

# ► Thinking about moving your retirement savings?

Here's what you need to know.

Perfect for those considering fund transfers and wanting to understand the implications.



Everyone's financial situation under the two-pot retirement system involves unique challenges and considerations. These 1-page documents illustrate the potential impacts and outcomes of various decisions, highlighting the importance of personalised financial advice. Consulting with a financial adviser can help you make informed choices to optimise your retirement savings and ensure long-term financial security.



## Siphelile's situation

**Age:** 45

**Employment:**  
Member of X employer pension fund

**Retirement fund balance at 1 Sept 2024:**  
R850 000

**Monthly contribution:**  
R4 500 (R1 500 to savings pot, R3 000 to retirement pot)

## Challenges

Siphelile is considering transferring her vested pot and savings pot to the retirement pot just before retirement.

**She wants to understand the implications of this transfer, including:**

- The impact on her ability to access lump sums.
- The tax implications and overall effect on her retirement strategy.

## Impact and outcomes

Action	Before transfer	After transfer
Vested pot (15 years)	R2 601 179	R0 (transferred to retirement pot)
Savings pot (15 years)	R835 098	R0 (transferred to retirement pot)
Potential lump sum	R1 702 158 (savings pot + 1/3 of vested pot)	R0 (all the money is now in the retirement pot)
Retirement pot (15 years)	R1 479 866	R4 916 143

## Outcome

Once Siphelile has transferred the money to the retirement pot, she cannot reverse it and cannot withdraw a lump sum, which could come in handy in emergencies or to settle debt. Instead, all the money would be used to buy annuities or pensions. If she chooses not to transfer her money, she will maintain flexibility with a potential lump sum of R1 702 158.

## Assumptions

- Retirement fund grows at an annual rate of 8%.
- No further contributions to the vested pot.

## Next steps

Siphelile must consult with a financial adviser to ensure that transferring all her savings aligns with her overall retirement strategy and financial needs.

## Why personalised financial advice is essential

- 1 Unique financial situations:** Each individual faces different financial challenges and needs, influenced by their personal circumstances, retirement goals, and financial obligations. A one-size-fits-all approach to retirement planning can lead to suboptimal decisions that may not align with their long-term goals.
- 2 Impact of decisions on future security:** The decisions you make today, like withdrawing money early, transferring money between pots, or moving abroad, can significantly impact your financial security in retirement. Understanding these impacts requires a thorough analysis of potential growth, tax implications, and accessibility of funds.
- 3 Maximising retirement benefits:** Personalised advice helps ensure that your retirement strategy maximises benefits. Whether it's choosing the right pot for your contributions, deciding when and how much to withdraw, or planning for international moves, tailored guidance can help optimise your retirement savings.
- 4 Navigating complex regulations:** The new two-pot system introduces specific rules and regulations that can be complex to navigate, especially regarding tax liabilities and transfer restrictions. Professional advice can help you understand these rules and make informed decisions.

# ► Planning to move abroad?

Understand how it impacts your retirement savings.



Great for those considering emigration and wanting to know about their retirement fund management.

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## Piet's situation

**Age:** 41

**Employment:**

Member of X employer pension fund

**Retirement fund balance at 1 Sept 2024:**  
R850 000

**Monthly contribution:**

R4 500 (R1 500 to savings pot, R3 000 to retirement pot)

## Challenges

Piet is considering emigrating to the UK before or after retirement.

**He needs to understand:**

- The tax implications and withdrawal rules under the two-pot system.
- The best strategy for managing retirement savings with potential residency changes.

## Impact and outcomes

Component	Pre-emigration option	Post-emigration consideration
Savings pot	Withdraw (taxed at marginal rate, no waiting period).	Accessible, taxed at marginal rate in South Africa.
Vested pot (1 <sup>st</sup> time withdrawal)	Withdraw full amount before formalising emigration.	A 3-year waiting period does not apply to access the money, subject to South African tax obligations at withdrawal lump sum tax tables.
Vested pot (2 <sup>nd</sup> time withdrawal)	Withdraw full amount upon formalising emigration.	A 3-year waiting period applies, dual tax obligations (South Africa and UK) could be resolved by double tax agreement.
Retirement pot	Transfer to retirement pot (requires a SARS tax directive and a 3-year waiting period applies).	A 3-year waiting period applies, dual tax obligations (South Africa and UK) could be resolved by double tax agreement.

## Outcome

Piet must carefully plan withdrawals and transfers to avoid unnecessary taxes and ensure liquidity. By understanding the tax rules in both countries, he can optimise his financial position and manage his retirement savings effectively.

## Assumptions

- Piet plans to become a UK resident and may have to adhere to both South African and UK tax regulations.
- Current tax rates and withdrawal rules apply, with a 3-year waiting period for accessing the retirement pot after emigration.

## Next steps

Piet should engage with financial and tax advisers to determine the best strategy for managing his retirement savings and optimising his financial position based on potential emigration.

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# ► Thinking of withdrawing money from your retirement savings?

Read this first.

For those considering early withdrawals and curious about the impact.



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## Strivan's situation

**Age:** 43

**Employment:**

Member of X employer pension fund

**Retirement fund balance at 1 Sept 2024:**  
R850 000

**Monthly contribution:**  
R4 500 (R1 500 to savings pot, R3 000 to retirement pot)

## Challenges

Strivan is considering withdrawing R30 000 from his savings pot in September 2024.

**He needs to understand:**

- The long-term impact of this withdrawal on retirement savings growth.
- Tax implications and administrative fees associated with the withdrawal.
- Options for maximising retirement savings if he retires but does not withdraw for five years.

## Impact and outcomes

Time period	Original savings pot balance	After withdrawal	Shortfall
1 September 2024	R30 000	R0	R0
5 years	R169 152	R125 072	R44 080
10 years	R415 913	R351 146	R64 000
15 years	R835 098	R739 933	R96 000

## Outcome

Withdrawing R30 000 will reduce future retirement savings due to lost compound interest and tax liabilities. If Strivan delays further withdrawals, his savings could grow significantly, providing a larger lump sum and higher annuity potential. By keeping the savings invested, he could have up to R835 098 in 15 years compared to only R739 933.

## Assumptions

- The savings pot and retirement pot grow at an annual rate of 8%.
- Withdrawals are taxed at Strivan's marginal tax rate.

## Next steps

Strivan should engage with a financial adviser to assess whether the immediate need to withdraw money outweighs the long-term benefits of keeping his savings invested.

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