



**MGF**  
Wealth  
creator of  
choice

**MUNICIPAL GRATUITY FUND**

14 Bedfordview Office Park, 3 Riley Road, Bedfordview, 2007

Private Bag X1190, Bedfordview, 2008

**Tel:** (011) 450-1224/5 • **Fax:** 086 682 9178 / 086 678 7733 / 086 675 8586

**Website:** [www.mymgf.co.za](http://www.mymgf.co.za) • **FSCA Reg. No:** 12/8/29256/2

## **NEWS FLASH 1 NOVEMBER 2023**

### **“TWO-POT” SYSTEM: EXTENDED DEADLINE TO 1 MARCH 2025**

The previous news flash of 17 October 2023 explained the detail that was available at that time, about what members could expect from the two-pot system. The possibility was always in the background that the date for implementation could be postponed from 1 March 2024 to 1 March 2025.

National Treasury made the decision to delay the implementation of the Two-pot system from 1 March 2024 to 1 March 2025 to allow enough time for the legislation to be finalised, rule amendments to be processed and approved by the Financial Sector Conduct Authority (FSCA), SARS to ensure their systems are ready and to allow sufficient time for the administrators to develop the administration systems in time. As per the previous news flash it was stressed that if the rule amendment was not approved by the FSCA the two-pot system withdrawals will be delayed until such time that the approval was received.

It is critical for National Treasury to finalise the legislation to ensure that all Funds are ready to implement the two-pot system on 1 March 2025. The information already communicated in the past remains the same except for one change – the seed capital is still 10% of the members’ fund credit, but the maximum of R25 000 increases to R30 000. Thus, if a member’s fund credit is large enough and 10% thereof is R30 000 or more, then R30 000 will be transferred to the savings pot, which will be available for withdrawal from 1 March 2025. This withdrawal is voluntary and not compulsory. It is important to note that any withdrawal will be subject to tax at your marginal tax rate.

Members 55 years and older as at 1 March 2021, are not affected by the two-pot system and may still take their full benefit in cash at retirement.

The Fund’s opinion remains that members who wish to exercise this early withdrawal option should consult with an experienced financial adviser before making any decisions related to their retirement savings, regardless of the amount involved.

Surveys done in the past have indicated that most South Africans save only two to three times their annual income for retirement, this is significantly less than the required average 12 times annual income required to have an adequate income at retirement. By refraining from accessing the savings pot prematurely, they could

potentially accumulate 12 times their annual salary. To reach this level of savings a member should have saved for at least 35 years' or more.

Should you require any additional information please feel free to contact the Fund.

Kind regards



Christine Seierlein  
CHIEF EXECUTIVE OFFICER