



NEDGROUP
INVESTMENTS

Frequently Asked Questions

What is the purpose of the two-pot retirement system and how will it work?

see money differently

1. What is the purpose of the two-pot retirement system?

The two-pot retirement system aims to address the low level of retirement savings in South Africa by introducing a new way of managing retirement fund contributions. The system allows for some flexibility in accessing a part of the savings in case of financial emergencies, while ensuring that most of the savings are preserved for retirement. The system also prevents people from cashing out their retirement savings when they change jobs, which is one of the main reasons why many South Africans retire with insufficient income. The system only applies to new contributions made after 1 September 2024, while the previous contributions and their growth will follow the old rules. The system tries to balance the immediate financial needs of members with the long-term goal of enhancing retirement savings.

2. Who is the two-pot retirement system meant for?

The new system will apply to all retirement funds, across funds in both the private and public sectors, excluding the legacy retirement annuity policies, or funds with no active participating members (such as funds in liquidation, beneficiary funds, closed funds or dormant funds). Members of provident or provident preservation funds that were 55 years and older on 1 March 2021 who have not opted to be part of the two-pot system will also be excluded.

3.

What is changing with the two-pot retirement system?

The two-pot retirement system will divide new retirement fund contributions into two distinct pots: The savings pot and the retirement pot. After the seeded capital has been deducted and transferred into the savings pot, the existing retirement savings as of 31 August 2024 will go into the vested pot.

Vested Pot: These changes only affect contributions from 1 September 2024. Previous contributions and their growth fall under the vested pot, adhering to pre-1 September 2024 rules. Further contributions to the vested pot are not allowed, except for members of provident or provident preservation funds older than 55 on 1 March 2021 who do not opt in to the two-pot retirement, or in the case of transfers of a vested pot from another fund.

Savings Pot: On 31 August 2024, seeding capital, which is 10% of your existing retirement savings limited to R30 000, will be transferred into the savings pot. From 1 September 2024, one-third of all retirement contributions will go into the savings pot, which may be withdrawn in cash before retirement. Members are entitled to one full withdrawal per tax year from this pot. Refer to question 10 on the tax implications of withdrawals from the savings pot. At retirement, the amount left can be withdrawn as a lump sum or used to purchase an annuity. Withdrawing before retirement will reduce the potential lump sum available at retirement.

Retirement Pot: Once the two-pot retirement system is implemented, new contributions will direct two-thirds to the retirement pot. This portion is locked until retirement, at which point it is compulsory to use the value of the retirement pot to purchase an annuity. This pot also cannot be accessed on resignation.

Example

A member's retirement contribution in September 2024 is R1200 per month, R400 (1/3) will go into the savings pot and R800 (2/3) will go into the retirement pot. The member will be able to withdraw from the savings pot once a tax year. The minimum withdrawal amount is R2000, and all withdrawals will be taxed at the member's marginal tax rate. However, it is not compulsory for the member to make a withdrawal from the savings pot every tax year and all members are encouraged to continue saving and withdraw only in the event of a financial emergency. Amounts in the savings pot will still be available for withdrawal in future years and would benefit from tax-free growth within the account until a withdrawal is made and taxed in terms of the more favourable retirement lump sum tax table.

4. Who is impacted?

Implementation of the two-pot retirement system is mandatory across all retirement funds and will be incorporated into each of the Nedgroup Investments retirement offerings, which include the Nedgroup Investments Retirement Annuity and Pension- and Provident Preservation Funds. These changes will impact every member associated with these retirement funds starting 1 September 2024, with the exception of members of the Nedgroup Investments Provident Preservation Fund who were aged 55 or above as of 1 March 2021; these members may choose whether to opt-in to the two-pot retirement system.

5. How will members that were 55 years old and older on 1 March 2021 be treated?

Members of Provident and Provident Preservation Funds who were 55 years old and older as of 1 March 2021 will automatically be exempt from the two-pot retirement system if they remain in the same fund. Any contributions made after 1 September 2024 will go into the vested pot.

These members of the Nedgroup Investments Provident Preservation Fund will have the option to opt-in to the two-pot retirement system. Their account will receive an initial seeding capital, determined by a standard seeding calculation.

When members transfer to a different retirement fund, they forfeit the option to stay opted out of the two-pot retirement system and their accrued benefits must be allocated accordingly, with subsequent contributions (if applicable) being divided between their retirement and savings pots.



We are here to support you through this transition, please visit nedgroupinvestments.com to learn more about retirement planning.

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