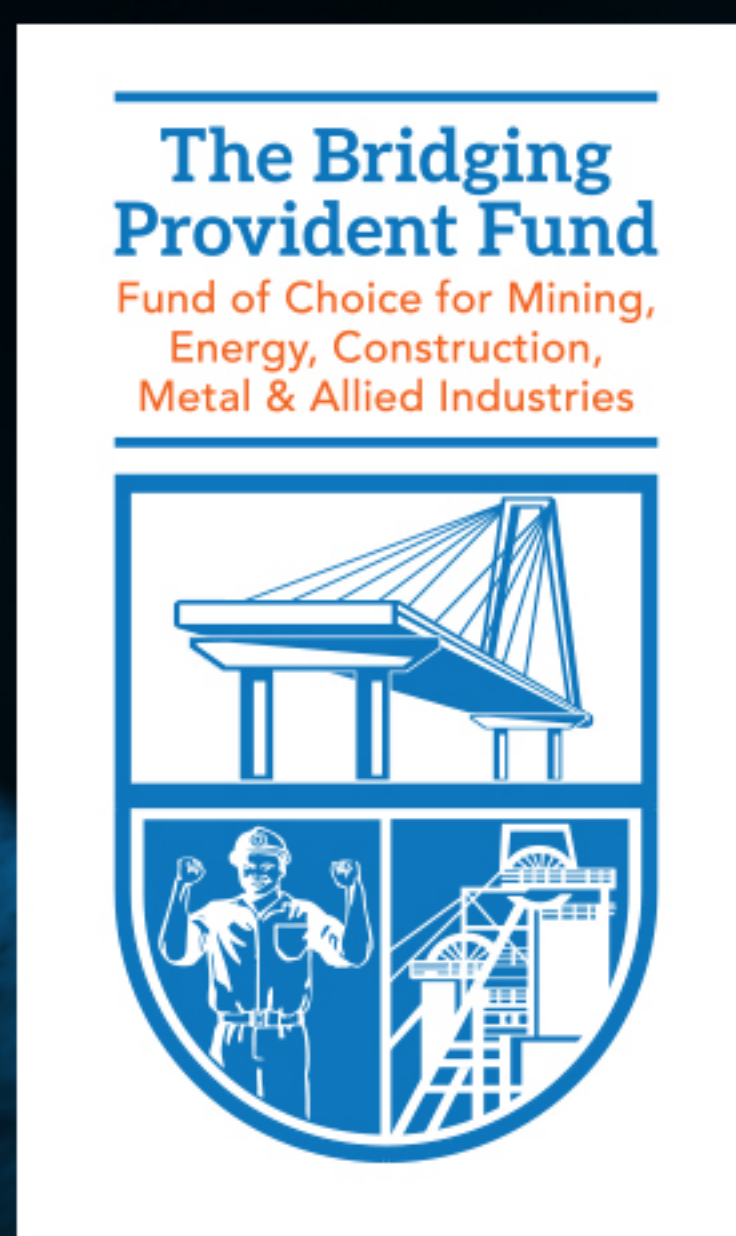




The Two-Pot retirement system Empowering your savings and retirement

The Bridging Provident Fund is set to implement the two-tot system on September 1, 2024. This innovative approach to retirement savings is designed to enhance the financial security and flexibility of its members.

This structure aims to balance immediate financial needs with the essential goal of long-term wealth accumulation for retirement. The two- pot retirement system is designed to provide members with greater flexibility and control over their retirement savings while promoting long-term preservation.

Overview of the Two-pot system

The introduction of the Two-pot system marks a significant transformation in how retirement contributions are managed, offering both immediate access to funds for short-term needs and ensuring sustained growth of savings for retirement. Your retirement savings in your Fund will be divided into three components, savings, retirement and a vested component.

What will happen on the 1st of September 2024

The pot system will create three distinct pots of money within your retirement fund. Starting September 1, 2024, your retirement contributions will be divided into three distinct pots:



VESTED POT

- This pot contains all retirement savings accumulated before September 1, 2024, when the new system is implemented.
- The existing rules and benefits that applied to these pre-existing retirement savings will continue to apply to the vested pot.
- Funds in the vested pot can be transferred to the new retirement pot on a tax-free basis.

SAVINGS POT

- One-third of new contributions after September 1, 2024 will be allocated to this pot.
- Members can make one withdrawal per tax year from this pot, with a minimum withdrawal of R2,000. Withdrawals are taxed at the member's marginal tax rate.
- The remaining balance in the savings pot at retirement can be taken as a lumpsum or used to purchase an annuity.
- Members have the ability to allocate up to 10% of their vested funds, with a maximum limit of R30,000, as seed capital into this savings pot.

RETIREMENT POT

- Two-thirds of new contributions after September 1, 2024 will be allocated to this pot.
- Funds in this pot cannot be accessed before retirement and must be used to purchase an annuity at retirement.

The vested pot - Bridging the transition

This pot encompasses the balance of members' funds accumulated under the previous system before the implementation of the Two-Pot System.

Transition Dynamics - A portion of the vested pot, specifically up to 10% or a maximum of R30,000 (whichever is lesser), will be eligible for transfer to the savings pot. This allows for immediate withdrawal if necessary, under the same conditions as other savings pot funds. The remainder of the vested pot will be governed by the old system's rules until the member opts to integrate these funds into the new system.

Savings Pot

The savings pot is designed to provide liquidity and financial relief in times of need before retirement. This accessibility is crafted to assist members in managing unexpected financial burdens without derailing their long-term retirement goals.

Access and Taxation - Members can withdraw from the savings pot once annually, provided their balance exceeds R2,000. These withdrawals are taxed at the member's marginal income tax rate, discouraging frivolous use and ensuring that the facility is utilised for genuine emergencies. At retirement, members have the option to withdraw the remaining balance in this pot as a cash lump sum or convert it into a pension through purchasing annuities.

Retirement Pot

The Retirement Pot is strictly for retirement savings, focusing on the long-term growth and preservation of members' wealth. This pot is foundational to providing financial stability and a reliable income in retirement.

Access - The funds in this pot are locked until the member reaches retirement age. Upon retiring, the accumulated amount in this pot can only be used to purchase a pension income, either through a life annuity or a living annuity, ensuring that members receive a steady income throughout their retirement years.

Implementation and transition

Members under the age of 55 at 1 March 2021

For members under the age of 55 as of 2021, the compulsory transition to the two-pot system will include the allocation of 'Seed Capital' from their existing savings. This seed capital will help establish the initial balance in the savings pot, ensuring that all members start with a functional amount to meet potential short-term needs.

Members over the age of 55 at 1 March 2021

For members who were over 55 years old on March 1, 2021, and remain members of the same retirement fund, the two-pot system does not automatically apply. These members must actively choose or opt in to have the two-pot system apply to them. Members will have twelve months from the implementation date to make this decision.



Preparing for the Change

- Members are encouraged to verify and update their contact details with the Bridging Provident Fund to receive timely updates about the new system.
- Members should review their long-term savings goals and consider how the new system might require adjustments to their financial planning strategies. this decision.

Claim Process:

1. Manual Submission: Claim forms can be submitted directly to Batho Retirement Advisors.

2. Online Submission: Claims can also be processed through the fund's official website.

Two Pot System - FAQs

How are withdrawals taxed?

Withdrawals from the Savings Pot are taxed at the member's marginal rate in the year of withdrawal.

What are the limits for withdrawals?

Members can withdraw a minimum of R2,000 annually from the Savings Pot.

Can I access my funds immediately?

Immediate access is available under specified conditions, particularly for funds transferred to the Savings Pot.

How does the Savings Pot work for emergency withdrawals?

The Savings Pot allows you to withdraw funds for emergencies once per year, provided your balance is over R2,000. These withdrawals are taxed as regular income to discourage unnecessary use and ensure the funds are available for true emergencies.

Can I use the Retirement Pot before I retire?

No, the Retirement Pot is strictly for your retirement years. It's designed to provide you with a steady income once you stop working and can only be accessed when you reach retirement age.

What happens to my contributions if I change jobs?

Your contributions in both the Savings and Retirement Pots remain intact and will be transferred under your name in the Bridging Provident Fund system. You retain full rights to these funds, regardless of employment changes.

How are the funds in the Vested Pot treated under the new system?

The Vested Pot contains your accumulated savings before the new system starts. You can transfer 10% of your benefit or a maximum of R30,000, to the savings pot for immediate use. The rest remains in the Vested Pot and is governed by the previous system's rules until you decide to retire.

Two Pot System - FAQs

What are the specific tax implications for withdrawing from the Savings Pot?

Withdrawals from the Savings Pot are added to your taxable income for the year and taxed at your marginal tax rate. This means the more you withdraw, the higher your potential tax liability could be.

Is there a penalty for not using the Savings Pot?

There is no penalty for not using the funds in your Savings Pot. In fact, allowing your funds to accumulate in this pot can be beneficial as it gives you a financial cushion for unforeseen expenses without disrupting your long-term retirement savings in the Retirement Pot.

Can I contribute more than the mandatory contributions to either pot?

Yes, additional voluntary contributions are encouraged and can be allocated according to your preference to either the Savings Pot or the Retirement Pot. These additional contributions can significantly enhance your financial security in retirement.

How is the Seed Capital calculated, and when is it transferred to the Savings Pot?

Seed Capital is calculated as 10% of your total accumulated retirement savings as of August 31, 2024, capped at R30,000. This amount will be transferred to your savings pot on September 1, 2024, to provide you with immediate liquidity under the new system.

Is it possible to move money within pots with the same fund?

Yes, you can transfer money from your vested pot into your retirement pot, and you can also move funds from your savings pot into your retirement pot. However, it is not possible to move money out of the retirement pot.