



# TWO-POT RETIREMENT SYSTEM



**LIBERTY**  
*In it with you*

## The power of preservation



**Vested Component**



**Savings Component**



**Retirement Component**

You may have up to **3 pots** (known as components) in total from 1 September 2024.

Let's consider the example of a 35 year-old who joins a retirement fund after 1 September 2024 and contributes R6 000 a month to her retirement fund. An amount of R4 000 would be allocated to her Retirement Component and R2 000 would be allocated to her Savings Component.



**Savings Component**



**Retirement Component**

### Assuming she never withdrew from her Savings Component

- Based on an average return of 10% per annum, she would have around R13.5 million at age 65.
- At age 65, R4.5 million would be available in the Savings Component as a lump sum.
- Her cash lump sum retirement benefit would be taxed according to the lump sum retirement tax table and she would receive the first R550 000 tax-free.
- She would have R9 million in her Retirement Component which must be used to purchase an annuity income.

### If she withdrew all her benefits from her Savings Component before age 65

- The withdrawals would be fully taxed at her marginal tax rate and she would not have the R4.5 million in her Savings Component to provide a cash lump sum at retirement.
- She would only have the R9 million in her Retirement Component by age 65 which she would be required to use to purchase an annuity income.