

**Press Release: 27 June 2024**

## **Importance of Advice in Two Pot Retirement System**

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From 1 September 2024, the “Two Pot” Retirement System will come into effect, which will see your retirement savings split into a savings and a retirement component. For some, it will, in effect, be a three-pot system as there will also be a vested component of your current retirement savings on 31 August 2024. On 1 September 2024, 10% (Ten percent) of the vested pot, capped at R30 000, will be transferred to your Savings Pot.

Withdrawing from the Savings Pot is not as straightforward as one may think, and there are numerous possible retirement planning and tax implications that one needs to consider, such as:

- All funds allocated to your Vested Pot may be subject to the existing rules.
- This differs from the Savings Pots, where you will have access to a cash portion with its own specific tax implications, as the withdrawn amount will be taxed according to your applicable marginal tax rate.
- Any withdrawals from your Savings Pot at retirement may be subject to retirement tax tables.
- All the while, the funds in your retirement component are preserved for retirement and onward investment into an annuity of your choosing.
- In addition to the tax implications, there is a possible scenario where you will not be able to access any lump sum at retirement if you deplete your Savings Pot before retirement.
- You may still have a vested pot at retirement, where you can access some of this balance as a lump sum, depending on current rules.

Any decision to access funds from your retirement savings must be an informed decision, considering the long-term effects and tax implications.

**Call 0800 114 711 to anonymously report incidences of fraud at the FAIS Ombud**

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Fairness in Financial Services: Pro Bono Publico

Whilst access to your funds in the Savings Pot, and to an extent within the Vested Pot in terms of current rules may be possible, the decision to do so can have significant and long-lasting implications that must be considered.

If the current nature of retirement-related complaints dealt with by this Office is anything to go by, it is vital that one seeks the advice of a registered financial services provider before accessing any funds from the Savings pot or, indeed, the vested component, in the event of an emergency.

A financial services provider registered under the FAIS Act with the Financial Services Conduct Authority must demonstrate that it meets the **“fit and proper”** criteria. The “fit and proper” requirements assess whether an individual is sufficiently ethical, experienced, qualified, and competent to perform his or her role in the financial services industry. In addition, such an entity also falls under the jurisdiction of this Office, which investigates any complaints regarding the advice and/or intermediary service provided.

We further encourage consumers to do their own research to understand the implications of the system and withdrawing funds. Having a basic knowledge of the system will enable the consumer to ask the right questions and understand the answers provided by the advisor. Avoiding problems from the outset is much better than trying to fix them afterwards. Always insist on all the advice being confirmed in writing. Do not rely on any verbal advice or undertaking by an advisor.

*If consumers believe they have been financially prejudiced due to the financial services provided concerning a regulated financial product, they are encouraged to lodge a written complaint directly with the service provider. If the complaint remains unresolved after six weeks, they can visit our Complaints Portal at [www.faisombud.co.za](http://www.faisombud.co.za) and select 'Lodge Complaint.' Alternatively, they may submit a complaint in writing to [info@faisombud.co.za](mailto:info@faisombud.co.za) or call our Client Care Centre at (012) 762 5000 or Sharecall at 086 066 3274 for assistance in submitting a complaint.*