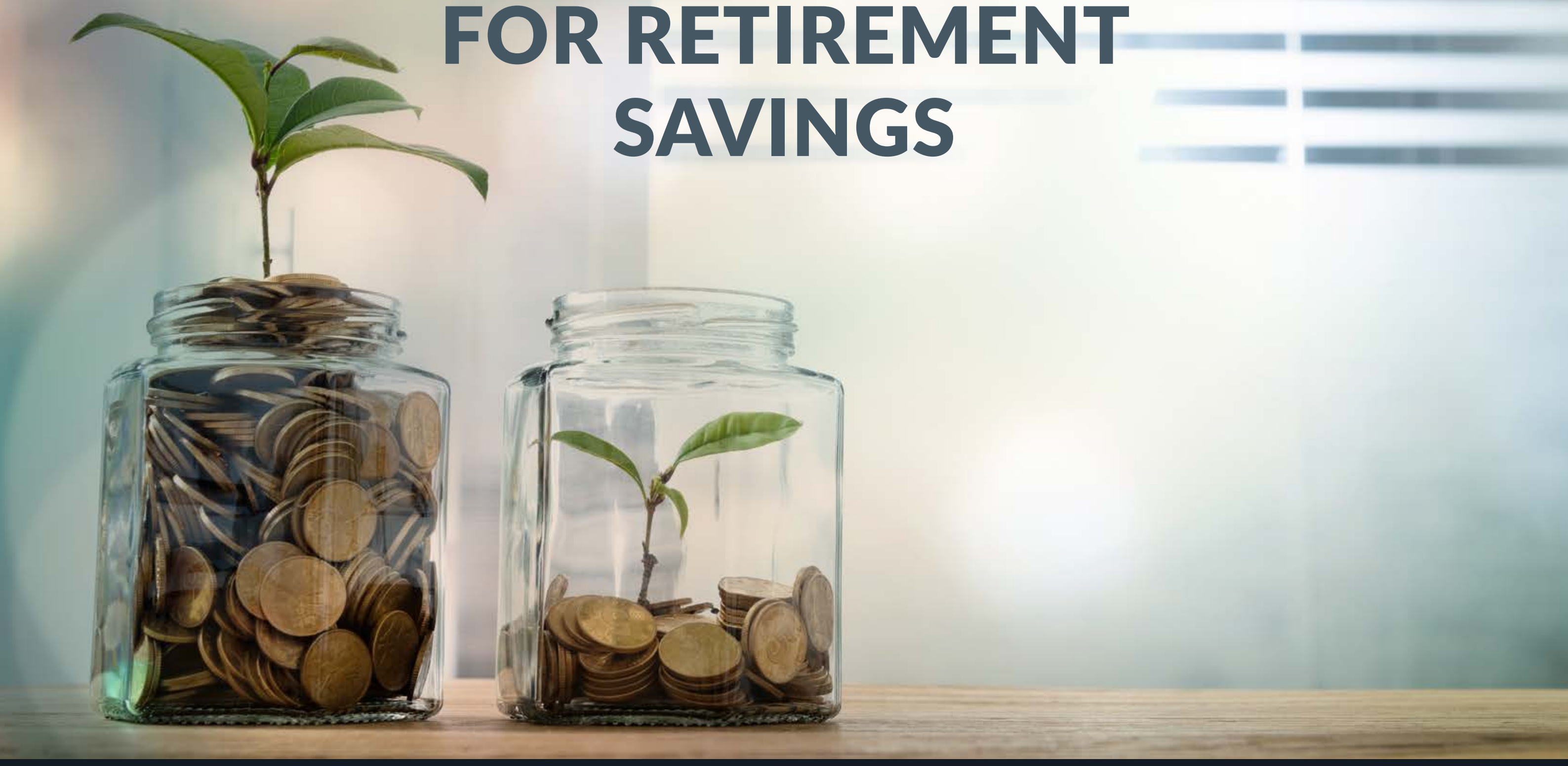
TEN THINGS YOU OUGHT TO KNOW

SA'S PLANNED TWO-POT SYSTEM FOR RETIREMENT SAVINGS



The Draft Revenue Laws Amendment Bill will allow members of retirement funds to access up to one-third of their pensions savings once a year, in the event of an emergency, while preserving the other two-thirds for retirement.

BELOW WE LIST THE "TOP TEN" ASPECTS OF THE "TWO-POT SYSTEM", ACCORDING TO THE DRAFT LEGISLATION.

1 Existing members of funds do not have to re-enrol to access the two-pot system, as existing funds will be adapted to accommodate it. Each fund will amend its rules.

2 Contributions will remain deductible up to the specified caps, but any contributions that are more than 27.5% of taxable income or ZAR350 000 a year can only flow into the "retirement pot".

3 All contributions and growth that are accumulated before implementation date (proposed to be 1 March 2023, but this is optimistic) will have to be valued at the date immediately prior to implementation, to enable vesting of rights. The conditions that were attached to those contributions remain in place.

4 The "savings pot" will start to be accumulated from implementation date, together with the "retirement pot".

5 Any amounts withdrawn from the savings pot pre-retirement will be included in the member's taxable income for that tax year and taxed at the relevant marginal rate.

6 Only one withdrawal from the savings pot can be made a year, at a minimum of ZAR2 000. All, or part, of the amount accumulated in the savings pot up to the allowable withdrawal date each year can be taken out.

7 On reaching retirement age, the member can add the savings pot to the retirement pot to purchase an annuity, or can withdraw the full amount in the savings pot as cash, which will be taxed according to the retirement lump sum tables. The lump sum tables have more favourable tax rates (maximum of 36%) relative to the marginal rate tables that apply to annual withdrawals pre-retirement from the savings pot (maximum of 45%).

8 On retirement, the total amount in the retirement pot must be used to purchase an annuity. The minimum amount that can be used to purchase an annuity is ZAR165 000. Amounts less than ZAR 165 000 in the retirement pot can be withdrawn as a lump sum.

9 Before retirement, it is still possible for a member to withdraw funds from the vested pot, and, as before, this withdrawal will be taxed according to the retirement lump sum tables (if withdrawn as a lump sum).

10 Although no amounts can be transferred out of the retirement pot, transfers can be made into it from vested or savings pots, or from one retirement pot to another retirement pot. No transfers can be made into the savings pot, unless from other savings pots. The retirement pot and the savings pot must be held in the same retirement fund.

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