



MENTENOVA

## Savings Pot Withdrawals – What You Should Know

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The Savings Pot in the Two-Pot Retirement System is meant for **real emergencies**, not everyday spending. While it gives you access to cash, taking money out can seriously harm your future finances.

### 1. You Pay More Tax Than You Expect

- Any money you withdraw, is taxed as **normal income**, not as retirement money.
- This means SARS can take **18% to 45%** straight away depending on your total income.
- If you owe SARS money, it will be **deducted first** before you get paid.
- Withdrawing large amounts could push you into a **higher tax bracket**.
- Members who have a vested pot portion will still be eligible for a maximum of R550 000 tax free portion on retirement. However, if a member **does not** have a vested pot, the potential benefit of a tax-free portion falls away if the  $\frac{1}{3}$  savings pot has been exhausted.
- The  $\frac{2}{3}$  retirement pot remains a compulsory transfer from which no cash portion is allowed. Therefore if you wait until retirement, up to **R550,000** could be **tax-free** from your savings pot — you lose this benefit if you withdraw now.

### 2. It Shrinks Your Retirement Savings

- Money taken out today loses years of growth.
- Example: **R50,000** taken when you are 35, could have grown to **R 850 000** at age 65 so, you could end up with **hundreds of thousands less** when you retire.
- Many people who withdraw once end up doing it again, which worsens the damage.
- If you empty your Savings Pot early, you may have **no cash lump sum** left at retirement.

### 3. Other Important Risks

- You can only withdraw **once per tax year**, so you may be stuck if a real emergency happens later.
- Most people find it extremely hard to replace the money they take out.

#### **!!Bottom Line!!**

- The Savings Pot is **not “free money.”**
  - It is a **last-resort safety net**.
- Using it now may give short-term relief but can lead to a **far less income in retirement**.