University of South Africa Retirement Fund

Planting the right seeds on the two-pot retirement system

Agenda (everybody's got one...)

- The objectives & structure of the two-pot retirement system
- Considerations before you withdraw
- Withdrawals: Tax, fees & process
- Member frequently asked questions

Objectives of the two-pot system: The South African Reality

- South Africa’s current unemployment rate is roughly over 33%
- It is not uncommon for a single income earner to support a huge household
- At the same time, only 6% to 10% of South Africans retire with enough income to live comfortably - the rest live below the poverty line, or depend on family or charity
- Let’s have a quick look at how and why we have ended up with the two-pot retirement system…

Recent Changes, & What 2-Pot Rearranges…

Did you know that the average working South African holds 4 to 7 jobs in their lifetime?

(Forget about vested rights for the moment, & let's understand the principle of what has been happening!)

Remember 1 March 2021? (Nobody blames you if you don't…)

Alignment of pension & provident funds for ALL new members after 1 March, BUT leakage on resignation remained…

And now with two-pot?

Emergency savings access annually (1/3rd of contributions monthly plus seeding); & 2/3rds contributions => compulsory preservation until retirement

Hard Truth?

Two-pot addresses a very real current South African situation:

I can't feed/ clothe/ shelter my family today, but I am forced to save for when I am 60. Maybe I must resign, take it all & try to find another job?

VERSUS

I've got a new job offer…

- I can manage, but it's a struggle so let me take it.
- YOLO!! I want to live my best life!

… (fast forward 25 years)…

EISH!!! I'm 60 with so little saved…

Two-pot offers a balance...

But if you don't need it, DON'T TAKE IT!!

Your three pots as at 1 September 2024…

VESTED POT - (old rules apply)

Savings to 1/3/2021: up to 100% cash at retirement;
Contributions from 1/3/2021 to 1/9/2024 + return – annuitise 2/3rds at retirement;
Exit pre-retirement? Up to 100% in cash

Seeding

SAVINGS POT

RETIREMENT POT

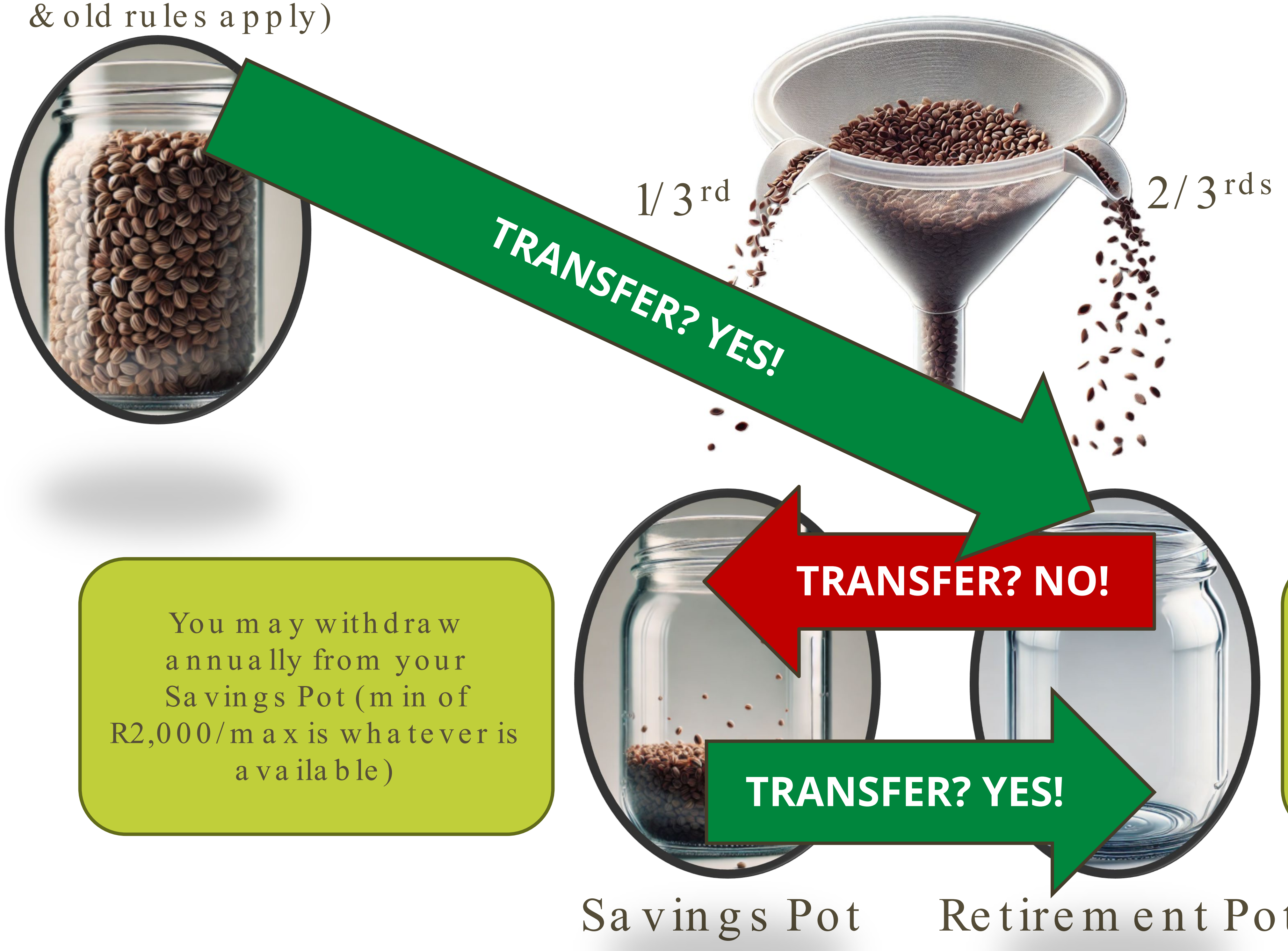
An initial seeding amount of 10% of your savings as at 1 September, capped at R30,000, will be transferred to your savings pot.

Your retirement pot will initially be empty.

Your three pots after 1 September 2024…

VESTED POT (less max of 10%/ R30k & old rules apply)

Monthly Contributions



You may withdraw annually from your Savings Pot (min of R2,000/max is whatever is available)

You will only be able to access your retirement pot **AT RETIREMENT (even you change jobs)**

ALL of this money is invested in your investment portfolio, & will continue to earn investment return

If you move jobs, you can transfer your different pots to THE SAME POTS in your new Employer's Fund.

You can transfer from your Savings Pot & your Vested Pot INTO your Retirement Pot, but NEVER the other way.

Your three pots: exit pre-retirement …

VESTED POT - (old rules apply)

You may take full amount in cash; taxed at ***withdrawal tax table***

Seeding

SAVINGS POT

You may take full amount in cash; taxed at **marginal tax rates**

RETIREMENT POT

You **may not take any cash**. Must leave in UNISARF/ tfr to new Employer or Pres Fund

Your three pots: AT RETIREMENT…

VESTED POT - (old rules apply)

***Unless you were 55 or older on 1 March 2021*, *split* into :**

- Savings till **1 March 2021** - up to full amount in cash.
- Savings **from 1 March 2021 till 31 August 2024**: annuitise at least 2/3rds & up to 1/3rd in cash (**retirement tax table**).

SAVINGS POT

You may take full amount in cash; taxed at **retirement tax table**

RETIREMENT POT

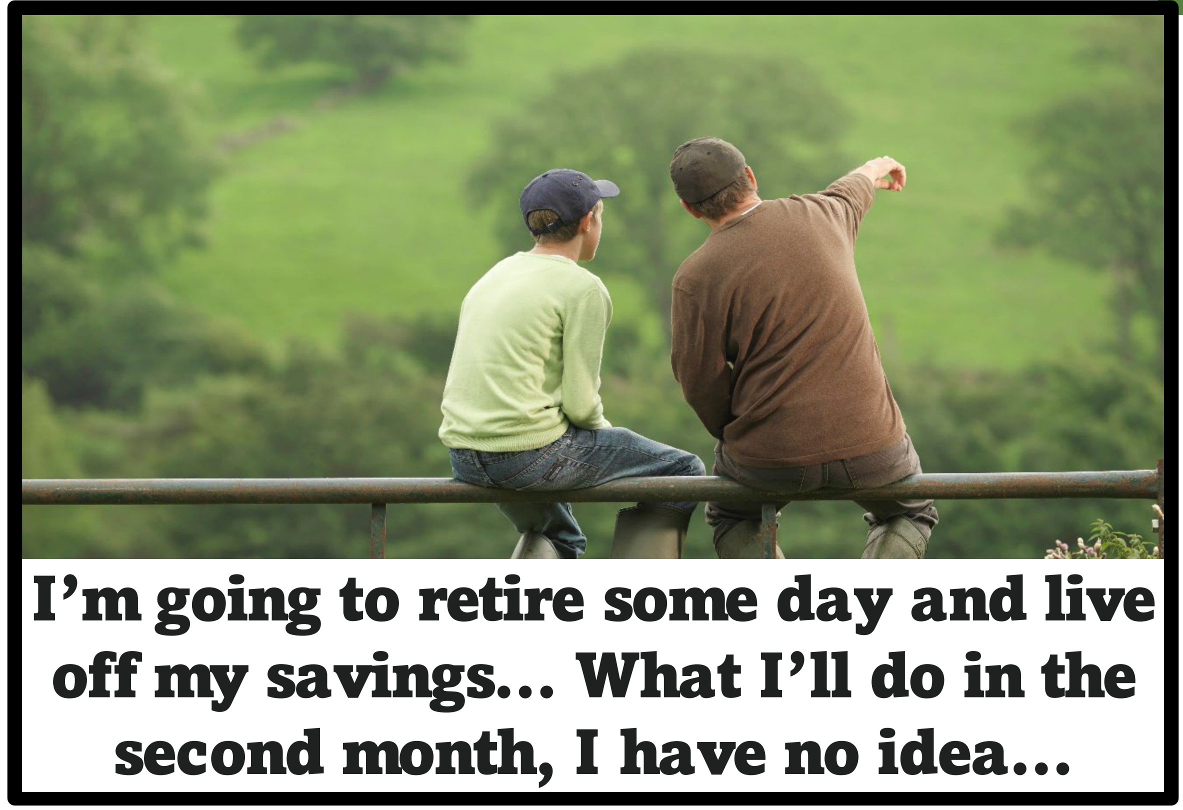
Must use to buy a pension income!

Exceptions

Are you a member that has a defined benefit underpin?

The two-pot system will affect your benefit a little differently.

Please refer to the special communication sent to you in this regard.



Were you 55 or older on 1 March 2021?

All Members who were 55 years or older on 1 March 2021 will be ***excluded*** from the two-pot system unless they decide to opt in.

To opt in, members will need to complete an opt-on form before 31 August 2025 (www.unisarf.co.za -> Forms -> Two-Pot Opt In Form)

Remember…

- Withdrawal from savings pot annually (1 March to 28 Feb – the tax year).
- You must have a minimum of R2,000 in your savings pot to withdraw.
- A withdrawal is not allowed if there will be insufficient funds to:
  - pay any maintenance orders
  - pay divorce orders
  - pay employer judgments against the member

Let's meet Mary…

Mary: Aged 50 yrs old
Benefit value of R580 000 on 31 August 2024 & contributions = R6 000 a month

On 1 September 2024: the Fund will create a savings pot & a retirement pot for Mary. The Fund will calculate 10% of her value (R58 000) but the Fund will transfer only **R30 000** to her savings pot.

Going forward her R6 000 monthly contributions will be split 1/3rd (R2 000) to her savings pot & 2/3rds (R4 000) to her retirement pot. Going forward Mary will have three pots, all with different characteristics as per below as at 1 September 2024:

VESTED POT

- Balance remaining: R550,000
- NO NEW CONTRIBUTIONS
- Retains its rights
- Continues to grow

SAVINGS POT

- Balance of R30 000
- 1/3rd of all new contributions
- Once a year can draw minimum of R2 000
- Withdrawals are taxable

RETIREMENT POT

- Balance of R0
- 2/3rds of all new contributions
- Cannot be accessed in cash
- Annuity income at retirement

What to Consider before withdrawing? Example

If Mary withdraws R30,000 on 1 Sept 2024 and withdraws what is available from her savings pot (R24,000) every year until retirement, she will retire with R1,638,300. If she took no withdrawals until retirement, she would retire with R2,665,000. **That's R1,026,700 difference at retirement, almost 40% difference!**

What does this mean in term of pension income? If you had to buy a basic life annuity (age, gender, market conditions etc. will impact this):

R1,026,700

You might receive around **R4,500** per month

R2,665,000

You might receive around **R12,000** per month

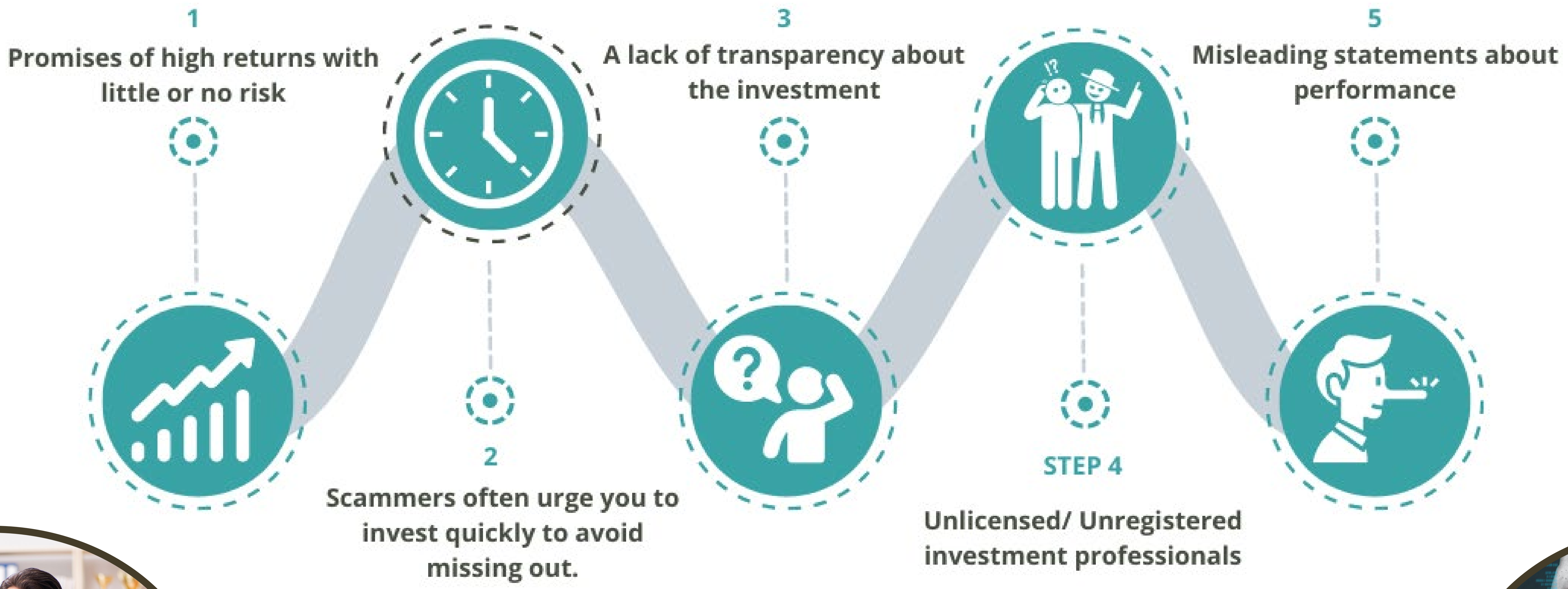
FUN FACT: Global life expectancy has more than doubled in the last 100 years

How long are your savings going to need to fund your life after you stop earning a salary?

FUN FACT: Women live on average 4 to 7 yrs longer than men

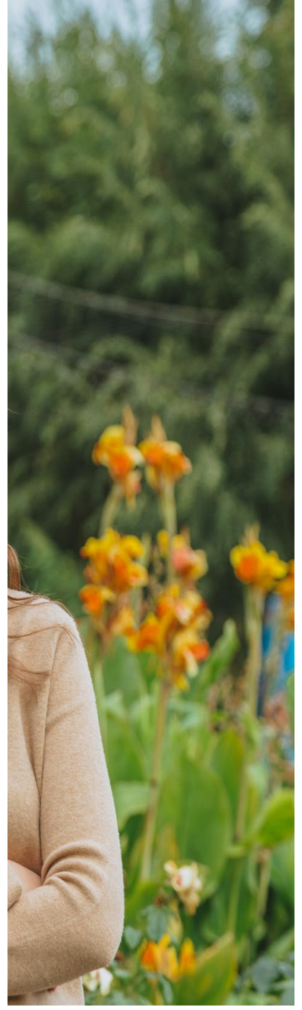
What to Consider before withdrawing?

5 Signs of an Investment Scam



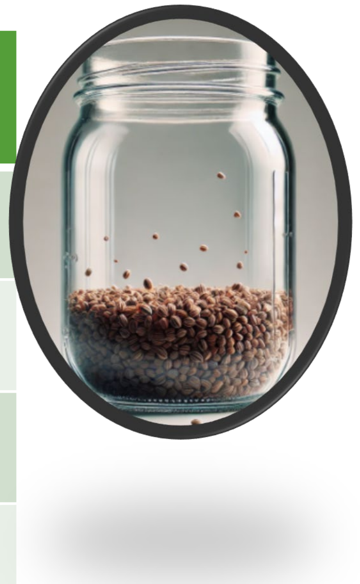
You are not the only person that wants your money!

Tax



Savings Pot withdrawals are considered **INCOME.** Taxed when you take cash pre-retirement from savings pot on ***marginal tax table (why?):***

Taxable income (R)	Rates of tax (R)
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000



Vested Pot withdrawals taxed when you take cash at **pre-retirement exit** on ***withdrawal tax table:***

Taxable income (R)	Rate of tax
1 – 27 500	0% of taxable income
27 501 – 726 000	18% of taxable income above 27 500
726 001 – 1 089 000	125 730 + 27% of taxable income above 726 000
1 089 001 and above	223 740 + 36% of taxable income above 1 089 000

Savings Pot withdrawals taxed when you take cash at **retirement** on ***retirement/ severance tax table:***

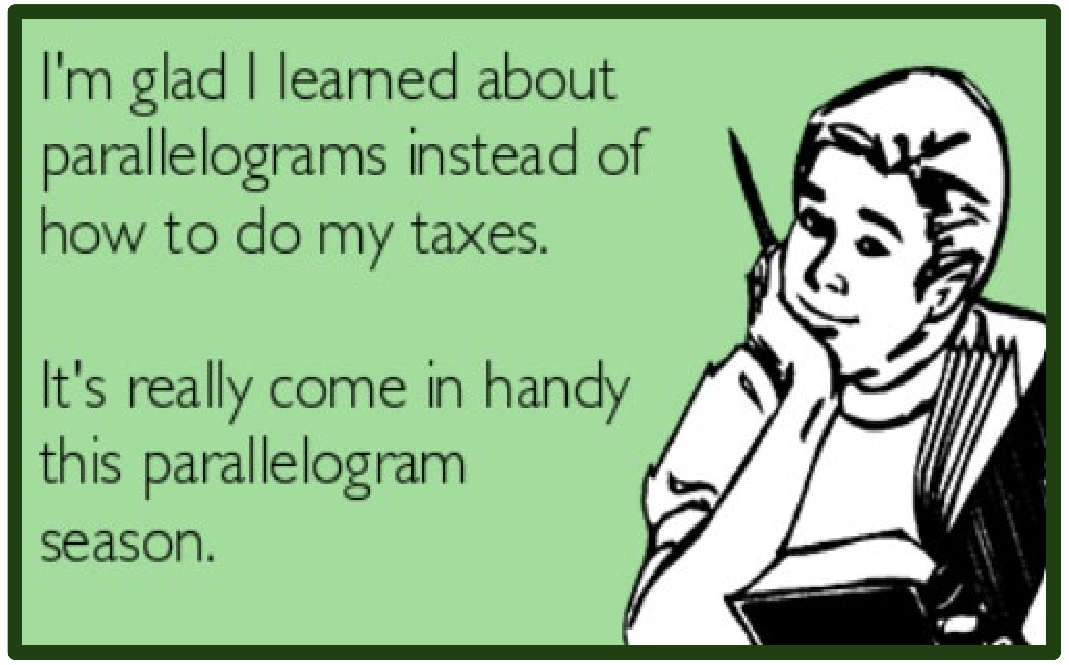
Taxable income (R)	Rate of tax
1 – 550 000	0% of taxable income
550 001 – 770 000	18% of taxable income above 550 000
770 001 – 1 155 000	39 600 + 27% of taxable income above 770 000
1 155 001 and above	143 550 + 36% of taxable income above 1 155 000

Ta x

- **Alexander Forbes** will apply to SARS for a tax directive for any savings pot withdrawals

- Members will need to **pay any additional outstanding taxes** as well (IT88 – includes outstanding penalties & arrear assessed tax owing to SARS).

- It is **YOUR RESPONSIBILITY** to understand your tax situation before cash in your savings pot – you can ask SARS for a ***Statement of Account*** via e-filing, their digital channels or their WhatsApp number 0800 11 7277.



If SARS declines the tax directive, or issues an IT88, the administrator MUST abide by it.

Tax: *Example*

Meet Bongi...

Bongi earns R360,000 a year. According to the tax table, she pays 18% on the first R237,100 + 26% on the income above that:

Taxable income (R)	Rates of tax (R)
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500

If she withdraws the full R30,000, it will push her income for the year to **R390,000**. The 26% tax rate will apply up to R370,501, but above that, she will pay **31%**. So of the R30,000, she will pay 26% on the first R10,501, but the remaining R19,499 will be taxed at the **higher 31% income tax rate.**

Fees

- The fee for savings pot withdrawals between R2 000 and R5 000 will be R100 per withdrawal.

- The fee for savings pot withdrawals higher than R5 000, will be 2% of the withdrawal amount before tax, limited to a maximum fee of R600 per withdrawal.

Examples:

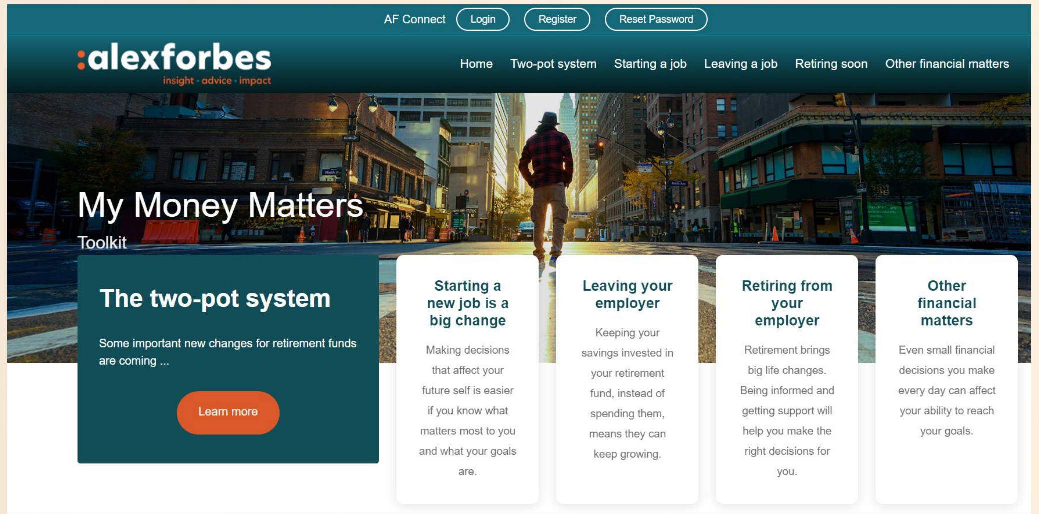
- ✓ For a member withdrawing R4 500 the fee is simply R100
- ✓ For a member withdrawing R18 000 the fee would be R360
- ✓ For a member withdrawing R30 000 the fee would be R600

The above fees are applicable effective 1 September 2024 and will be reviewed annually.

Withdrawal Process

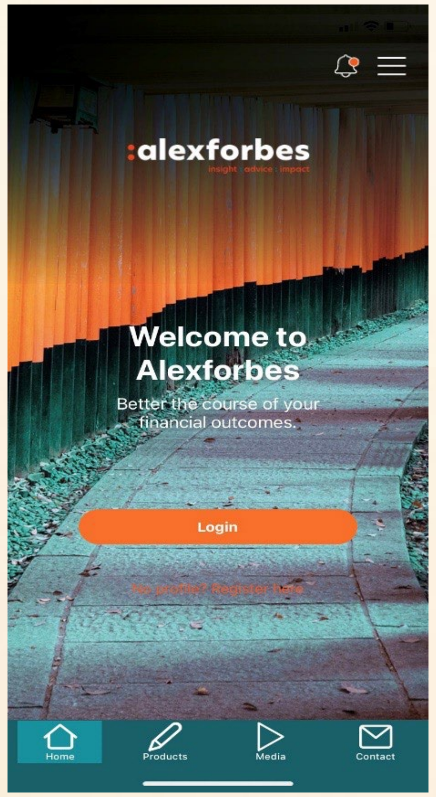
In order to claim, Members will need to claim individually via Alexander Forbes. There will be 3 options available:

Currently no claim submission, balance enquiries etc. only



AF Connect/ AF Online

Download on the App Store
GET IT ON Google Play
EXPLORE IT ON AppGallery



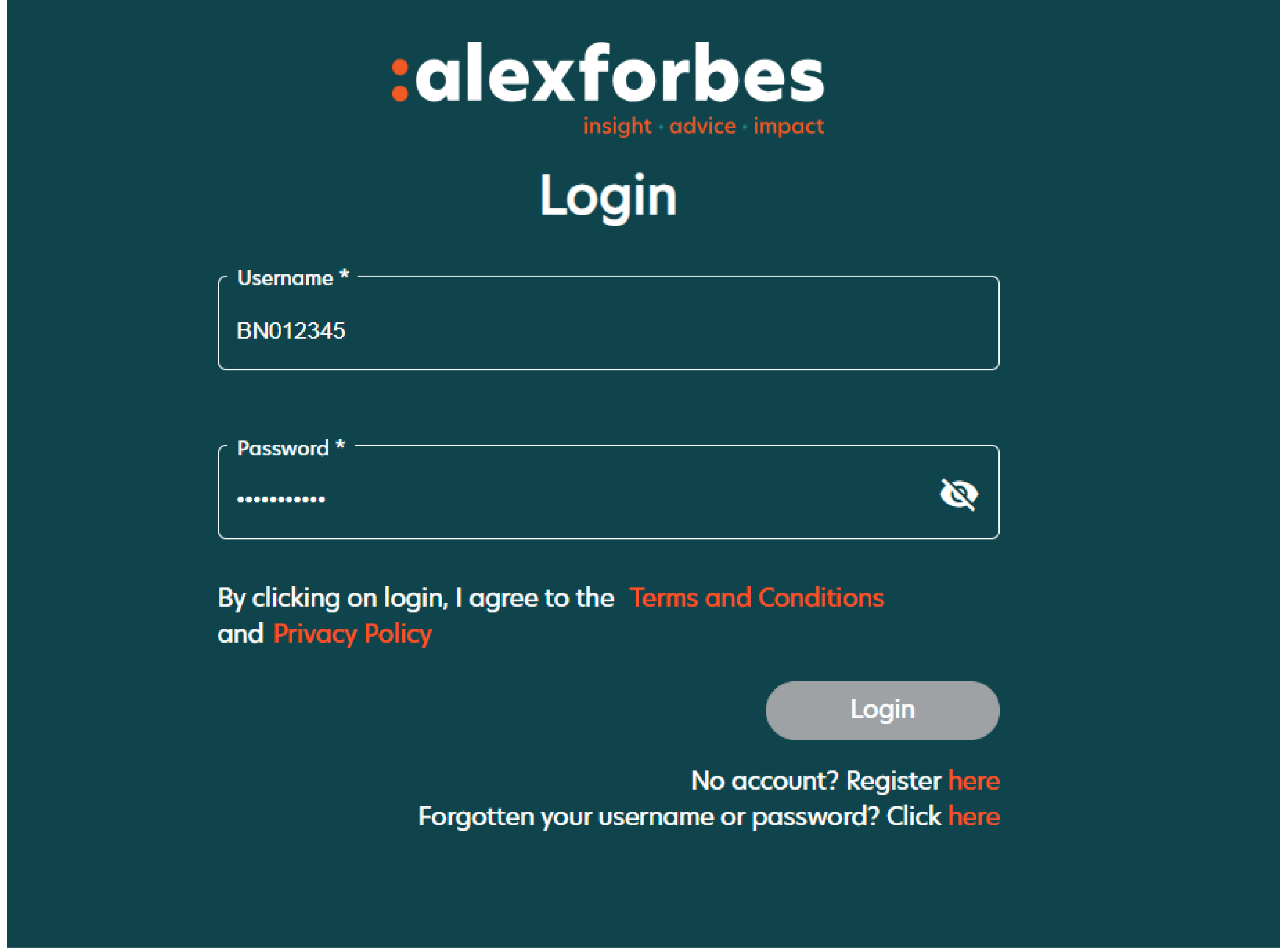
AF Mobile App

AF Whatsapp self-service

+27 60 043 9601: Type **Help**, select **Register** and follow the menu prompts

AF Connect can be accessed directly on https://online.alexforbes.com/af-connect or via My Money Matters on https://mymoneymatters.alexforbes.com/

AF Connect - Registration



- If you have not registered, click the “Register here” link below the Login button
- Your **username** will be your ID number **OR** your e-mail address
- You need to create your own password:
  - ***N.B*** Your password **may not contain your name or surname**

Registered but forgot your username/ password?

- Click on the link below the registration link. You can have your username or password sent to either your e-mail address or cell. If BOTH have changed, you need to contact the contact centre.

Claims Process – It's all you baby!

Once logg… …n check the available amount in your Savings Pot
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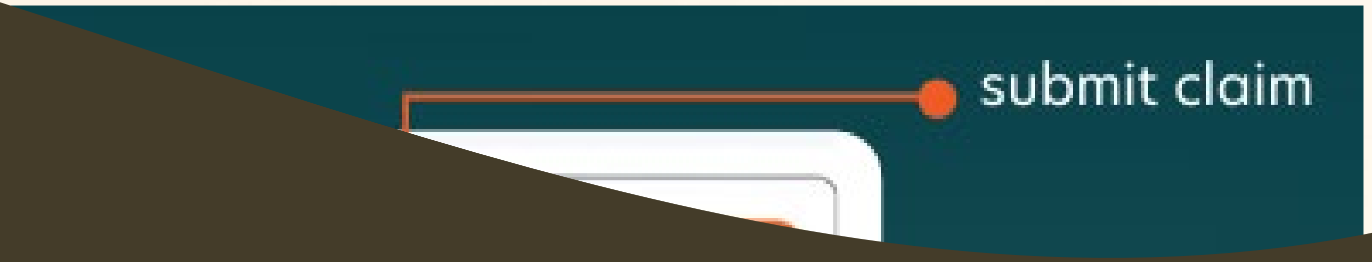

Yo…
pr…
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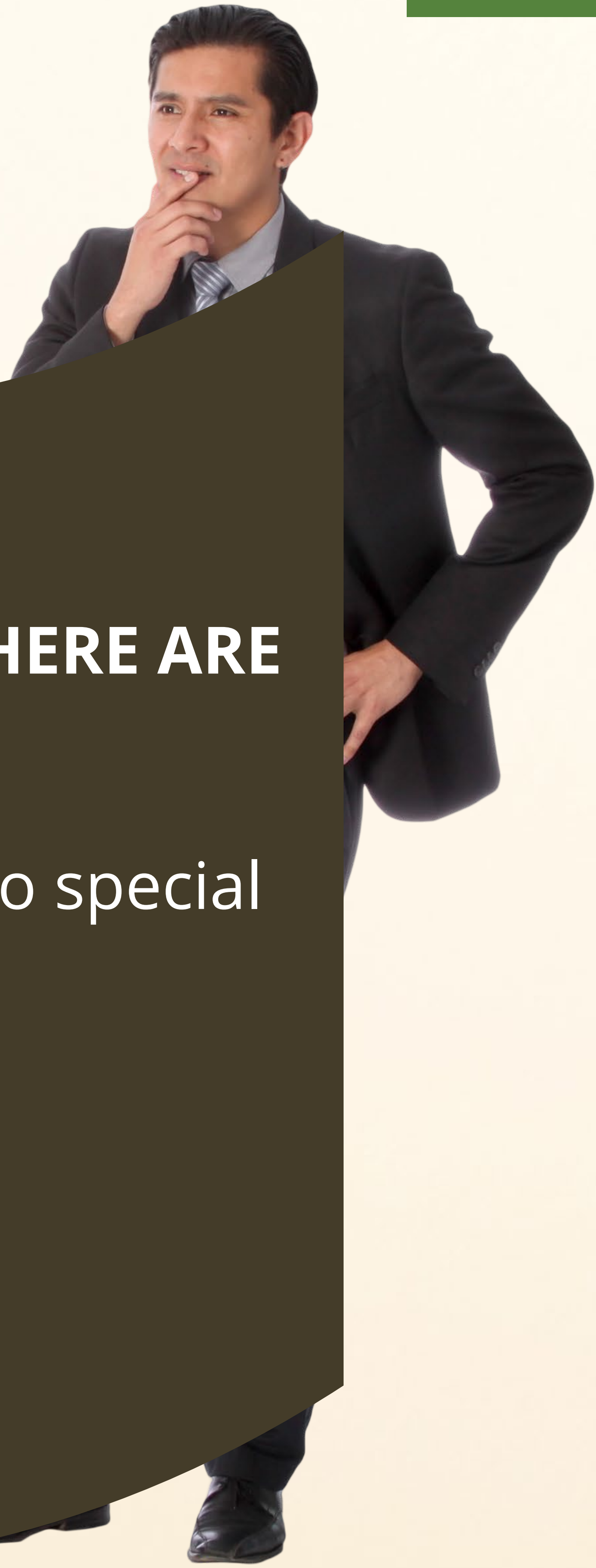
2nd…

N.B. IT IS EXPECTED THAT CLAIMS WILL TAKE 45 DAYS TO PAY OUT, ASSUMING THERE ARE <u>NO</u> ISSUES WITH THE CLAIMS PROCESS.

Members with Defined Benefit underpins may have a longer turnaround time due to special calculations required.

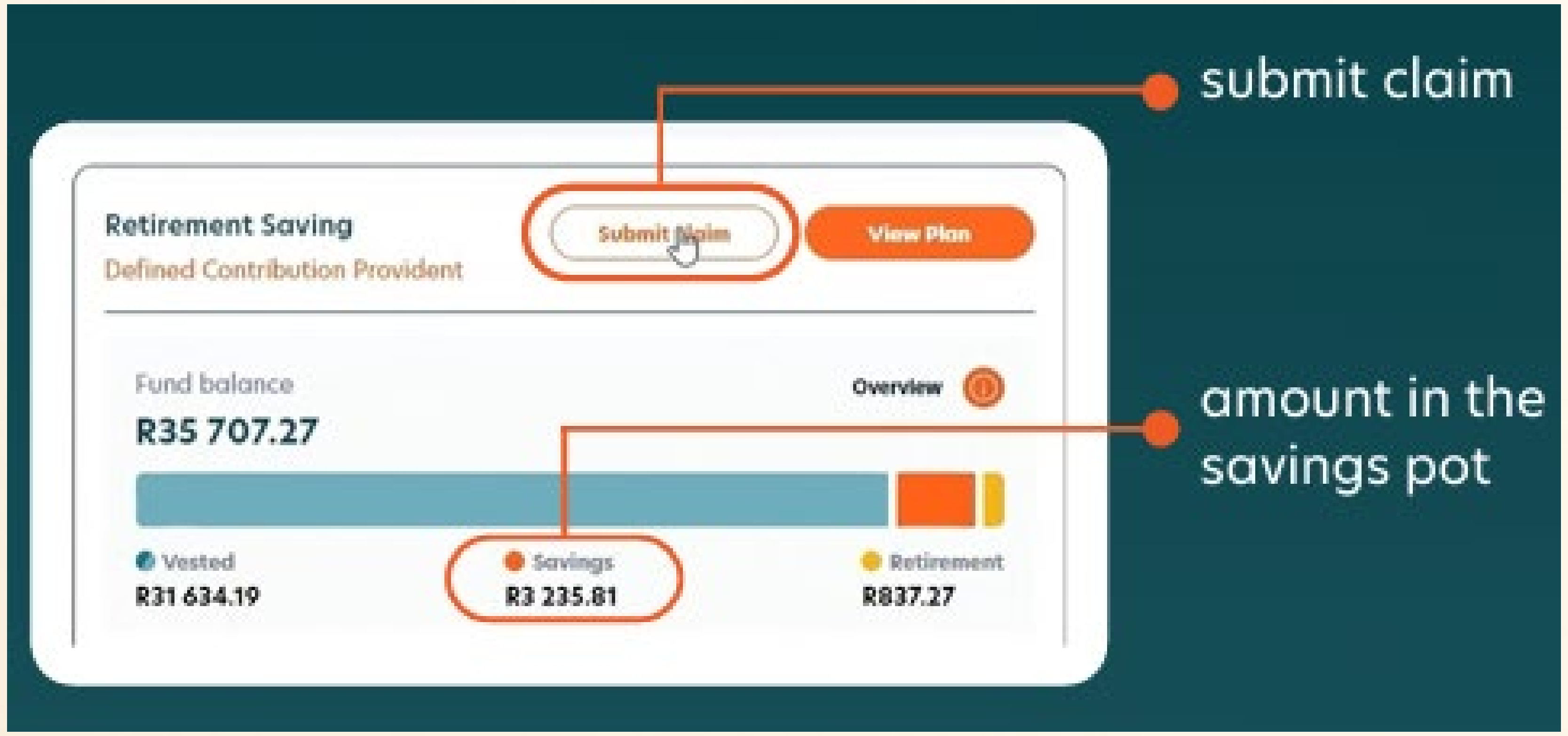
Yo…
mu… …n upload the required docum…



- ID or passport document
- Proof of tax (e.g. tax certificate)
- Proof of bank (e.g. 3 months bank statements or bank confirmation letter)

Claims Process – It's all you baby!

Once logged in to AF Connect, you can check the available amount in your Savings Pot & submit a claim (if you have more than R2,000). Follow the necessary prompts.



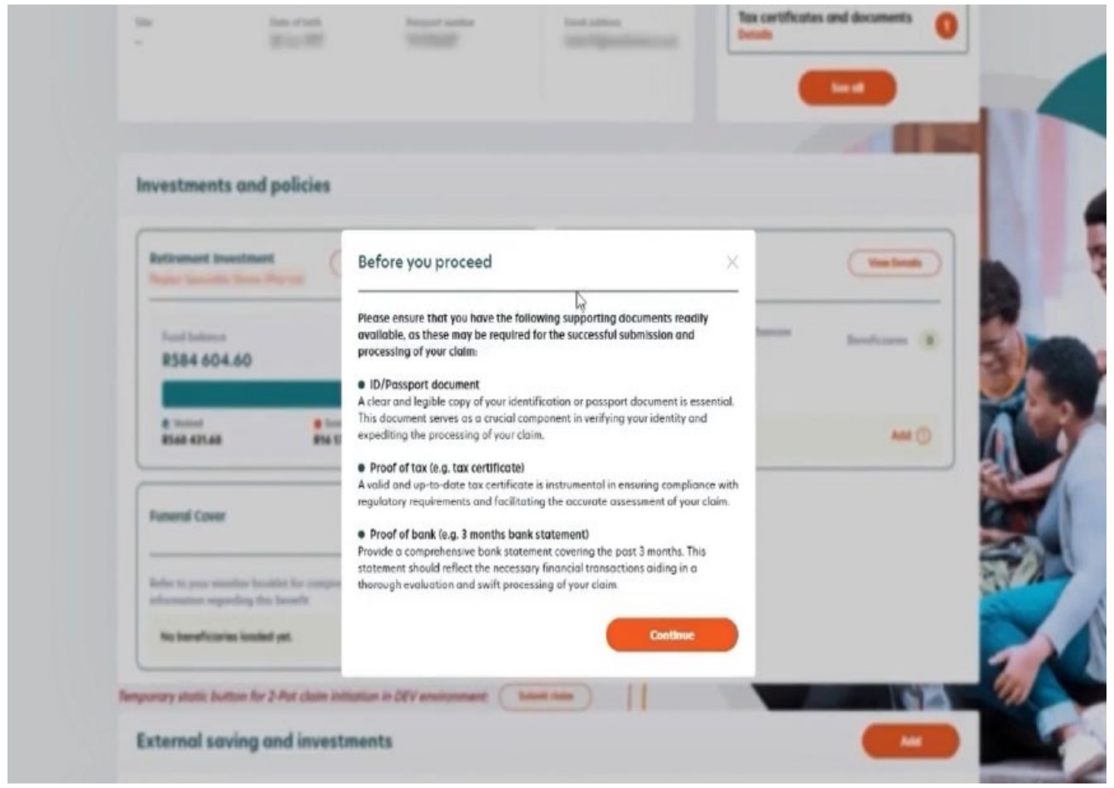
You may go through an authentication process (multiple choice from data AF has) to ensure you are you! 80% pass needed, or you are locked out for 24 hrs. 2nd failure => contact AF.

You may need these documents if the validation fails during the claim submission - must then upload the required documents to submit your claim:

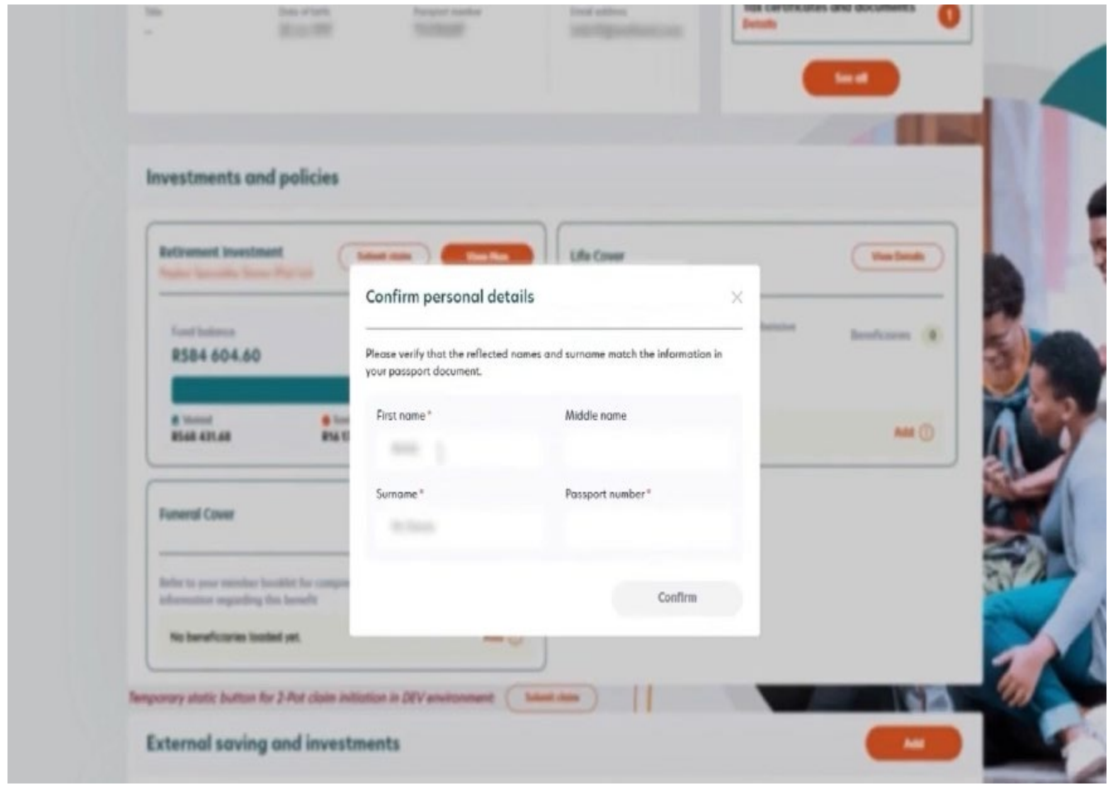
- ID or passport document
- Proof of tax (e.g. tax certificate)
- Proof of bank (e.g. 3 months bank statements or bank confirmation letter)

AF Connect – Claims Process

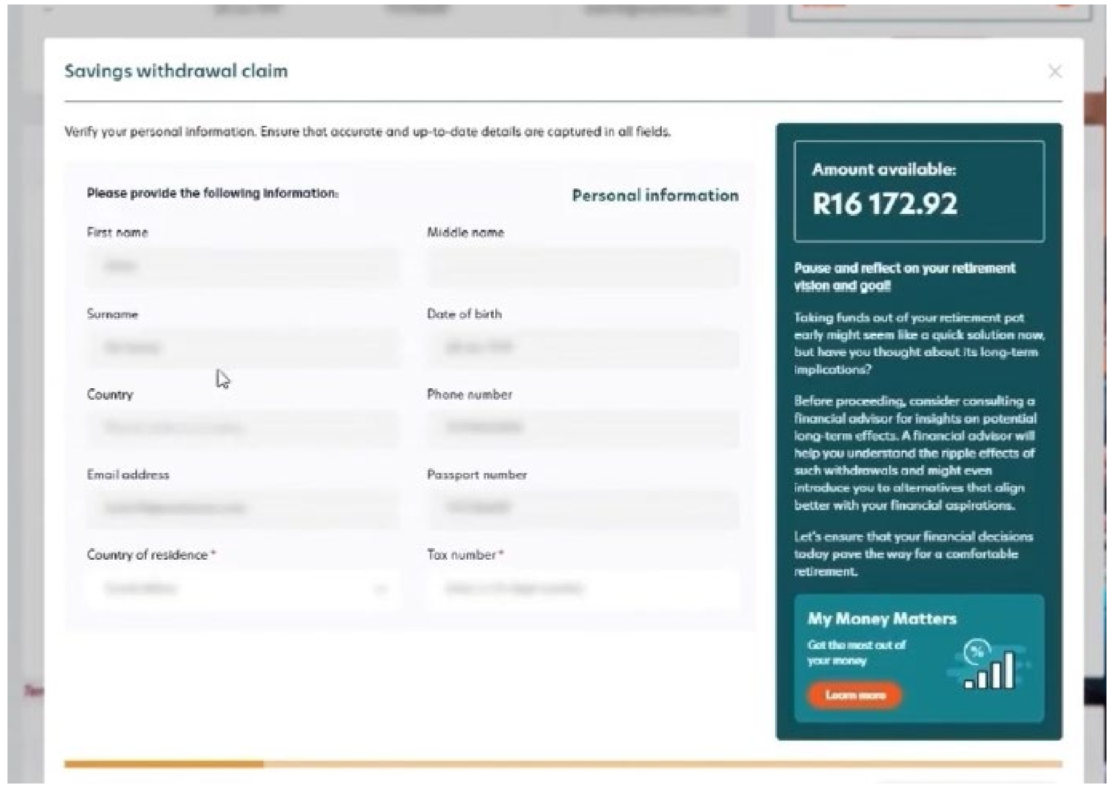
1. Get Docs Ready



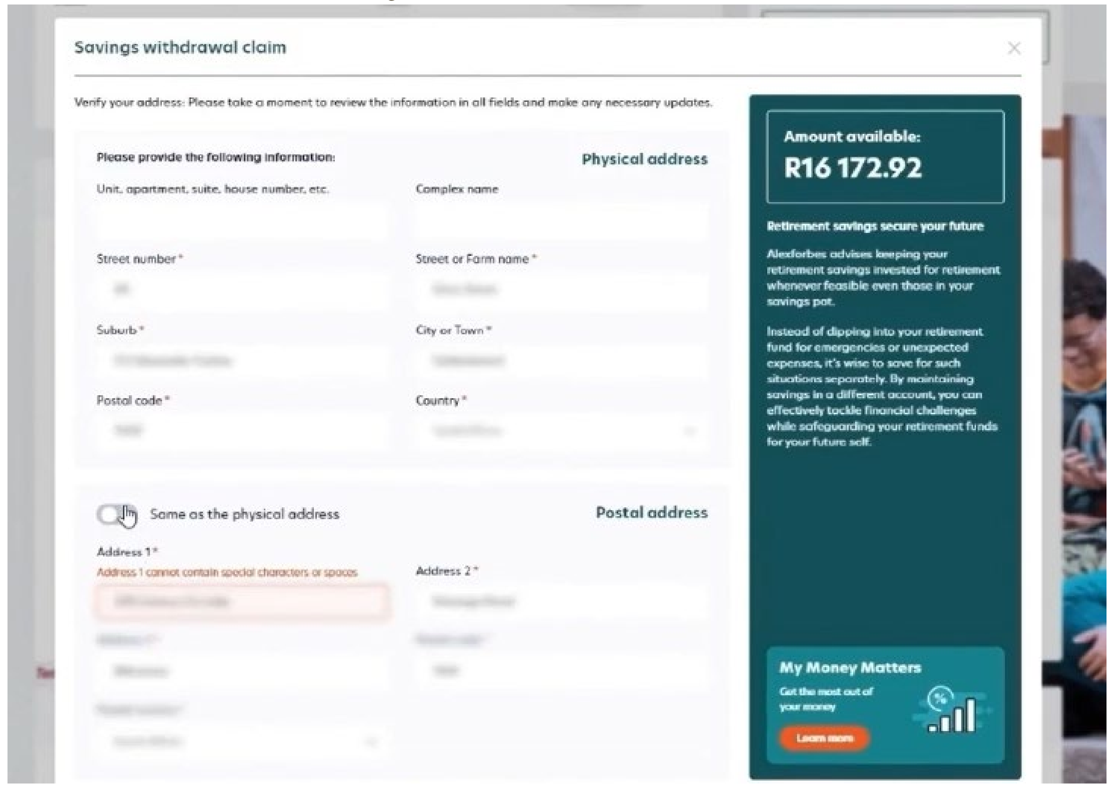
2. Confirm Personal Details



3. Confirm Tax & Contact Details

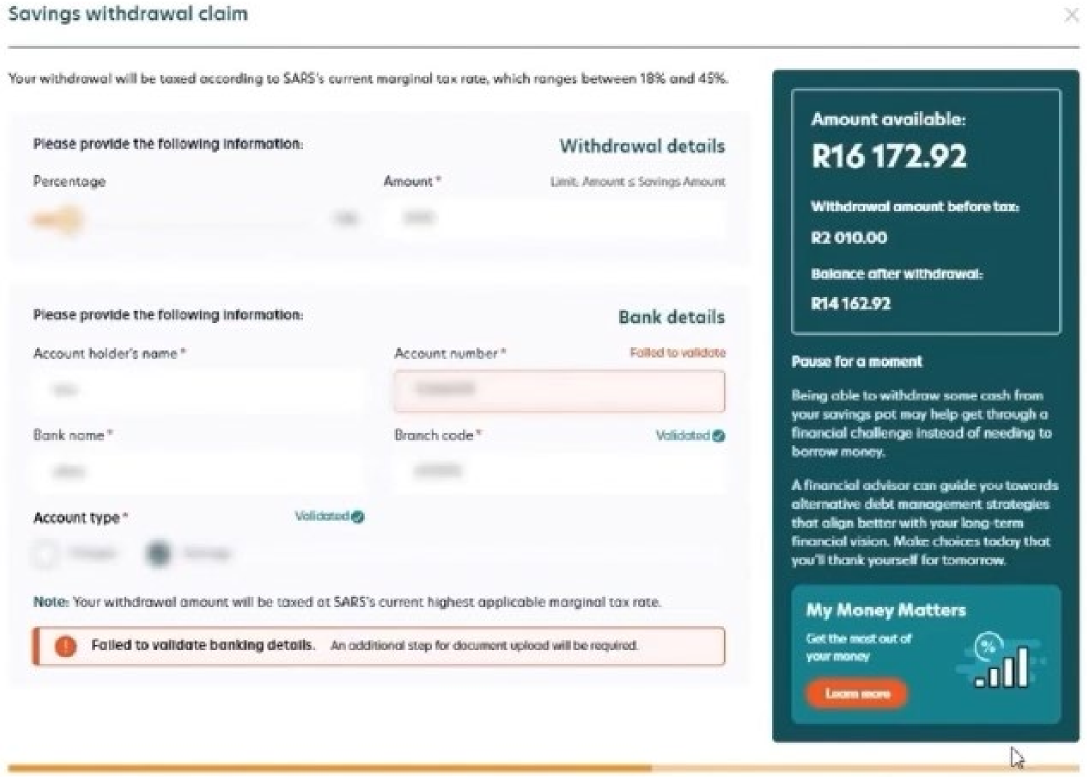


4. Confirm Physical & Postal Address

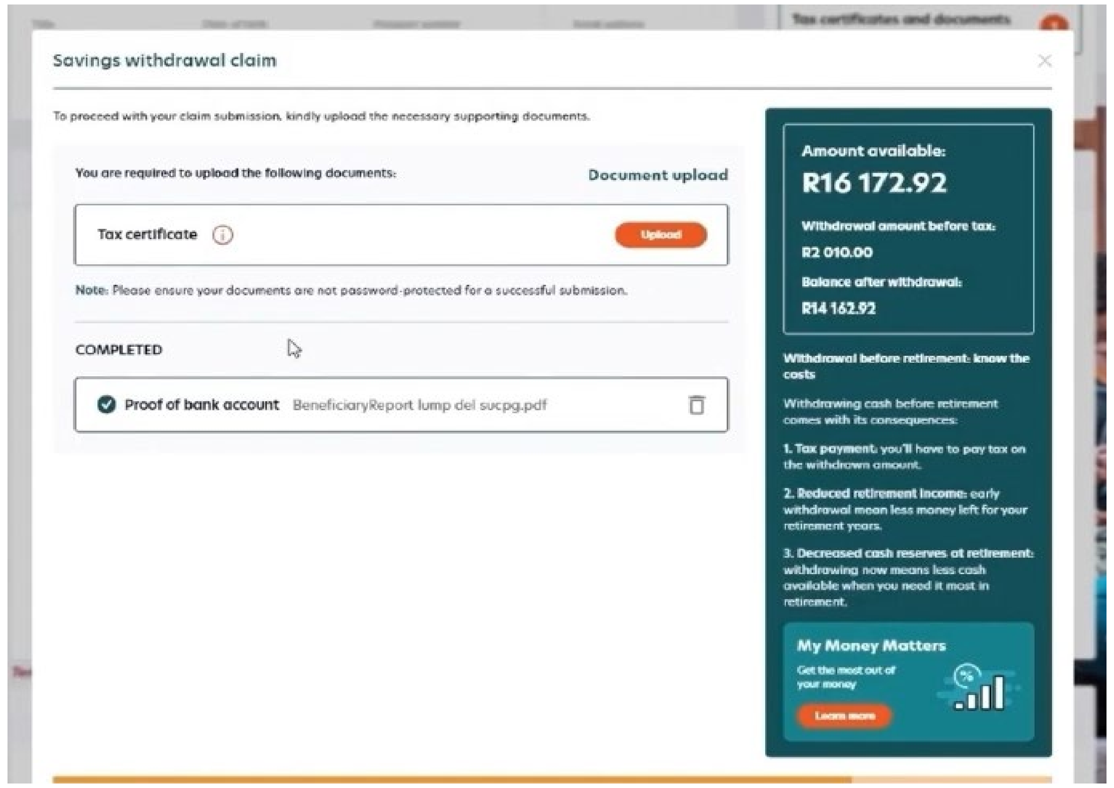


AF Connect – Claims Process

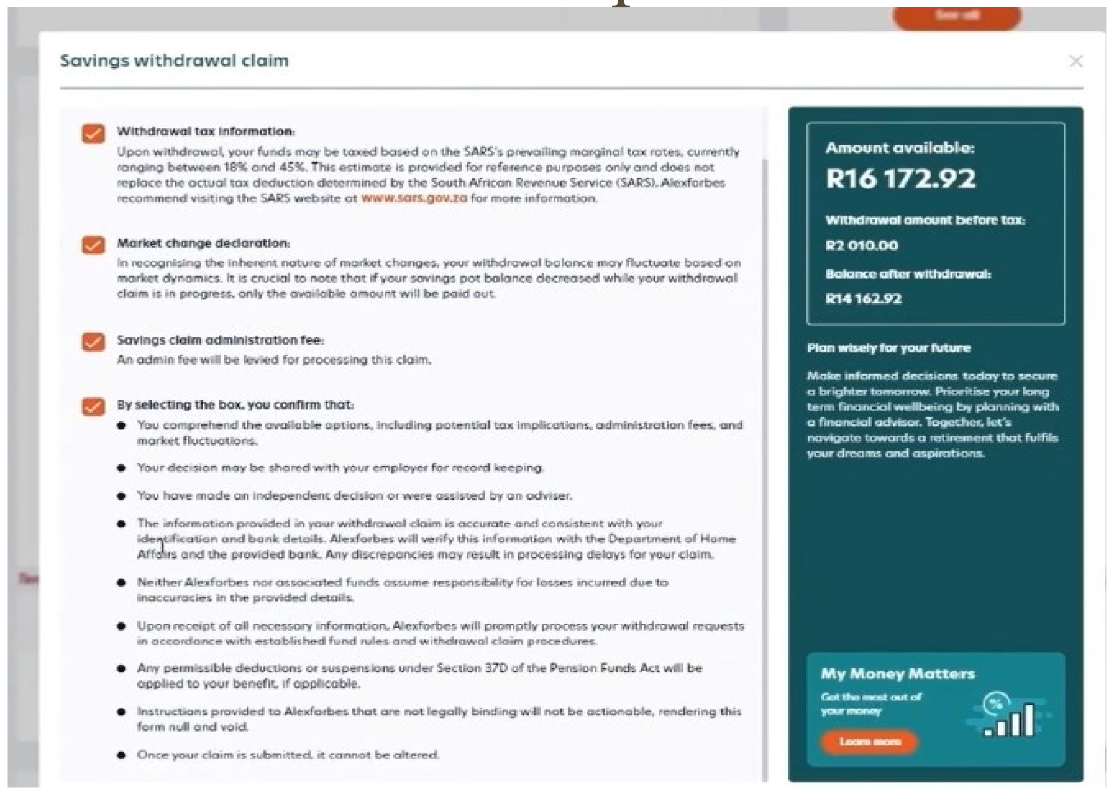
5. Claim Amount & Banking Details



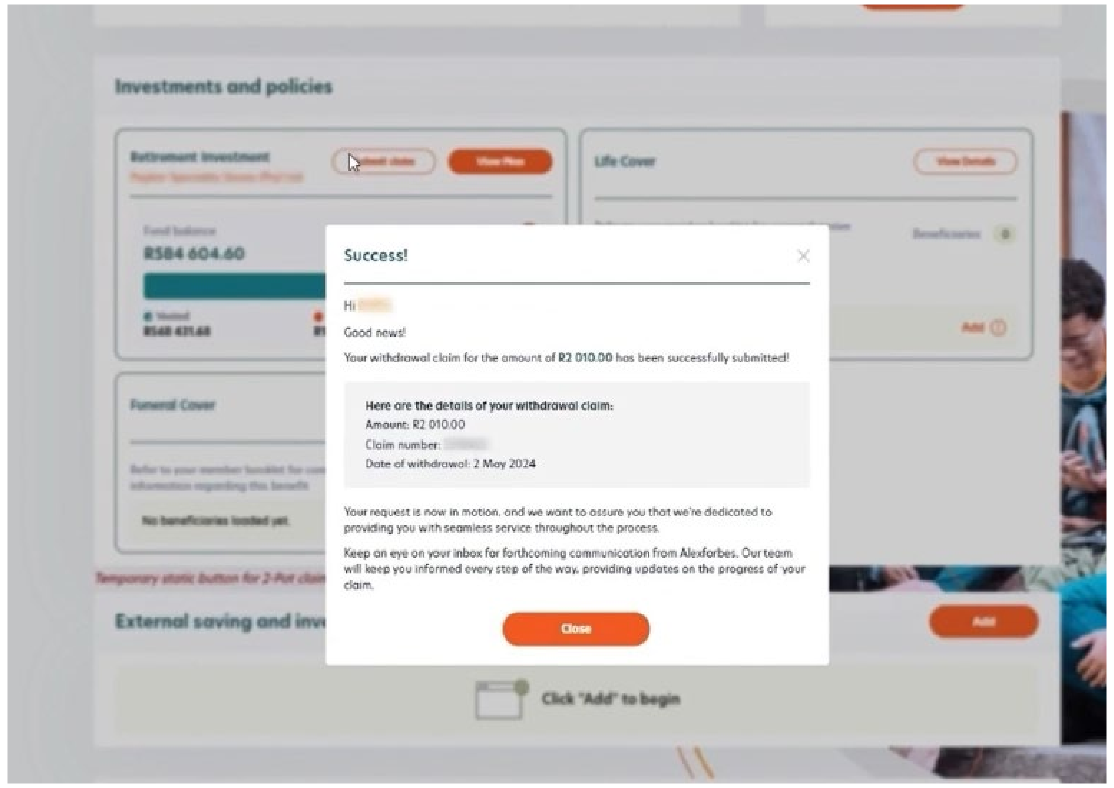
6. Upload Supporting Docs



7. Review & Accept Disclosures



8. View Claim Summary & Record Claim Number



Claims Process – stumbling blocks…

SARS related issues

- Your tax directive is rejected because:
- Your ID number does not match the ID with SARS
- Your tax number is not active
- Outstanding tax matters with SARS

You must contact SARS directly to resolve these issues.

What can cause a delay with your claim?

- You are not registered on AF Connect.
- You don't pass the verification process. Further checks and documents will be required to validate your transaction.
- The bank account details provided are not verified as your own.
- You are not registered for tax.

Benefit related issues – do any of these apply to you?

- You don't have enough money in your savings pot.
- Matters such as:
  - An employer judgment,
  - divorce consent,
  - maintenance orders; and
  - housing loans.

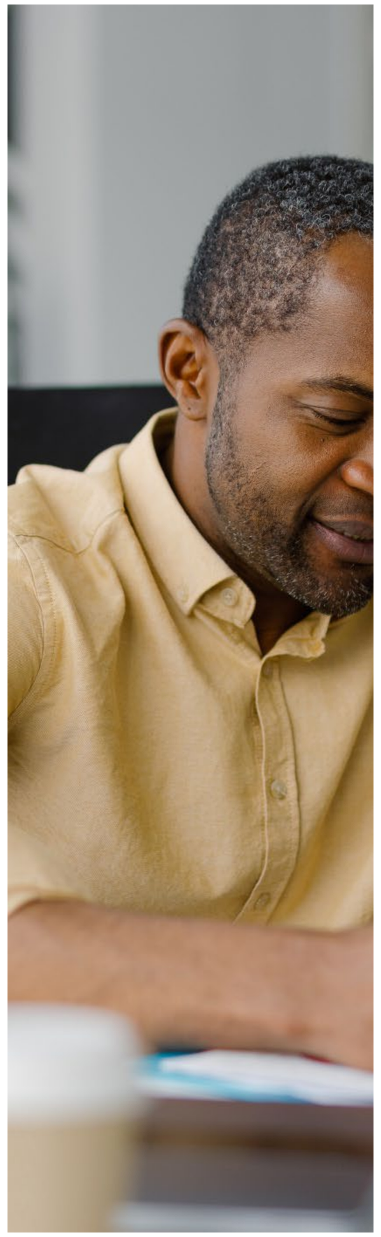
Frequently Asked Questions

How much will the transaction fee be to make a withdrawal?

- For withdrawals between R2,000 & R5,000: **Fee = R100**
- For withdrawals over R5,000: **Fee = 2% of gross amount before tax, capped at R600**

How will my withdrawal be taxed?

It will be taxed as income, according to your **marginal tax rates.**



What is the process to withdraw?

You need to register on **AFConnect**, & submit your claim via self-Service online.

How long will a withdrawal take?

If there are no issues, it is estimated that withdrawals will take 45 days.

Frequently Asked Questions

How much can I withdraw?

You can withdraw the full amount available in your savings account; however, it **must** be at least R2,000.

How often can I withdraw?

You can withdraw once every tax year (that is, between 1 March and 28 February annually).

How can I make up any emergency savings I withdraw so my retirement isn't affected?

Contact the Fund's benefit counsellor, Keabetswe Riet on kea@infund.co.za.

Frequently Asked Questions

What is seeding?

10% of your savings at 31 August 2024 will be transferred from your **vested pot** to your **savings pot.** This is capped at R30,000, BUT WILL NOT NECESSARILY BE R30,000.

Are my savings pot withdrawals capped at R30,000?

No. You can take the full amount available**.**

Is the withdrawal a loan I need to repay?

No, it is not treated as a load and you do not need to repay it. If you want to try to address the savings gap any withdrawals create, you can use AVC's.

Is two-pot only applicable to employer funds?

No. This system applies to all retirement funds in South Africa.

Thank You!