NJMPF

Fund Insight

Your news update - August 2022

Access to your retirement savings

National Treasury released the Draft Revenue Laws Amendment Bill of 2022 on 29 July 2022. The Bill proposes to introduce the "two pot system" for retirement funds with effect 1 March 2023. This is aimed at enabling retirement fund members to save for non-retirement emergencies through their retirement funds, whilst preserving more savings for retirement.

Here is what you need to know about the "Two Pot" system.

Retirement funds will be required to allocate contributions to a new "retirement pot" and a "savings pot" from the effective date, which is proposed to be, 1 March 2023.
To effect these changes, the Income Tax Act will include the following new definitions: "savings pot", "retirement pot", and "vested pot".

Let us unpack what these definitions mean

The Savings Pot

Up to 1/3 of contributions can flow to the "savings pot", while the remainder must flow to the "retirement pot".
There will be no seed finance into the "savings pot", i.e., no transfer of a lump sum from "vested pot" for immediate access.
Amounts contributed to the "savings pot" can be accessed annually but only one withdrawal can be made during any twelve-month period.
The minimum withdrawal amount is proposed to be R2 000.00. These withdrawals will be subject to the fund rules allowing them.
Any funds available in the "savings pot" at retirement or death can either be withdrawn in full or transferred to the "retirement pot".

The Vested Pot

There will be a "vested pot" applicable to the value of funds that exist prior to the effective date.
Individuals who resign from their employment will be able to access the value of their pension fund or provident fund as at 1 March 2023, plus any growth on that amount. Members of preservation funds will still be able to utilise their once -off withdrawal on amounts (and growth) within those funds.
All prior contributions and growth will have to be valued at the date immediately prior to the effective date to enable vesting of rights.
The vested rights provisions relating to members who were members of provident funds on 1 March 2021 will remain intact. No further contributions can be made to the "vested pot" of funds, except for members of provident funds who were 55 years or older on 1 March 2021, as they are able to contribute those funds until they either leave the fund or retire.

The Retirement Pot

Amounts contributed to the "retirement pot" cannot be accessed before retirement and must be paid in the form of an annuity (including a living annuity). The current minimum amount for purchasing an annuity (de minimus of R165 000) will apply to the retirement pot.

The Fund is closely monitoring developments around this Bill and will keep members informed and updated of any developments.