a maximum of R30 000, will be transferred to your savings pot.

This is the member’s accumulated retirement savings in the fund before 31 August 2024 and comprises both the current vested rights and non-vested rights (introduced on 1 March 2021).

Upon termination of the members contract with the employer, the member can become a “paid-up” member of the fund and leave their money invested in the current investment portfolio to earn investment returns. A minimum monthly administration fee will be payable.

From 1 September 2024, a member who resign from their employer will still be allowed to take the full value of their vested pot as a lump sum. Any resignation withdrawal from the vested pot will be taxed according to the withdrawal tax table, whereas any resignation withdrawal from the savings pot will be taxed at the member’s marginal income tax rate.

The balance of your accumulated retirement savings will remain in your vested pot and will grow with investment return.

From 1 September 2024, you will not be able to make any more contributions to your vested pot.

Any withdrawal from the vested pot will be taken into consideration when calculating the tax on future retirement cash lump sums, as the retirement fund lump sum table is subject to the principle of aggregation.

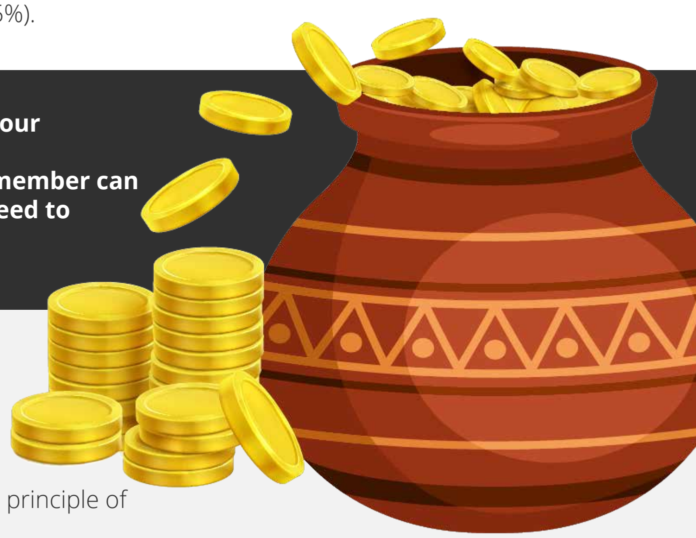
Financial consequences to withdrawals before retirement.

The goal of your retirement savings is to buy yourself a monthly pension when you retire. If you withdraw money from your retirement savings, you will:

- Loose out on compound growth you would have earned by instead saving this money.
- Have less money to buy a monthly pension when you retire.
- You will be taxed at your marginal income tax rate which is higher than the retirement lump sum tax tables. The lump sum tax tables have more favourable tax rates (maximum of 36%) relative to the marginal income tax rate tables that apply to annual withdrawals pre-retirement from the savings pot (maximum of 45%).

Savings Pot

This "pot" is made up of 1/3 of your retirement contributions from 1 September 2024, that you as member can access/withdraw without the need to terminate your employment.



Divorce: When divorce proceedings have been initiated or an application was made in court in respect of the division of assets of a marriage, the fund may not permit a member access to his/her savings pot without consent of the non-member spouse.

Any withdrawals made from the savings port will not be considered for the principle of aggregation with regards to future retirement cash lump sums.

At retirement the balance in this pot can be paid as a lump sum or used to buy a monthly pension.

From 1 September 2024, a member whose employment is terminated, will only be allowed to withdraw the value of his savings pot if he has not already made a withdrawal from this pot in the current tax year OR if the remaining value of this pot is less than R2000.00

The balance of your savings pot will grow with investment return.

You may withdraw all or a portion of the money that has accumulated in your savings pot. A minimum amount of R2000 can be accessed before taxes and fees.

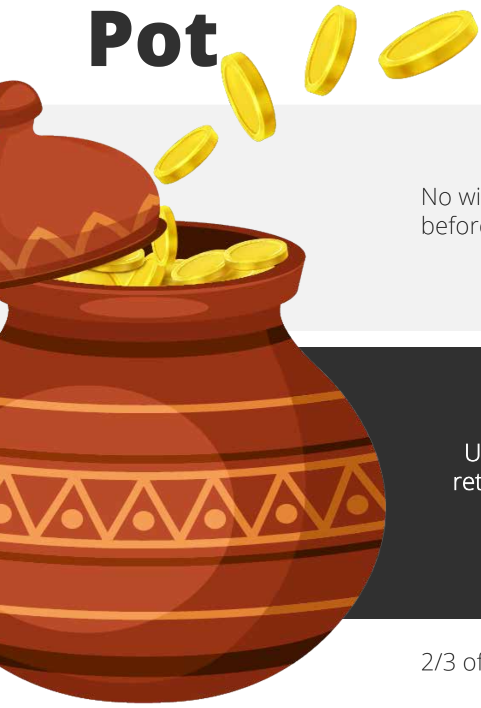
You can make one withdrawal from this pot in a tax year.

On 31 August 2024 this pot will receive a once-off seeding amount of 10% of your vested pot with a maximum of R30 000.

1/3 of your contributions from 1 September 2024 will be allocated to your savings pot.

Retirement Pot

This "pot" is made up of 2/3 of your retirement contributions from 1 September 2024 and will be preserved until your retirement.



No withdrawals can be made from this pot before you retire.

This pot will grow with investment return and will remain invested until your retirement or upon emigration (3 years after cessation of tax residency), disability or death.

Upon retirement the member will have to buy a monthly pension with the full value of the retirement pot unless the value falls below the legislated limit of R165 000 in which case the retirement pot can be withdrawn as a lump sum.

2/3 of your contributions from 1 September 2024 will be allocated to your retirement pot.

55+ Members on 1 March 2021 have a choice.

Provident fund members who were 55 years or older on 1 March 2021 and who remained members of the fund until 1 September 2024 can choose to:

- Stay in the vested pot OR
- Move to the two-pot system.

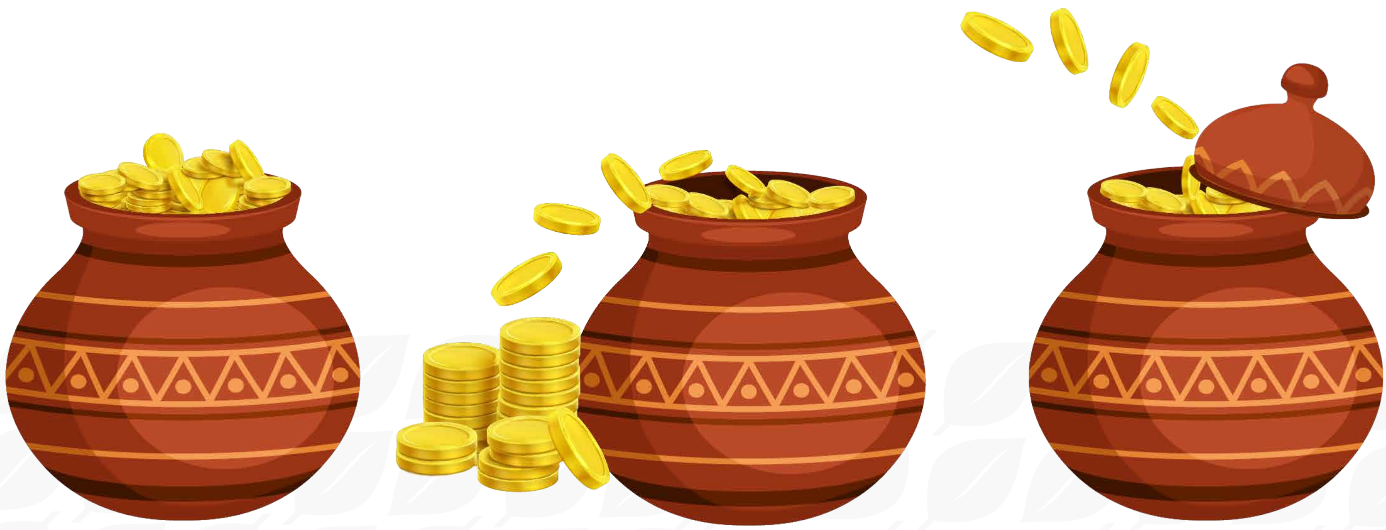
Stay in the vested pot.

- Member will continue making contributions to the vested pot.
- At retirement any amount in the vested pot can be taken in cash or used to buy a monthly pension.

Move to the two-pot system.

- Members will start participating in the two-pot system on the first of the month following their decision.
- This once-off decision needs to be made before 1 September 2025.
- 55+ Members will still be able to take their Vested pot in cash should they resign before retirement.

Providing professional, dynamic and client-oriented administration services for retirement.



RFS ADMINISTRATORS (PTY) LTD

PASSIONATELY TOMORROW

www.rfsolutions.co.za