



The Hospitality and General
Provident Fund

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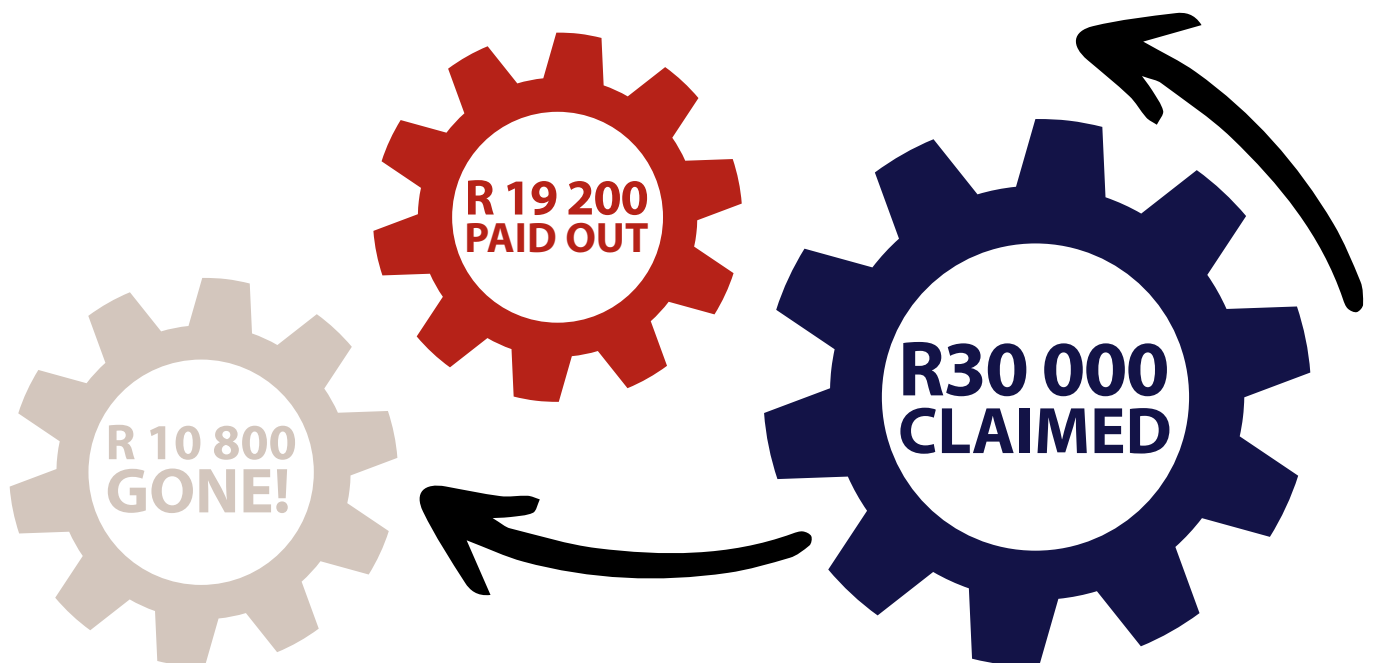


Looking back at 12 months of Savings Pot claims

When the Two-Pot System came into effect on 1 September 2024, millions of people across South Africa submitted requests for withdrawals. The average claim per person across all retirement funds amounted to roughly R16 000 in 2024. Unfortunately, indications are that few people accessed this money to use for a financial emergency, in line with the intention of the Two-Pot System.

It is important not to lose sight of the other intention 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 using a savings account that is separate from your retirement savings.

Remember, you are **taxed heavily** on withdrawals from your savings pot. As an example, if you earn R50 000 per month and have R30 000 in your savings pot, withdrawing the full amount will give you approximately R19 200. That's a massive R10 800 going to the taxman.



The first Two Pot withdrawal in **September 2024** allowed SARS to raise tax to the value of **R15 billion** on a total withdrawal amount of roughly **R57 billion**. Simply put, **more than a quarter of members' savings went straight to SARS.**

What about our Fund?

Including the second round of Two Pot withdrawals (from 1 March 2025), the Fund has to date paid an amount of almost R12.6 million to members and **over R2.52 million to SARS. More than 20% of our members’ savings claims have been eroded by tax!**

Let’s look at two different examples to see the importance of limiting your withdrawals from your savings pot for emergencies only. (This is for illustrative purposes only – returns are market-related and cannot be guaranteed):

Both people contribute to a retirement fund for 25 years. They start contributing R3 000 a month to their Fund and increase this by 10% each year. They earn 6% in investment returns before fees. Assumption: 4% inflation	
LONG-TERM THINKER	BIG SPENDER
Never takes any savings pot cash withdrawals	Withdraws the full amount available in the savings pot each year
	
Total savings at retirement: R6 244 848	Total savings at retirement: R4 163 232

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.

REMEMBER! Savings pot claims are taxed as income

Withdrawals from your savings pot are treated as income, taxed the same as your marginal tax rate (PAYE). Any withdrawal is therefore added on top of your salary as income and could bump you into a higher tax bracket, which will increase your overall tax liability when you file your return with SARS.



When applying for a withdrawal from your savings pot, you must enter your correct annual salary, so that tax deductions are accurate. If you understate your salary, you risk owing additional tax to **SARS** when you submit your annual tax return.

Currently, income tax rates are as follows:

Taxable income (R)	Rate of tax (R)
1 – 237 100	18% of taxable income
237 101 – 370 500	42 678 + 26% of taxable income above 237 100
370 501 – 512 800	77 362 + 31% of taxable income above 370 500
512 801 – 673 000	121 475 + 36% of taxable income above 512 800
673 001 – 857 900	179 147 + 39% of taxable income above 673 000
857 901 – 1 817 000	251 258 + 41% of taxable income above 857 900
1 817 001 and above	644 489 + 45% of taxable income above 1 817 000

Don’t let a simple mistake today cost you tomorrow!

What happens to your money when you resign?

To refresh your memory, from 1 September 2024, your contributions began to be split into the following categories:

 Vested Pot	 Saving Pot	 Retirement Pot
Your vested component, representing your retirement savings up to 31 August 2024. No further contributions go into this component, but it will still earn investment returns.	Your new savings component (from which you would be able to make annual withdrawals). From September 2024, one third of your contributions go into this component.	Your retirement component. From September 2024, two thirds of your contributions go into this component.

What does this mean in practice?

Consider the following example.

Ben is a young member of the Fund, but he is planning to resign at the end of January. Ben’s retirement savings look like this:

 Vested Pot	 Saving Pot	 Retirement Pot
R300 000 Ben may take some or a portion of this in cash, but he will be taxed at 18% if he takes more than R27 500 in cash. (Withdrawals are taxed on a sliding scale, starting at 18%). Retirement fund tax tables – click here Alternatively, Ben could transfer this money to his new employer’s fund, or any other approved fund.	R25 000 Ben can take some or all of this in cash, but he will be taxed at his marginal income tax rate, and he will pay an admin fee. Sars tax calculator – click here Alternatively, Ben could move this money to his retirement pot rather than taking it in cash, to avoid paying tax. He would not have access to this money until retirement if he chose this option.	R8 330 This small amount is the two thirds of Ben’s contributions since September 2024. Although it is very little, Ben may not take this money in cash! He must preserve it in a retirement fund. He can leave it in this Fund or transfer it to his new employer’s Fund or any other approved fund.



Important: If you resign, you **MUST** make a decision as to what you are going to do with your money in the various pots.