

# TWO POTS IN PRACTICE

## WHAT YOU NEED TO KNOW

### How will my savings withdrawal be taxed?

You will pay tax on your withdrawal amount, in line with your marginal income tax rate – the rate at which your salary is taxed. So your savings withdrawal will be added to your income, and the total will then be taxed.



#### Example:

**Bongi's** taxable income is **R370 000** a year.

Based on the current income tax table her tax is equal to **R59 997**.

If **Bongi** decides to access a savings withdrawal benefit of **R25 000**, she will be pushed into a higher tax bracket and will be liable for tax of **R67 722**.

**That means Bongi is paying R7 725 MORE TAX!**



### What are the pitfalls of accessing my savings now?

How much would your savings be worth, if you leave them alone, instead of making a withdrawal?



#### Example:

**John**, aged **40**, wants to withdraw **R80 000**.

His retirement savings earn **10%** returns over the long-term. John's retirement date is at age **65**.

If John leaves that **R80 000** alone, when he retires it will have grown to **R866 776**.

Simply put, unless you **DESPERATELY** need access to your savings – unless it is a matter of life or death – rather leave them alone!

