Applying for a Savings Withdrawal

This communication should be read together with the Two Pot Retirement System three part series.

Your **SAVINGS POT** in the City of Johannesburg Pension Fund ('the Fund') started on 1 September 2024 with 10% of your **FUND CREDIT** (up to a maximum of R30,000) and has been increasing with 1/3rd of your monthly contributions to the Fund (1/3rd after deductions for risk benefits and Fund expenses).

We note the following for a **SAVINGS POT** withdrawals:

- **Firstly,** you can make one Savings Withdrawal every tax year (1 March to 28 February). These withdrawals should only be made in the case of an emergency and should be seen as **early withdrawals from your retirement benefit** in the Fund.

- **Secondly,** your **SAVINGS POT** should be left in the Fund until your retirement to provide you with a cash lump sum payment to help settle your debts and ensure you have cash available in your retirement years.

You can choose not to make Savings Withdrawals from your **SAVINGS POT** until you retire. You will then have a larger lump sum available at retirement (1/3rd of your **VESTED POT** and all of your **SAVINGS POT**). Alternatively, you can take a portion of your **SAVINGS POT** at retirement and choose to increase your **RETIREMENT POT** to secure a higher monthly pension.

Any SAVINGS WITHDRAWALS from your SAVINGS POT will reduce the amount of cash that you will have available at retirement.

Your Savings Withdrawals:

- ❖ Will be **subject to an administration fee and is taxed at your marginal tax rate**
- ❖ Your **SAVINGS POT** balance must be **R2,000 or more** to be eligible for withdrawal (before deducting the administration fee and tax)
- ❖ Can only be made **once every tax year** (1 March to 28 February). Once you have taken a withdrawal in a tax year, you will need to wait until the next tax year before requesting another withdrawal.

  *If a member withdraws from the Fund in the same tax year as taking a Savings Withdrawal, and the value of their **SAVINGS POT** is less than R2,000, the money can be taken in cash.*
- ❖ A withdrawal can be **up to the maximum amount in your SAVINGS POT**
- ❖ Will be **subject to any Section 37D deductions.**

The Fund administrator will charge you an administration fee for each Savings Withdrawal that is made from your **SAVINGS POT**.

The administration fee depends on the value of your Savings Withdrawal and is calculated at 2.5% of the gross Savings Withdrawal value subject to a minimum of R85 and a maximum of R600 per withdrawal.

One of the most important points we highlight when taking a Savings Withdrawal, is that this benefit is **taxed** by SARS. The withdrawal is taxed at your marginal tax rate. We show what this means in the table below:

Annual taxable income*	Marginal tax rate
Less than R237,100	18%
Between R237,101 and R370,500	26%
Between R370,501 and R512,800	31%
Between R512,801 and R673,000	36%
Between R673,001 and R857,900	39%
Between R857,901 and R1,817,000	41%
Above R1,817,001	45%

*Note that this excludes the value of a Savings Withdrawal. If you are close to the top of the income band, then the Savings Withdrawal may move you to the next income band and the next highest marginal tax rate.

The Fund is unable to advise members what their marginal tax rate will be because the Fund is not aware of members' taxable income or whether members receive income from other sources. The Fund administrator will therefore apply for a tax directive from SARS and deduct the tax amount that is specified by SARS from the Savings Withdrawal.

If members owe SARS any money, then these amounts will also be deducted from their Savings Withdrawal by SARS. Therefore, if members owe SARS an amount that is greater than their entire Savings Withdrawal (excluding the administration fee paid to the Fund administrator), there will be no benefit payable to the member.

Remember that ANY SAVINGS WITHDRAWALS from your SAVINGS POT will reduce the amount that you will have available to take in cash at retirement.

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We have provided an example below to show the impact of taking Savings Withdrawals, from the **SAVINGS POT**, on the lump sum benefit that will be available at retirement.

A 55 year old member's **SAVINGS POT** on 1 September 2024 is R30,000 and his **VESTED POT** is R470,000.

His normal retirement age is 63 – so he has 8 years left to work. His salary is R250,000 per year. He and his employer contributes R4,800 a month after taking off the cost of death and disability benefits (risk costs) and Fund expenses. R1,600 of this contribution is invested in his **SAVINGS POT** and R3,200 in his **RETIREMENT POT**. The member gets salary increases of 6% each year and earns investment returns of 9% a year.

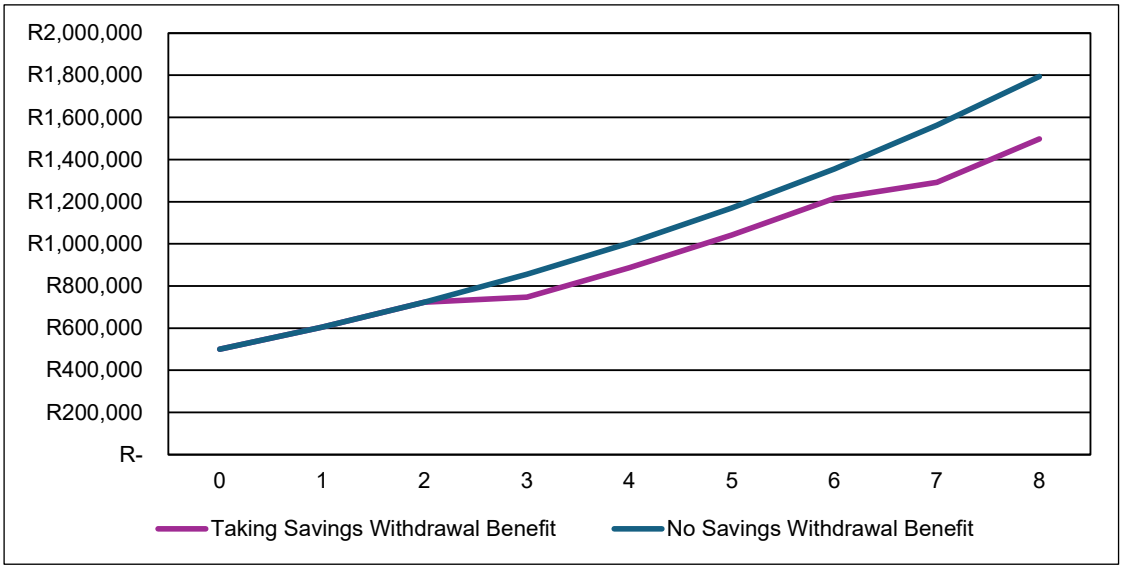


- A 55 year old male
- Normal retirement age – 63 years of age *(8 years to retirement)*
- R250,000 salary per year
- R4,800 monthly contributions to the Fund
  (after deduction of risk costs and Fund expenses)
- 6% salary increase each year

The member chooses to take **two** Savings Withdrawals equal to the total value in his **SAVINGS POT** over his 8 years of working – one after 3 years and another after 4 years. The first Savings Withdrawal after 3 years would amount to approximately R108,000 before tax and the administration fee. The second Savings Withdrawal after 5 years would amount to approximately R118,000 before tax and the administration fee.

The graph below shows what the total value of the member's retirement benefit would be after 8 years as well as what it would have been had he not taken the two Saving Withdrawals.

The member received approximately R166,000 in Savings Withdrawals (R226,000 less tax at a 26% marginal tax rate and less administration fees) **in his bank account but ended up having a retirement benefit that is approximately R300,000 lower when he reaches age 63.**



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Applying for a Savings Withdrawal

Members are required to have the following available when applying for a Savings Withdrawal:

- Proof of identity
- Proof of banking details *(the bank account must be in the member's name)*
- Proof of income tax number
- Personal physical and postal address details
- Pay slip *(to confirm your annual taxable income)*.

Members have three options when applying for a Savings Withdrawal.

OPTION 1

You can use the Fund administrator's **WhatsApp service**.

You can see your **SAVINGS POT** balance, check if you qualify for a Savings Withdrawal and will be guided through the Savings Withdrawal claim process step-by-step.

SMS "Hi" to 072 814 6929 or scan the code below.

STEP 1 >	STEP 2 >	STEP 3 >	STEP 4 >
Scan the code **or** say **"Hi"** on **072 814 6929** to get started	Choose (A) on the Main Menu to "Log in to my retirement fund (NMG administers my benefits)"	Follow the prompts to verify your identity. Please have your South African ID or passport number, tax number and employee number ready	Then explore: • **Understand** the Two-Pot System • **Check** if you qualify for a withdrawal • **See** your fund credit in different pots • **Withdraw** from your savings pot • **Transfer** money between pots • **Ask** for help

Remember to clear your chat contents in WhatsApp once you are done to ensure your information remains safe.

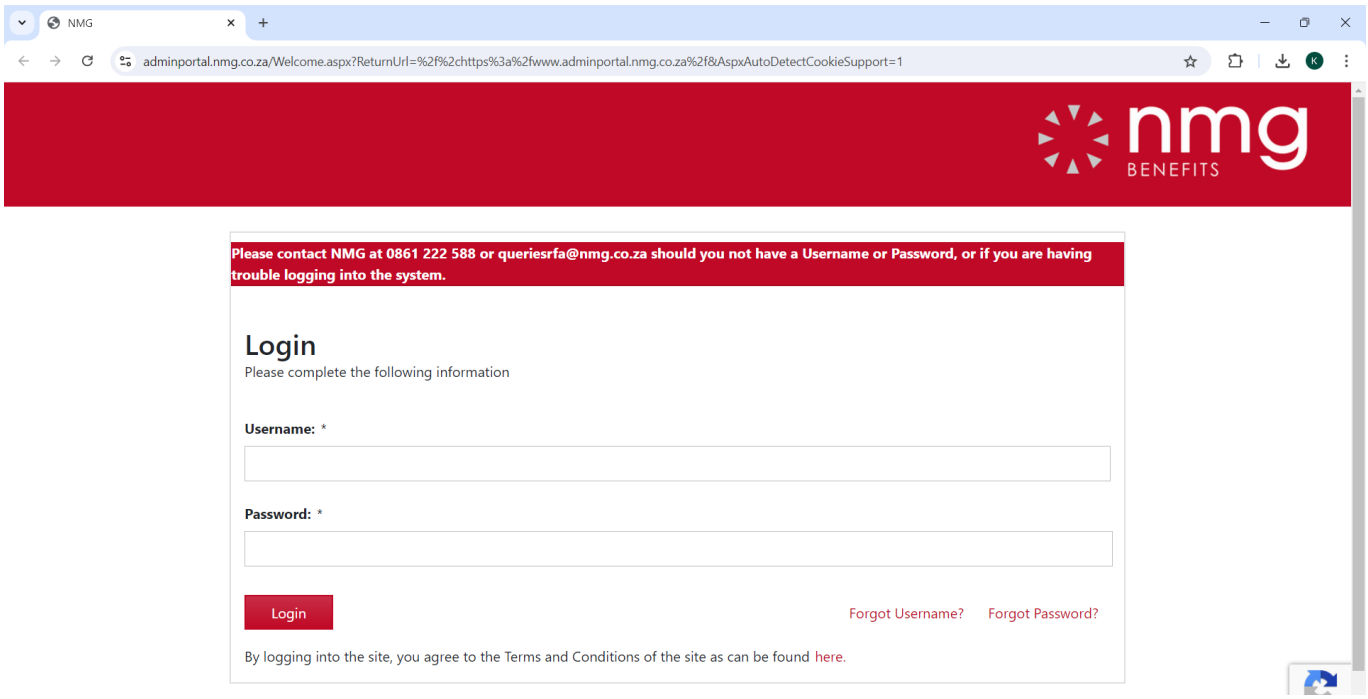
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OPTION 2

You can use the Fund administrator's online **Member Portal – www.adminportal.nmg.co.za**

You can see your **SAVINGS POT** balance and initiate a Savings Withdrawal claim.

You will need to register on the portal and/or have your NMG login details available.



OPTION 3

You can apply for a Savings Withdrawal using a specific Savings Withdrawal claim form.

The completed claim form, together with your information and documentation, can be sent to the Fund administrator.

NMG administrators **086 122 2588 / joburgfunds@nmg.co.za**

The manual Savings Withdrawal claim form option will take a lot longer to process. You should therefore use the first two options to help the process go quicker.

The Fund administrator anticipates that Savings Withdrawal claims will be paid within 10 working days of receiving the Savings Withdrawal claim form, subject to the Fund having the member's latest contact details, tax number, and bank account details on record.

Please contact the Fund's administrator if there are delays.

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