



CONSOLIDATEDTM
WEALTH GROUP

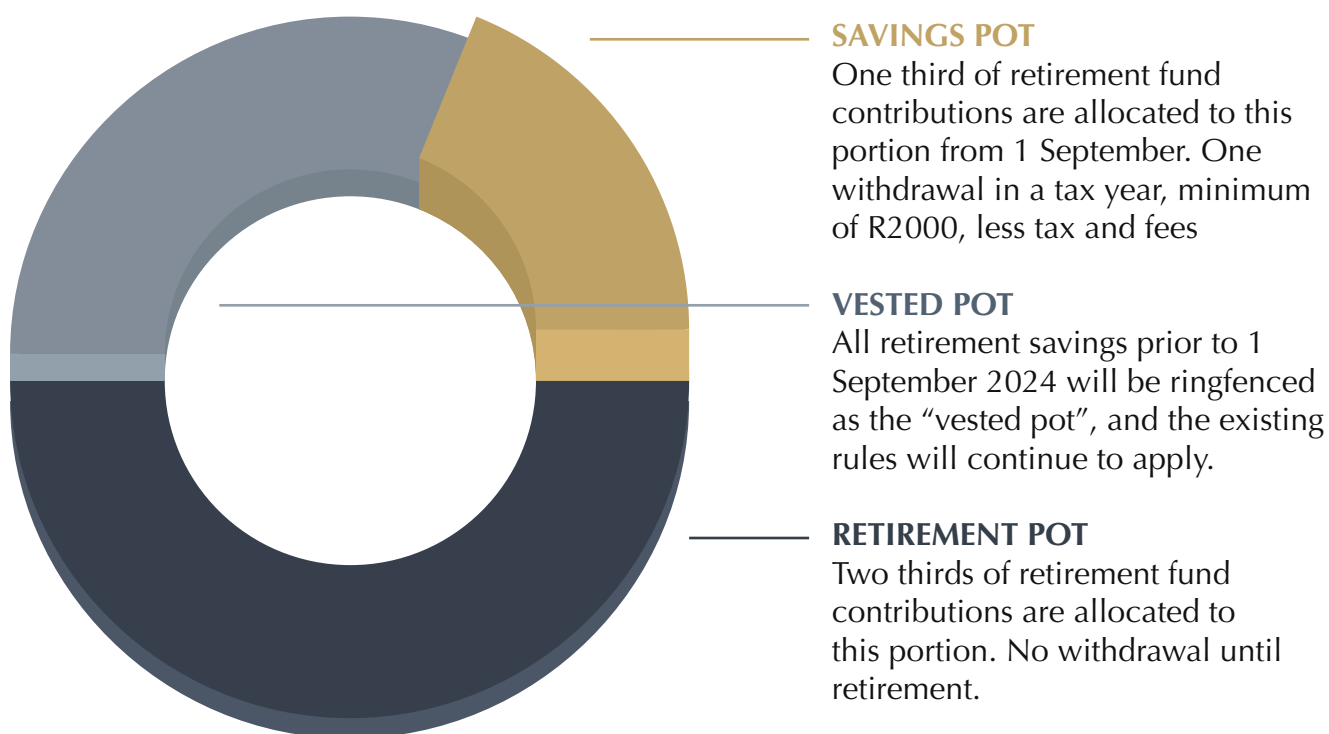


Consolidate Wealth Group

TWO-POT SYSTEM FAQ

Consolidated Wealth (Reg No: 2005/032368/07 FSP: 50462) and Consolidated Evolution (Reg No. 2020/765960/07 FSP 51422) and Consolidated Short Term (Reg No: 2021/480051/07 FSP: 13578) are authorized financial service providers in terms of the Financial Advisory and Intermediary Services Act of 2002.

Group Directors: CP Kiggen, MR Kiggen, RC Langeland-Hansen (Non-executive), C Long, O Balcomb



OVERVIEW

WHAT IS THE TWO-POT RETIREMENT SYSTEM?

The Two-Pot system is a proposed change to South Africa's retirement savings structure to improve financial security, encourage long-term retirement savings and create a structured approach to allow investors limited access to their retirement funds in times of financial distress.

WHEN WILL THE TWO-POT RETIREMENT SYSTEM COME INTO EFFECT?

The proposed effective date is 1 September 2024 and will apply to all retirement funds after that date. Existing retirement savings accumulated before the effective date will not be impacted and the current rules remain applicable.

HOW DOES THE TWO-POT RETIREMENT SYSTEM WORK?

As of 1 September 2024, retirement fund contributions will go into two pots – a retirement pot and a savings pot:

1. Two-thirds of an investor's future contributions will go into the **retirement pot** with no access until retirement.
2. One-third of an investor's future contributions will go into the **savings pot**, with access once every tax year in an emergency/when needed. Should the investor not access this money in their savings pot immediately, it will continue to be invested in their savings pot and earn an investment return until retirement.
3. The funds in the savings pot will be invested in the same investment portfolio as the vested pot and retirement pot.

CAN INVESTORS ACCESS MONEY IMMEDIATELY?

A once-off allocation of 10% of investor's existing fund value (capped at R30 000) will be made into the savings pot as of 31 August 2024. Investors are allowed to have access to these funds from 1 September 2024. If an investor does not access the funds immediately, it will continue to be invested in their savings pot and earn an investment return until retirement. It is important to note that contributions made to existing retirement funds up until 31 August 2024 will go into a vested pot. The current rules will be applicable i.e., there may be a **vested "cash" portion** as well as a **"non-vested" portion** to take the 1 March 2021 rules into account.

WHICH RETIREMENT FUNDS WILL THE NEW LEGISLATION IMPACT?

This new Two-Pot system will affect all types of retirement funds – i.e., pension, provident, retirement annuity, and preservation funds.

WHAT ABOUT INVESTORS WHO ARE 55 OR OLDER ON 1 MARCH 2021?

Investors who are part of a Provident Fund or Preservation Provident Fund and were older than 55 years on 1 March 2021 will have a choice of whether they want to participate in the new Two-Pot retirement system or continue with the old system. Investors need to notify their product provider within one year from 1 September 2024 if they want to participate or not by "opting in" from the communication they receive.

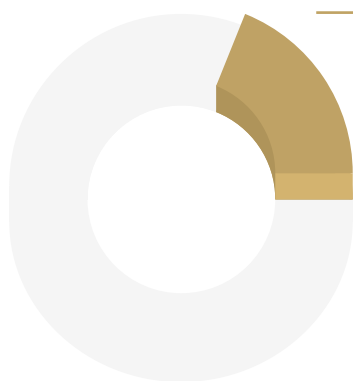
DOES THE ONCE-OFF WITHDRAWAL OPTION WITHIN A PRESERVATION FUND FALL AWAY?

The once-off, full or partial withdrawal option will still apply to the "Vested Pot".

THE DETAIL OF EACH POT



- Two-thirds of an investor's future retirement contribution will be kept for funding their income after retirement. The retirement pot will be preserved until the retirement date.
- The only exception is that if an investor emigrates from South Africa, and they can prove that they have been a non-South African tax resident for three years, then they will be able to access the retirement pot as a lump sum.
- If the total amount in the retirement pot, calculated together with 2/3 of the "non-vested portion" of the vested pot, is less than R165 000 when an investor retires from the retirement fund, they will be able to take the full amount as a lump sum.
- At retirement, the full retirement pot must be used to purchase an annuity to provide the investor with an income.



- 10% of the amount in an investor's vested pot, subject to a maximum of R30 000, will automatically be transferred to their savings pot on the implementation date of the two-pot retirement system.
- One-third of an investor's retirement contribution from 1 September will be allocated to this pot and is accessible for withdrawal once per tax year.
- The withdrawal amount will be limited to the value in the savings pot at the date of withdrawal. The minimum withdrawal amount is R2000.
- Any amount withdrawn from the savings pot will be considered part of an investor's taxable income for the corresponding tax year and will be taxed as gross income at their applicable marginal tax rate. This should be considered when taking any withdrawals as it could negatively impact the tax investors pay and reduce the amount of money they will have at retirement.
- In addition, should there be any outstanding tax due to SARS, this too could be deducted from the requested amount.
- The Withdrawal amount will be split proportionally between the funds.
- A withdrawal administration fee will be charged per withdrawal.
- Investors will be able to take the full balance of the savings pot AND up to 1/3 of their "ring-fenced" vested pot as a cash lump sum at retirement. Any previous provident vested money (pre-1 March 2021 money) can also be taken fully in cash at retirement.
- If investors do not access the funds immediately, it will continue to be invested in their savings pot and earn an investment return until retirement.



- All previous retirement savings as of 31 August 2024 will be ringfenced as the vested pot.
- 10% of the amount in an investor's vested pot, subject to a maximum of R30 000, will automatically be transferred to their savings pot on the implementation date of the two-pot retirement system.
- The current rules will be applicable i.e., there may be a vested "cash" portion as well as a "non-vested" portion.

TRANSACTIONS

WILL I STILL BE ABLE TO DO A SECTION 14 TRANSFER?

The Two-Pot Retirement system should not change your ability to do Section 14 transfers. The transferring fund would need to indicate the values in all the pots, and they would need to be allocated to similar pots in the transferee fund.

WHAT ARE THE PERMISSIBLE & NON-PERMISSIBLE TRANSFERS WITHIN AN INVESTOR'S RETIREMENT FUND?

Funds can be transferred tax-free within the same fund (a) from the vested to the retirement pot; or (b) from the savings pot to the retirement pot.

REPORTING

WHERE WILL AN INVESTOR BE ABLE TO SEE WHAT IS AVAILABLE AND WHAT HAS BEEN WITHDRAWN FROM THE SAVINGS POT?

Investors will be able to see this on their **Retirement Benefit statement**.

HOW WILL THE TAX WORK ON THE SAVINGS POT WITHDRAWALS?

The product provider will request a tax directive from SARS on behalf of the investor on any withdrawals as it will be considered part of their taxable income for the corresponding tax year. They will be taxed at their applicable marginal tax rate.

WILL THE PREMIUM DEDUCTIBILITY BE IMPACTED BY THE TWO-POT SYSTEM?

Currently, the two-pot system will not impact the current tax treatment of retirement fund contributions. Investors can claim a tax deduction for up to 27.5% of contributions capped at R350 000 annually.