

MTBPS focus: two-pots system a monumental shift for the retirement sector

The endorsement of a move to a two-pot system to increase preservation and flexibility with early access to retirement savings by Finance Minister, Enoch Godongwana is a welcome progression to a new era for the South African retirement industry.



Source: ©Steve Woods [123rf](#)

This is according to Blessing Utete, managing executive of Old Mutual Corporate Consultants, who says that the “two-pots” system for retirement annuities, provident and pension funds would improve savings outcomes and retirement provision.

Smaller accessible pot

While Godongwana was sparse on detail, based on previous announcements, the proposal involves retirement savings in future being split into a smaller accessible pot with limited access for financial emergencies, while the remaining bigger pot will only be accessible after retirement age.

“Going forward, we foresee a regime where members of pension and provident funds will no longer be able to access all of their retirement savings when retrenched or changing jobs.

This step is critical to offset the retirement savings crisis, which affects most workers in South Africa.

“However, allowing members of private and occupational funds access to a portion of their savings in an emergency will offer some relief when needed,” the minister stated.

The new system is a monumental shift for the retirement sector, says Utete, as it will improve long term retirement outcomes while providing flexibility to deal with unforeseen events before retirement.

The minister said that National Treasury will shortly publish a discussion document on the details of this proposal to obtain input before further announcements are made in the 2022 National Budget in February.

For more, visit: <https://www.bizcommunity.com>