TWO-COMPONENT UNPACKED

THE FUTURE OF RETIREMENT

pps FOR PROFESSIONALS SINCE 1941

INVESTMENTS

FAQS FROM OUR WEBINAR

01 What happens upon emigration?

When a member chooses to emigrate, they will have the option to access the balances in both the Vested Components and the Savings Components of their Retirement Funds on the date of their emigration. The Retirement Component within the Retirement Fund will not be accessible for a period of three years following emigration.

02 Should I get divorced, how would this affect my two components?

Divorce orders can currently be applied against a member's retirement savings, and this does not change in the new two component world. A claim in terms of a divorce order against any member's retirement interest will be affected pro-rata across all of the member's components. The introduction of the Two Component system does not alter the legal principles relating to the division of estate upon divorce. It is critical that you notify us if you are in the process of getting divorced so that we may take the necessary steps in relation to your retirement benefits.

03 Which funds will be affected?

The Two-Component retirement system will apply to all retirement funds, including private and public sector funds and excluding old generation or legacy retirement annuity policies.

At PPS Investments this includes our PPS Retirement Annuity, Pension Preservation and Provident Preservation Funds.

There is an exception for members who were invested in a provident fund, or provident preservation fund. If these members where 55 years or older on 1 March 2021 and have stayed in the same fund, they would be excluded from the Two-Component System, unless they choose to opt into the new system.

04 Does the new system apply even if I am already retired?

The Two-Component system applies to all members of retirement Funds, irrespective of their age or retirement status. The only exclusions are those mentioned in Question (3).

For all members, including those that are approaching or in retirement, the existing benefits they have accrued will be housed in their Vested Component and current rules in terms of access, tax and annuitisation will apply. If members are still actively investing any contributions after 1 September 2024, these funds will be allocated to the Savings components (1/3rd) and Retirement components (2/3rds).

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05 How does the savings component withdrawals work if I have multiple policies? And can I let the withdrawal stand over to another year if I don't need it now?

Members are allowed one withdrawal from their Savings Component within a tax year per Retirement Fund and per policy.

Example:
If a member has a PPS Retirement Annuity and a PPS Pension Preservation Fund, they are allowed to do a savings withdrawal on each of these policies. Or if a member has two PPS Retirement Annuity policies, they are also allowed a Savings Component withdrawal from each.

If the member does not withdraw from their Savings Component within the tax year, the opportunity is lost, and they will only be allowed one withdrawal on the policy in the next tax year. The member will however be able to withdraw the full value of the Savings Component, including contributions made in previous tax years.

06 To which component is my Vested Component investment growth allocated?

While no new contributions can be made to vested components after 1 September 2024, the Component will continue to grow in line with investment returns on selected investment options. Similarly, investment growth earned within the Savings and Retirement component will remain within those respective components.

07 Can I pick different funds for each component?

Given the complexity and short timelines to implement the legislation, PPS will initially only allow the same investment options across all components within a policy. However, we are looking to enhance this in future to allow members to have differentiated investment options and strategies for the various components, which may become a bigger need as the Savings components grow.

08 PPS transaction fees applicable?

PPS will not charge any transactional fees on Savings Component withdrawals.
We will continue to aggregate all your PPS investments, including the various retirement fund components, at no additional cost.

Linking investments within your Family Network to reduce the administration fee for the group will also continue to apply.

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09 What are the tax implications of a lump sum withdrawal from the savings component on resignation & retirement?

Taxation of withdrawals from the Savings component differs depending on when this is accessed:

- A withdrawal before retirement, including resignation, is taxed at a member's marginal tax rate.
- A withdrawal at retirement is taxed according to the retirement fund lump sum benefits tax tables.

A member should also remember that they have the opportunity to transfer the value of their Saving component into their Retirement component to be annuitized for income in retirement.

10 SARS tax directives and the impact on withdrawals?

Following the withdrawal from your Saving's Component, we will request a tax directive from SARS and only pay the withdrawal amount after taxes.

If for example, you request a withdrawal of R30 000 from your savings component and your marginal tax rate applied is 36%, you will only receive R19 200 and the R10 800 tax amount will be paid to SARS.

If your tax affairs are not in order with SARS, SARS could hold back any other tax or penalties you owe them.