MEDIA RELEASE	**PSA warns of tax implications on withdrawals from the Two-Pot system**
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The Public Servants Association (PSA) wishes to caution its members against unnecessary withdrawals from their pension funds under the two-pot system. While this system aims to provide greater flexibility and access to retirement funds, members must understand the potential long-term impacts it may have on their retirement savings.

The two-pot system allows for a portion of retirement contributions to be accessible before retirement, while the remaining portion is preserved for retirement. While this accessibility might seem beneficial, especially during financial crises, the PSA advises members to exercise caution and consider this option only as a last resort in genuine financial emergencies.

Drawing from retirement savings prematurely can significantly reduce the amount available for retirement, potentially leading to financial instability eventually. Members must weigh the immediate benefits against the long-term consequences on their financial security post-retirement. Most significantly members should be aware of the tax implications associated with accessing funds from the two-pot system. Withdrawing from your pension savings at this stage, members will be taxed at a marginal rate. Employees must be registered for tax purposes and most importantly if one owes SARS any tax, this will be deducted from any withdrawals made from your pension savings. This might mean that members might not receive the initial amount they requested to withdraw from their pension savings.

The PSA is committed to protecting the financial well-being of its members and encourages all members to seek professional financial advice before making any decisions regarding the two-pot system. It is essential to understand the full impact of such decisions to ensure a secure and stable retirement.

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