

Planning for Today and Tomorrow:

Understanding Two-Pot Withdrawals

When it comes to retirement savings, every decision matters. The new two-pot system gives you flexibility, but it's important to understand how savings pot withdrawals can impact your long-term financial goals. In this example, we'll meet Thandi who use the **quick calculator** to see what happens if she withdraws R10 000 from her savings pot, you see how much tax she'll pay now and how this choice could affect her income at retirement.

A bit about Thandi, she has:

- R200 000 in her vested pot
- R150 000 in her retirement pot
- R50 000 in her savings pot
- R400 000 total retirement savings
- Thandi's annual salary is R300 000
- Her monthly contributions are R3 500
- Thandi is 30 years old
- Her retirement age is 65
- Her processing fee is R400*.

*This processing fee is for illustrative purposes only.



Thandi has not made any savings pot withdrawals until now.

The results:

Thandi will receive **R7 400** after tax.

Tax paid to SARS = **R2 600**

Thandi will lose out on **R52 533** at retirement because of the **R10 000** once off withdrawal.

Thandi can make up the difference by contributing an extra **R50** a month from now until retirement or work an additional 8 months after her intended retirement age.

Marginal tax rates for tax year ending 28 February 2025

- 18% for taxable income below R237 100
- 26% for taxable income above R237 100**
- 31% for taxable income above R370 500
- 36% for taxable income above R512 800
- 39% for taxable income above R673 000
- 41% for taxable income above R857 900
- 45% for taxable income above R1 817 000



Calculating Thandi's estimated tax is: **R2 600**

* SARS will instruct the amount of tax to be deducted. The amount to be deducted could include arrears taxes too.

If you have other income streams the taxable income used by SARS to calculate the tax on your savings pot withdrawal may be incorrect and you may end up having to pay money to SARS when you submit your tax return.

- Processing fees are between R100 to a maximum of R600 depending on how much you withdraw.
- Processing fees will only apply to members withdrawing money from their savings pot and may be adjusted with annual inflationary related increases.
- The processing fee is deducted from the amount you withdraw from your savings pot. This means the final amount you receive will be reduced by both the fee and the tax paid to SARS.

As you can see, it can be expensive to withdraw money from your savings pot. These withdrawals reduce the amount of cash available when you retire. You may need to have cash available at retirement for emergencies and planned expenses. Your savings pot may also be needed to increase your retirement income. You can get up to R550 000 tax free in cash you take when you retire.



Register for AF Connect

All savings pot withdrawal claims must be submitted on AF Connect. Register for AF Connect **here**.

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>>> Save your savings pot for your future self!

If you have a query or need assistance with any of the information here, contact our Call Centre on 0860 896 768 or email twopotqueries@alexforbes.com.

Please speak to a financial adviser before you make any financial decisions.



Scan this QR code to read more about the two-pot system.

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