



# Welcome

## THE TWO POT SYSTEM UPDATE

**OCTOBER 2024**

Presented by the Principal  
Officer's Office





## Agenda

- > Reminder as to why the 2 Pot system is being introduced
- > Feedback on implementation
- > The Three pots



## Agenda

- > Savings pot withdrawals
- > Impact on retirement
- > Questions



## Why a need to amend regulations?



*The country has a poor savings habit. Only 6% of the population can retire comfortably. Members “cashing out” when they change employment is a major contributing factor.*



*In tough economic times, particularly linked to COVID, members could not afford to feed their families while they had assets “locked into” their retirement funds. Some members even resigned to be able to access these funds.*



## DEVELOPMENTS TO DATE

- SARS is reporting in excess of R21 billion Savings Pot withdrawals since 1 September 2024.
- NTRF processed R27 million in withdrawals in September 2024. This was in respect of 945 claims.
- Claim process highlighted employers who had not paid across member contributions to retirement Funds. Mostly municipalities and Private Security firms. No such issues for NTRF and its employers.



## NTRF SAVINGS POT WITHDRAWALS IN SEPTEMBER

- 945 claims
- Gross claim amount R27 006 472 (average R28 578)
  - Tax on the benefits R 6 083 331 (average tax rate 22.5%)
  - Arrear tax R 1 138 931
  - Paid to members R19 784 210



## REMINDER OF HOW THE 2 POT SYSTEM WORKS?

- Vested pot – value of savings as at effective date (1 September 2024) less the seed capital transferred to the savings pot
- Savings pot – Seed capital transferred plus  $\frac{1}{3}^{\text{rd}}$  of on-going net contributions
- Retirement pot –  $\frac{2}{3}$  of on-going net contributions



## The VESTED Pot

- The seed capital transfer to the savings pot happened automatically for all members.
- Vesting pot retains the “old rules”, and is thus available as a withdrawal benefit prior to retirement.





## The Savings Pot

- Seeding – 10% as at 1/9/24 up to a max of R30 000
- One withdrawal per annum, minimum of R2 000.
- Withdrawals will be taxed at marginal rates.



## The Savings Pot : tax on withdrawals

- Tax is NOT as per the retirement fund tax tables.
- Tax does not “count towards” any tax free limits.
- Tax will be at your marginal rate.
- SARS to provide the Fund with rate to deduct.
- Adjustment with your final tax return.



## The Retirement Pot

- No withdrawal prior to retirement.
- The only exception is on financial emigration and is subject to the latest conditions.



## EXAMPLE : THE SERIAL WITHDRAWER

### Assumed:

- Fund credit at 31 August 2024 was R650 000.
- Salary is R18 000 a month
- Flex risk category of 2%. (hence 21.75% of salary to savings)



## EXAMPLE : THE SERIAL WITHDRAWER

As at 1 September (post seeding transfer):

- Vested pot balance : R620 000 (being R650 000 less R30 000)
- Savings pot balance : R30 000
- Retirement pot balance : R0



## EXAMPLE : THE SERIAL WITHDRAWER

Member requested a withdrawal from their savings pot.  
Minimum R2 000. Maximum is the balance in the savings pot.  
This would be their one withdrawal in the tax year (no more withdrawals until after 28 February 2025).  
Tax at the marginal rate of tax.



## EXAMPLE 1 : THE SERIAL WITHDRAWER

|                     |   |
|---------------------|---|
| 1 – 237 100         | 18% of taxable income                           |
| 237 101 – 370 500   | 42 678 + 26% of taxable income above 237 100    |
| 370 501 – 512 800   | 77 362 + 31% of taxable income above 370 500    |
| 512 801 – 673 000   | 121 475 + 36% of taxable income above 512 800   |
| 673 001 – 857 900   | 179 147 + 39% of taxable income above 673 000   |
| 857 901 – 1 817 000 | 251 258 + 41% of taxable income above 857 900   |
| 1 817 001 and above | 644 489 + 45% of taxable income above 1 817 000 |



## EXAMPLE : THE SERIAL WITHDRAWER

Assume they selected R30 000 withdrawal, their taxable income for the year would be  $R18\ 000 \times 12 + R30\ 000 = R246\ 000$ .

The marginal tax rate is approx. 20%, the net amount is R24 000. (less any admin fee of R250).

Also note that for each withdrawal SARS will advise the tax rate to be deducted. There can be an adjustment at the end of the tax year if the tax rate used ends up being incorrect.





## EXAMPLE : THE SERIAL WITHDRAWER

Monthly contribution to retirement savings:

21.75% of R18 000 = R3 915.

This will be allocated :

Savings Pot (1/3<sup>rd</sup>) = R1 305

Retirement Pot (2/3rds) = R2 610



## EXAMPLE : THE SERIAL WITHDRAWER

By 28 February 2025, there will have been 6 more months contributions paid (September 2024 to February 2025).

Assume the Savings pot balance is now R8 000 (being R1 305 x 6 plus investment return). Note the investment return could be negative!

On 1 March the member can request a withdrawal from the savings pot. Again the minimum is R2 000, the maximum is the current balance (R8 000). If they make a withdrawal they cannot make another withdrawal until March 2026.

Tax will again be at the marginal tax rate. If this is 26% the payment on R8 000 would be R5 670 (after the deduction of the R250 admin fee).



## NON WITHDRAWERS

- If you do NOT make savings pot withdrawals, the balance in the Savings pot will continue to grow and will be available in the event of an emergency.



## POINTS TO HIGHLIGHT

- Withdrawals while still employed are limited to the Savings pot.
  - Only one withdrawal in a tax year
  - Minimum is R2 000, maximum is the balance in the savings pot.
  - Marginal tax is per the individual.
  - Investment returns can be negative.
  - The more you withdraw before retirement the worse the retirement outcome.



## WITHDRAWAL FROM EMPLOYMENT

- The approach to the three pots is as follows:
  - Vested pot. Old money and subject to old rules. Withdrawal can be preserved (nil tax directive if transferred) or cash benefit subject to tax as per the withdrawal tax tables (see next slide).
  - Savings pot. Subject to the same rules as other savings pot withdrawals. One per tax year and taxed at marginal rate. Or can be preserved.
  - Retirement Pot. Must be preserved, either in the NTRF or transferred to another retirement fund (nil tax directive).



## TAX ON WITHDRAWALS FROM VESTED POT

|                     |   |
|---------------------|---|
| 1 – 27 500          | 0% of taxable income                            |
| 27 501 – 726 000    | 18% of taxable income above 27 500              |
| 726 001 – 1 089 000 | 125 730 + 27% of taxable income above 726 000   |
| 1 089 001 and above | 223 740 + 36% of taxable income above 1 089 000 |



## TAX ON WITHDRAWALS FROM VESTED POT

- Note that in applying the tax table, SARS will consider all previous withdrawals from retirement Funds. The withdrawals from the savings pot are not included!
- You only get the benefit of the R27 500 tax free ONCE!
- The withdrawal may only be R200 000, but you could still be taxed at 36%!



## RETIREMENT

The approach to the three pots is as follows:

Vested pot. Old money and subject to old rules. Up to 1/3<sup>rd</sup> can be taken as a cash benefit subject to tax as per the retirement tax tables (see next slide). Balance must be used to purchase an annuity.

Savings pot. Subject to the same rules as other savings pot withdrawals. One per tax year and taxed at marginal rate. Or can be transferred to the Retirement Pot and used to purchase an annuity.

Retirement Pot. Must be used to purchase an annuity.





## RETIREMENT

If you withdraw the full balance in your savings pot each year the only cash at retirement will be  $1/3^{\text{rd}}$  of the vesting pot.

If you withdraw the full balance in your savings pot each year, you are only saving  $2/3^{\text{rd}}$  of your retirement savings contribution. If in the 4% risk benefit category, this is 13.16% per month. This will be inadequate unless you have 35 to 40 years of savings at this level.



## TAX ON CASH FROM THE VESTING POT AT RETIREMENT

|                     |   |
|---------------------|---|
| 1 – 550 000         | 0% of taxable income                            |
| 550 001 – 770 000   | 18% of taxable income above 550 000             |
| 770 001 – 1 155 000 | 39 600 + 27% of taxable income above 770 000    |
| 1 155 001 and above | 143 550 + 36% of taxable income above 1 155 000 |

Note : Previous retirement lump sums are taken into account.



## OTHER ISSUES

Transfers to other Funds will retain the same allocation to Pots. Current vested pot money transfers to a vested pot, savings pot money to a savings pot and retirement pot money to a retirement pot.

Benefits paid on divorce or in terms of Section 37D are proportional across the Pots.



# Questions





# Fund Contact Information

Member Website: [www.ntrf.co.za](http://www.ntrf.co.za)

## OFFICE OF THE PRINCIPAL OFFICER (Management of the Fund)

Contact the Principal Officer for all escalations of queries

| Physical address  | Telephone    | Email  |
|---|--------------|--|
| Building 2<br>Country Club Estate<br>Woodlands Drive Woodmead | 011 258 8825 | <a href="mailto:info@gobenefits.co.za">info@gobenefits.co.za</a> |

## ADMINISTRATOR (Administrative matters)

Contact the Fund Administrator for all investment and claim queries and other admin-related queries

| Physical address  | Telephone    | Email  |
|---|--------------|--|
| Fund Retirement Administrators<br>The Marc 129 Rivonia Rd Sandown Sandton | 0860 000 071 | <a href="mailto:NTRF@momentum.co.za">NTRF@momentum.co.za</a> |