



## MY RETIREMENT COMPONENT AND WHY IT'S SO IMPORTANT

The main purpose of a retirement fund is to offer you a secure source of income in retirement. Yet, thousands of people withdraw their savings early, potentially risking their financial future. In fact, a whopping **R78 billion** is estimated to be cashed out of the retirement system each year.

**This is what happens in the long run:**

Because people are frequently cashing out their retirement savings every time they change jobs, **only around 10% of fund members can afford to maintain their current lifestyle after retirement.** Yikes – that's a pretty low percentage!

But the Two-Pot Retirement System is set to change this. **From 1 September 2024, the proposed implementation date** for this new system, your future retirement fund contributions will be split into the following:

- a Savings Component
- a Retirement Component, and
- a Vested Component (your existing retirement savings)

[Click here](#) for a detailed recap on the three components.

## Let's look at two examples below

**Lunga**

Lunga is 30 years old and has R50 000 in his retirement savings. On 31 August 2024, 10% of his retirement savings (R5 000) will be transferred to his Savings Component as an opening balance. This will leave him with R45 000 in his Vested Component.

**When Two-Pot is implemented, Lunga can do the following with the R5 000 in his Savings Component:**

- Withdraw it - this will be subject to tax. He will also be charged a transaction fee for the withdrawal to cover administration costs.
- Let it continue to grow. He can access it once per tax year for future emergencies.
- Avoid withdrawing it until retirement. At retirement he can choose to receive it as a lump sum (subject to tax) or add it to his Retirement Component to purchase a pension.

**When Lunga reaches retirement, he can:**

- Use the sum of his three Components to purchase a pension.
- Take all or some of his Savings Component as a cash lump sum (subject to tax) and use his Retirement Component to buy a pension.
- If the amount of his Vested Component that must be annuitised plus his Retirement Component is less than R165 000, he may withdraw the full amount.

**Lee-Anne**

Lee-Anne is 40 years old. She currently has R150 000 in her retirement savings.



She changes jobs in July 2024 and withdraws all her retirement savings. She must now start saving from scratch.

By 1 September 2024, she has R4 000 in her retirement savings. 10% of this amount (R400) will be transferred to her Savings Component on 31 August 2024.

Lee-Anne wants to withdraw from her Savings Component for an emergency in September 2024. She won't be able to as the minimum withdrawal amount is R2 000, and her balance is less than this (R400).

In December 2024, Lee-Anne has an emergency. The balance in her Savings Component is now R2 400 so she withdraws R2 400 from her Savings Component. However, under Two-Pot, the amount Lee-Anne will actually receive after tax and admin fees is likely to be lower than R2 400. She cannot make another withdrawal until the next tax year, i.e. from 1 March 2025.

**Lee-Anne is borrowing from her future self. Withdrawing from her Savings Component means she'll receive a reduced amount (plus growth thereon) as a lump sum at retirement.**

**3 reasons why we strongly encourage you to prioritise saving for your retirement:**

01

**Maintain your lifestyle**

It is unlikely that the Old Age Grant (currently R2 180) will be enough to cover all your expenses in retirement. You'll need additional income to live comfortably and maintain the lifestyle you're used to.

02

**Greatest investment**

Your retirement fund savings is arguably one of the best investments you'll ever make – it should grow with investment return over time, which means the longer your savings are invested, the more growth you should see!

03

**People are living longer**

Retirement is a phase of life which could last 30 years! We wouldn't want you to outlive your retirement savings.

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You can update your contact information via:

- » the Old Mutual App (available on [Android](#) and [iOS](#)), or
- » [Secure Services](#) ([click here](#) for a detailed registration guide)



To access your Fund on WhatsApp, scan the QR code on the left or save 0860 933 333 as a contact. Then, send "Hi" on WhatsApp.

Learn more about Two-Pot by visiting [www.oldmutual.co.za/two-pot-retirement-system](http://www.oldmutual.co.za/two-pot-retirement-system)