



Legal update: 1-2026

2026 budget speech and its impact on the retirement, savings and financial sector

Taxation of retirement fund contributions

Currently a retirement fund member can deduct up to 27,5% of the higher of their remuneration and taxable income, subject to a maximum of R350 000 per year, for both their member and employer contributions. From 1 March 2026, the maximum amount of R350 000 will be increased to R430 000, allowing members to save even more for their retirement on a tax-free basis. We recommend that members make additional voluntary contributions to their employer's fund and take advantage of the tax-free basis.

Cash lump sum amount on retirement

Currently, if a member's

- total retirement savings in their retirement component, plus
- 2/3rd of the value of their T-day non-vested benefit in their vested component,
- is less than R165 000,

they can take the full amount of their retirement savings as cash at retirement and do not have to use any amount to buy a pension.

From 1 March 2026, the R165 000 amount is increased to R240 000.

Example: A member goes on retirement on 1 May 2026 and their benefit in the provident fund includes:

Vested component		Savings component	Retirement component
T-day vested benefit	T-day non-vested benefit	R20 000	R40 000
R500 000	1/3: R80 000 2/3: R160 000 Total: R240 000		

Cash lump sum entitlement on retirement

- R500 000 (the member's total T-day vested benefit),
- R80 000 (1/3rd of the member's T-day non-vested benefit), and
- R20 000 (the member's total savings component).

Pension on retirement

- R160 00 (2/3rd of the member's T-day non vested benefit) and R40 000 (their total retirement component) must be used to buy a pension except if it is less than R240 000 (before 1 March 2026, less than R165 000).
- R200 000 (R160 000 plus R40 000) is less than R240 000.
- Meaning the member may also take the R200 000 as a cash lump sum and does not have to use any amount of their retirement savings to buy a pension.

Living annuitants

A living annuitant is allowed to convert their monthly annuity payment into a lump sum payment once the value of their annuity capital amount reaches a certain prescribed threshold. From 1 March 2026, the current threshold of R125 000 will be increased to R150 000.

This threshold is applied on a per-insurer or per-fund basis, depending on whether the living annuity is provided by the fund or bought from an insurer, whereby the value of all living annuities the annuitant has with the same insurer or fund is aggregated when applying the threshold amount.

This means that the sum of the values of all the living annuity policies or contracts with that insurer or in that fund must be calculated, at any one of the commutation dates, to determine whether or not the threshold amount will be exceeded in total.

But there are contradictory interpretations within the industry about whether the threshold applies per policy or cumulatively per insurer or fund. Government feels that applying the limit on a per-policy basis could undermine retirement income security by enabling the early commutation of multiple small annuities and facilitating tax-driven restructuring of retirement assets.

It is proposed that the tax laws be amended to explicitly provide that the prescribed threshold must be determined cumulatively where an annuitant holds multiple living annuities with the same insurer or fund.

Tax-free savings vehicles

Currently, individuals can contribute tax free up to R36 000 per tax year (and R500 000 over a lifetime) to a tax-free savings vehicle. To encourage South Africans to save more, the tax-free annual investment limit for tax-free savings vehicles will be increased to R46 000 per year from 1 March 2026.

Unclaimed financial assets

Following recommendations from the Financial Sector Conduct Authority (FSCA), National Treasury will introduce reforms to manage the more than R88 billions of unclaimed assets and benefits in the financial industry. These assets include retirement benefits, bank accounts, investments and insurance payouts.

National Treasury wants to ensure that these assets accrue to the asset owners rather than to financial institutions, government or any other parties. The proposed framework provides for the transfer of these assets to a central manager to drive down costs and improve payouts with appropriate governance for investment, alongside the appointment of a central administrator responsible for administration, record-keeping and tracing.

The reform will be rolled out in phases, starting with the retirement fund sector, given its established identification and monitoring systems. Over time, the framework will be extended to other categories of unclaimed financial assets. A unified system, supported by a central database and an administrator, is intended to strengthen tracing processes and enhance transparency. It is also expected to provide beneficiaries with a clearer and more streamlined claims process. A discussion note will be released shortly for public consultation.

Artificial intelligence (AI) in the financial sector

The FSCA and the Prudential Authority undertook a survey on the adoption of artificial intelligence (AI) in the South African financial sector. This study provided insights into the usage and adoption of AI in the sector. The FSCA, the Prudential Authority and the Reserve Bank are collaborating to develop a discussion paper, based on the survey, which will be published in July 2026. The paper will set out recommendations for the safe and responsible adoption of AI in the South African financial sector, with a view to developing a formal joint regulatory instrument.

Exploring the impact of influencers on financial consumers' decision-making

The FSCA is conducting a market study to explore the impact of influencers on financial consumers' decision-making processes. As social media gains prominence as a significant source of information, financial information, and particularly the role of financial consumer influencers – so-called “finfluencers” – has become more pronounced. The market study will be published in 2026.

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