GO Benefits

Sponsor

THE PURPOSE OF THE POTS

When the Two-Pot System came into effect on 1 September 2024, millions of people submitted requests for withdrawals.
(Sadly, very few people used this money to settle debts.) The average claim amounted to roughly R16 000.

However, let's not lose sight of the other purpose of the Two-Pot System: to make sure that the BULK of your savings remain invested, so that you will have an income when you reach retirement age. It is vitally important that you understand the long-term effects of using your savings pot, instead of having a savings account that is separate from your retirement savings.

Remember, you are taxed heavily on withdrawals from your savings pot. If you earn **R50 000** per month and you need access to your savings pot of **R30 000**, you will only receive approximately **R19 200**. That's a massive **R10 800** going towards the taxman.

Let's look at two different examples to see the importance of limiting your withdrawals from your emergency, or savings, pot.

Both people contribute to a retirement annuity for 25 years.
They start at R3 000 a month and increase this by 10% each year.
They earn 12% in growth before fees.
Assumption: 6% inflation

While the two-pot retirement system offers increased flexibility, it is essential to remember that withdrawals should only be made in times of true crisis – life or death situations.

THE SHORT VERSION IS SIMPLY THIS:

DO NOT TREAT YOUR SAVINGS POT AS AN EMERGENCY SAVINGS FUND!

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