

# WHAT YOU NEED TO KNOW TWO COMPONENT RETIREMENT SYSTEM



“ This system is meant to support long term retirement savings while offering flexibility to help fund members in financial distress. ”

National Treasury

## 01 IMPLEMENTATION DATE: 1 SEPTEMBER 2024

Although known as the 'Two Component system' it will be a new three component system. You will have a 'savings component', 'retirement component' and a 'vested component'.



## 02 The new fund contributions will be split between the Savings Component 1/3 and Retirement Component 2/3 from 1 September.

## 03 As a once off, 10% or R30 000, whichever is lower, will be allocated to the savings component from your retirement savings, through seeding.

## 05 AUTO IMPLEMENTATION

The switch to the two-component retirement system will happen automatically, except for Provident Fund and Preservation Provident Fund members who were older than 55 on 1 March 2021, who can choose to join.

## 06 WHICH FUNDS ARE IMPACTED?

All fund types will be impacted, private and public, including pension, provident, retirement annuities and preservation funds.

## 04 CAST IN STONE?

The National Treasury passed the Pension Funds Amendment Bill and the Revenue Laws Amendment Bill, and the president must still sign them into law. A few steps remain in finalising the implementation of the Two Component system, which includes legislative changes to the Income Tax Act (1962) and the Government Employees Pension Law.



## 07 TAX CONSEQUENCES

Pre-retirement withdrawals from the savings component will be taxed at marginal rates.



## 08 PRESERVE & PROSPER

Graduate professionals tend to live 10-15 years longer than the average South African pensioner, which highlights the need for preservation. Consult your financial advisor to understand the benefits of leaving pension components untouched.



## 09 PPS VESTED PROFIT SHARE ACCOUNT: A 'POT' ABOVE THE REST

After 60, the profits you've accumulated through the PPS Profit Share Account. Over the course of your PPS membership may become accessible via the Vested PPS Profit Share Account and can be utilised to supplement your retirement lifestyle in addition to your retirement savings in the **Retirement, Savings and Vested Components**.