

2-pot system: Key considerations before you withdraw your retirement savings

Issued by [SAICA](#)

27 Mar 2024

The retirement funds industry is poised to implement the long-awaited two-pot system, effective 1 September 2024, granting members partial access to their retirement savings. However, there is a critical need for education and managing members' expectations due to prevalent misinformation. Members must stay informed through their respective funds' communications to understand the process of accessing these funds fully. While many members grasp the concept of a R30,000 withdrawal, other crucial considerations remain overlooked. Kedibone Sono CA(SA), SAICA project director for members in business (technical), sheds light on these considerations, alongside the challenges members need to navigate while assessing their savings.



The actual amount you receive, whether it's R30,000, hinges on your current savings. To initiate your savings pot, a capital seed equivalent to 10% of your existing retirement savings will be made available. Consequently, your withdrawal amount is restricted to this seed capital, capped at R30,000. It's imperative to understand that this amount serves as a ceiling; the 10% seed capital must also be considered. For example, if your retirement savings amount to R100,000, you can only claim R10,000 (10% of R100,000). Similarly, even if 10% of someone's current savings, like R45,000 for R450,000, exceeds R30,000, the withdrawal will be capped at R30,000. Additionally, members should factor in other transactional costs such as administration fees and taxation, which would reduce the net payout they receive.

Another significant concern is access to the savings. Many members anticipate expedited access to their retirement savings, but it's unlikely to happen due to stringent controls implemented by funds to ensure the validity of payments and mitigate fraud risks. Engagements with human capital departments to assist with withdrawals have faced challenges due to the administrative burden associated with the process. Consequently, employees must claim directly from the funds,

increasing the risk of fraud. Members need to adjust their expectations regarding withdrawal turnaround times accordingly.

Although funds are uncertain about the expected volumes, they are preparing their employees and systems based on estimates. Funds will also undertake more targeted educational initiatives to raise awareness and manage member expectations. Members intending to withdraw must engage with their respective funds to update and secure their details against fraud and familiarise themselves with the procedures put in place to access claims securely. The tax implications of these withdrawals remain unclear, and funds need to incorporate such specifications into their systems and communication efforts directed at members.

Finally, there are additional accounting considerations for funds, especially regarding additional disclosures, particularly for funds with a September year-end, there may be a need to highlight subsequent events, potential impact of the system on changes in accounting policies, any contingent liabilities etc. Although the two-pot system may lead to short-term cash outflows, most funds believe it will attract more retirement fund saving participants in the future, as the proposed changes are more favourable. At the heart of the two-pot system is the preservation of retirement fund savings while providing partial access to alleviate financial hardships for members. Members should ensure they fully understand the implications of withdrawing and the impact this has on their remaining vested component and future annuities they would earn from their savings.

" **Directors' role as the cornerstone of the governance ecosystem** 25 Apr 2024

" **2-pot system: Key considerations before you withdraw your retirement savings** 27 Mar 2024

" **Saica launches business podcast to empower small businesses** 19 Mar 2024

" **Accountancy and loss adjusting** 15 Mar 2024

" **Making the auditing profession attractive to Gen Z** 8 Mar 2024

SAICA



SAICA is the professional home of #DifferenceMakers - A community of passionate accountants who are leaders in business, government, and the communities they serve. CA(SA); AGA(SA) and AT(SA).

[Profile](#) | [News](#) | [Contact](#) | [Twitter](#) | [Facebook](#) | [RSS Feed](#)

For more, visit: <https://www.bizcommunity.com>