



NEDGROUP
INVESTMENTS

Frequently Asked Questions

What is seeding capital and what will happen to my contributions and the **different types of retirement funds?**

see money differently

1.

What will happen to my retirement savings on implementation date, 1 September 2024?

On 1 September 2024, a member’s account balance will be allocated to designated pots. The vested pot’s value will match the member’s benefit as of 31 August 2024 after the seeding capital has been deducted. A transfer of 10% taken from the vested pot up to a limit of R30 000 (seeding capital) will go into the savings pot on 1 September 2024. There will be no funds in the retirement pot. One-third of contributions made from 1 September 2024 and the subsequent growth will be allocated to the savings pot. Two-thirds of contributions made from 1 September 2024 and the subsequent growth will be allocated to the retirement pot.

Example

The member has an existing balance of R200 000 in the Nedgroup Investments Balanced Fund on the implementation date.

Account overview on 31 August 2024	
Nedgroup Investments Balanced Fund	R200 000
Pot breakdown on 1 September 2024	
Vested pot – Nedgroup Investments Balanced Fund	R180 000
Savings pot – Nedgroup Investments Balanced Fund* (Account overview on 31 August 2024. 10% seeded from vested pot)	R20 000
Retirement pot	R0

*Seeding will not have an impact on the fund allocation of an account. The value of the vested pot will be reduced, and the value of the savings pot will increase when the seeding capital is transferred.

2.

What is ‘seeding’ and how will it work?

The term ‘seeding’ denotes the one-time 10% transfer of value from a member’s vested pot to a maximum of R30 000, to initiate the savings pot. This process allocates funds into the members’ savings pot, enabling clients to withdraw a portion of their funds, if necessary, without the obligation of making any contributions.

All members of the Nedgroup Investments retirement funds will be required to participate in seeding according to the new two-pot retirement system rules. However, members of the Nedgroup Investments Provident Preservation Fund who, being 55 years or older as of 1 March 2021, may decide not to participate in the two-pot retirement system.

Members are not obligated to withdraw the seeded capital from the savings pot right away. They have the option to keep their seeded capital invested and may choose to withdraw it at a future date or maintain it until they retire. It is strongly advised that withdrawals be limited to emergencies only. The savings pot is designed for flexibility, but members are encouraged to continue saving and withdraw the lump sum at retirement or add it to their retirement pot and use the sum to purchase an annuity. Any amount the member withdraws before retirement will reduce the lump sum at retirement and have the adverse effect of being taxed as income at the member’s marginal tax rate.

Seeding capital does not carry any tax implications. Tax implications only arise for a member when they withdraw from their savings pot.

Example

Member A

has a R100 000 fund value on 31 August 2024.

The seeding amount will be R10 000
(this being 10% of R100 000).

Member B

has a R800 000 fund value on 31 August 2024.

The seeding amount will be R30 000 since 10% exceeds the cap of R30 000. Despite R80 000 being 10% of R800 000, this amount is capped at R30 000.

3.

How will contributions from 1 September 2024 be invested?

When a retirement annuity member makes additional contributions, two-thirds will be allocated to the retirement pot and one-third to the savings pot. The full amount of this contribution remains tax-deductible up to certain limits, meaning the way retirement fund contributions are treated from a tax point of view will not change.

Example

The member makes an additional contribution of R60 000 to the Nedgroup Investments Opportunity Fund

Before the additional contribution

Account overview	
Nedgroup Investments Balanced Fund	R200 000
Pot breakdown	
Vested pot	R180 000
Savings pot	R20 000
Retirement pot	R0

After the additional contribution

Account overview	
Nedgroup Investments Balanced Fund	R200 000
Nedgroup Investments Opportunity Fund	R60 000
Total	R260 000
Pot breakdown	
Vested pot	R180 000
Savings pot	R40 000
Retirement pot	R40 000

4.

How will the different types of retirement funds differ for new members after the two-pot retirement system implementation on 1 September 2024?

The two-pot system standardises the regulations for all retirement funds, eliminating discrepancies for new members who join after its adoption. Both the savings and retirement pots within Nedgroup Investments Retirement Annuity, Pension- and Provident Preservation Funds will adhere to the same set of rules, regardless of the specific retirement fund chosen by the member.

5.

What are the changes for members of the Nedgroup Investments Retirement Annuity under the two-pot retirement system reform?

The retirement annuity will be split into three separate pots: the vested pot (holding the retirement annuity fund value of 31 August 2024 less the seeded capital transfer to the savings pot), the savings pot, and the retirement pot. The most significant change under the new system is that you will be allowed one annual early withdrawal from your savings pot. The value in your savings pot will initially be seeded by 10% of your fund value, limited to R30 000, on 31 August 2024, transferred from your vested pot. From 1 September 2024, one-third of your future contributions will also be allocated to this savings pot.

It's crucial to recognise that this new liquidity option from the savings pot carries a significant risk. Withdrawing early can be costly and can notably decrease your retirement income. You would be taking funds from your future self over a set period. The money in your savings pot should be used when you retire and only be accessed before retirement in the event of a financial emergency. It is always best to keep as much money in your retirement savings as possible so that you can give yourself the best opportunity to retire comfortably.

A close-up photograph of a hand holding a yellow watering can, pouring water onto a potted plant. The plant has several green, elongated leaves. In the background, another plant with spiky leaves is visible. The image is overlaid with a semi-transparent green rectangle containing text.

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

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