



2024 Newsletter

METROPOLITAN

Introducing the Two-pot compliant Metropolitan Retirement Savings Plan and an update on your retirement annuity plan

From your Board of Trustees

Starting 1 September 2024, the government will introduce the "two-pot" retirement system. It is a change that allows retirement fund members to make partial withdrawals from their retirement funds before retirement. It aims to protect retirement money while allowing access to some funds during financial emergencies.

This system will apply to retirement annuity plans from 1 September 2024.

How will it work?

Your future contributions will be split into two "pots":

Retirement component:

Two-thirds of your contributions are allocated to this component.

No money can be taken from this component before the age of 55. This money, together with what is left in the savings component, will be used to provide you with a regular income during retirement.

Savings component:

A third of your contributions are allocated to this component.

You may take some or all the money in this component. This is allowed once in every tax year (beginning March to end February) if there is at least R2 000 available. It is essential to use the savings component wisely and only withdraw when necessary, in case of a real emergency and no other option is available. It is important to note that tax will be deducted at your marginal tax rate and a transaction fee may be levied for each withdrawal.

BEFORE 1 SEPTEMBER 2024

Money you have been contributing towards retirement.

Money in



Money out

Yes

Retirement



No

Before retirement (except on death or disability)



AFTER 1 SEPTEMBER 2024

The two-pot system will be implemented.

From 1 September your retirement savings from your existing plan will be transferred into a new pot, called the **Vested Pot**. There will be no further contributions.



10% of your Vested Pot or R30 000, whichever is lower, will be transferred to the Savings Pot as seed money.

Any contributions made post 1 September will be split into two Pots:



$\frac{2}{3}$



$\frac{1}{3}$

Two thirds go into the Retirement Pot. This can only be accessed at retirement (except on death or disability).

One third goes into the Savings Pot. This can be accessed once in a tax year, with a minimum withdrawal of R2 000. It's taxable and a withdrawal fee applies.

Your Current Plan:

The new system will apply to all retirement funds, **with some exceptions**. One exception is certain old generation or so-called legacy retirement annuity plans, which are excluded from the new "two-pot" system.

According to current draft legislation, your plan is a not a legacy retirement annuity plan and will therefore qualify for the two-pot retirement system from 1 September 2024.

What does this mean?

Your existing retirement savings on 31 August 2024 will be calculated and transferred to your vested pot on 1 September 2024. Current draft legislation allows 10% of your vested pot to be transferred to your savings pot, subject to a maximum of R30 000.

This means that if the value of your retirement savings on 31 August 2024 is R400 000, your savings pot will be seeded with R30 000. If your retirement savings on 31 August is R100 000, your savings pot will be seeded with R10 000.

Note that the process to transfer your savings to the vested and savings pots may take some time to conclude.

You may be eligible to withdraw from your savings pot if there is at least R2 000 available. The withdrawal will be subject to tax calculated at your marginal tax rate and an administration fee will apply. The withdrawal process will not result in an immediate cash payout as Metropolitan will have to request a tax directive from SARS before any withdrawal can be finalised.

Important

The information we are sharing is what is currently included in the draft legislation. If legislation or any of the rules change after the date of this letter and any information in the letter is not relevant to your plan any longer, we will let you know what the impact will be on your plan.

Regards, *The Board of Trustees*

