Changes to South Africa's retirement fund system you need to know

The national treasury announced its intention to amend the country's retirement funds system with effect from 1 March 2024. The amendment intends to introduce a system that will enable the members to access and withdraw a specific portion of their retirement savings whilst improving the general preservation of the retirement savings.

The amended system is called the "two-pot retirement system". The two pots refer to the separate components of a retirement fund.

As of 1 March 2023, members who have existing benefits in a retirement fund will be restructured into three separate components ("pots"):

1. The **Vested Component** consists of the total benefit in a member's fund as of the end of February 2024. The members will also be allowed to make a once-off transfer of 10% (but not exceeding R25 000.00) from this pot to their savings pot, and a member may make unlimited transfers from this pot into the retirement pot.
2. The **Savings Component**, as of 1 March 2024, one-third of your monthly contribution will be allocated to this component.
3. The **Retirement component**, as of 1 March 2024, two-thirds of your monthly contribution will be allocated to this component.

New members who will only start contributing to a retirement fund after 1 March 2024 will have a retirement fund structured into two separate components ("pots"):

1. The **Savings Component** is wherein one-third of your monthly contribution will be allocated.
2. The **Retirement Component** is wherein two-thirds of your monthly contribution will be allocated.

The restructuring of the retirement benefits into the different components will bring the following significant changes:

- The savings pot is accessible to members. Members may withdraw from this pot once each tax year, provided that at least R2 000.00 is available in the pot.
- The retirement pot will only be accessible to members when they retire. Thus, when a member pays their monthly fund contribution, the fund will save two-thirds of the monthly contribution in this pot, and the member can only access the money in this pot upon retirement. No access to this pot will be allowed if a member merely resigns.
- If a member has a vested pot, the money in this pot will be dealt with in terms of the “old rules”. Thus, if the member resigns or retires, they can withdraw the money from this pot if it is less than R247 500.00. If the value exceeds R247 500.00, the member can withdraw one-third as a lump sum, and the remaining two-thirds must be reinvested.

With the intended changes, members can access money from their savings pot once every tax year. Members will thus have access to capital they would typically not have access to, except if they resigned or retired.

However, two-thirds of a member’s contributions will now be in a retirement pot, and a member can only access the benefit in this pot upon retirement, which aims to enable the majority of the public to save at least two-thirds of their contribution for their retirement.

With access to the savings pot once per annum, the possibility exists that people might abuse this access, which will lead to them not saving one-third of their retirement benefit, as they will withdraw it annually. However, it is advisable that a member only withdraws the money from the savings pot in case of emergencies.

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