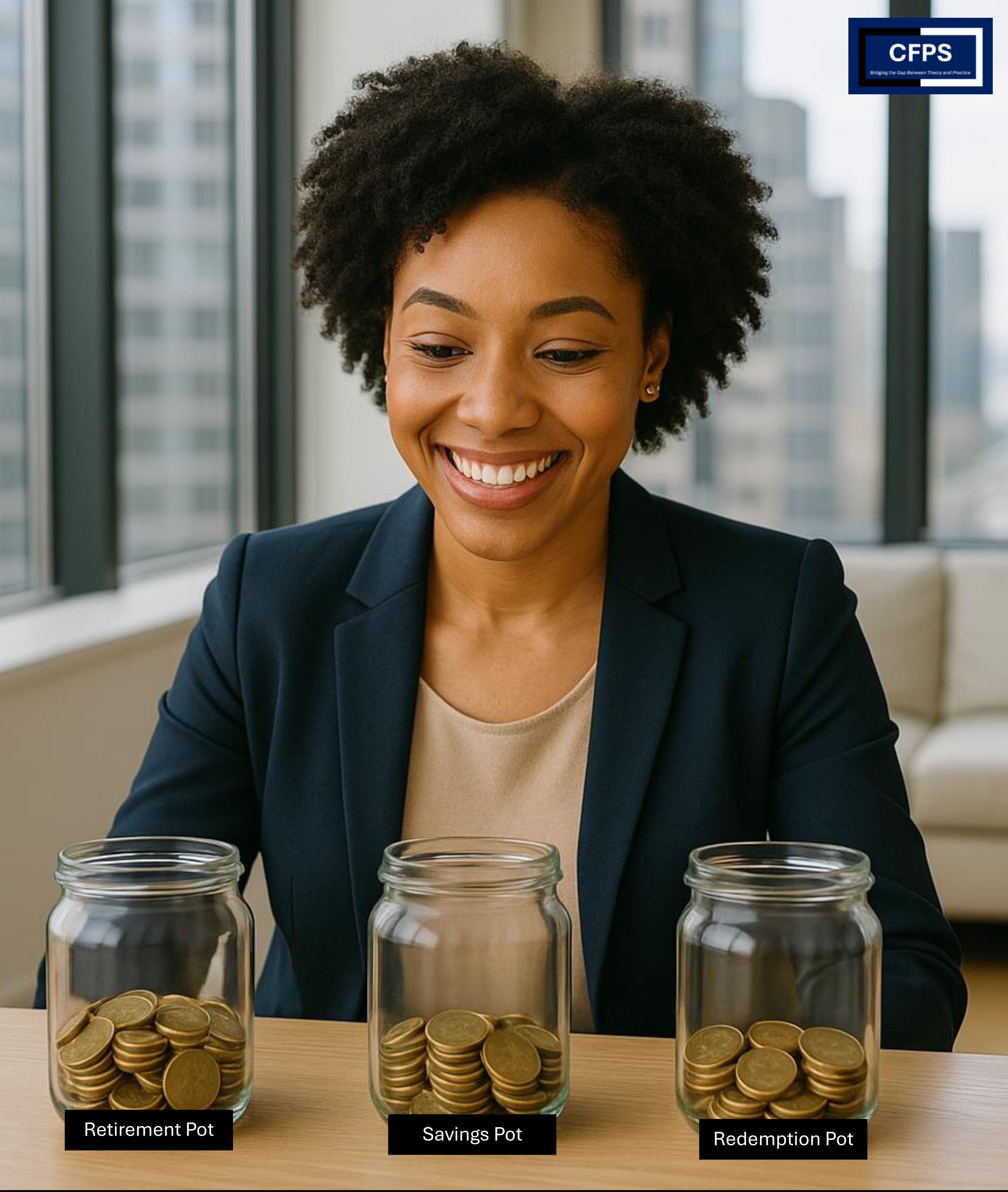

Two-Pots, One Eye

What Corporates Can Learn and Profit from the Psychology of Redemption

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About the Autor

Prof. Prince Sarpong is an Associate Professor of Finance at the School of Financial Planning Law, University of the Free State, and a post-disciplinary systems architect whose work spans corporate finance, financial psychology, AI epistemics, and institutional behaviour.

He has developed several pioneering frameworks, including *Institutional Financial Therapy*, *Brittle Financial Health*, *Antifragile Financial Therapy*, and the *Cognitive Growth Index (CGI)*, a generative AI model for mapping intellectual recursion and adaptive cognition.

His broader intellectual ecosystem, Sarpong Strategia, anchors a set of transdisciplinary ventures: the Centre for Financial Psychology and Systems (CFPS) in Bloemfontein, South Africa; Financial Therapy for Men Inc. and Fortis Strategia in Sacramento, California; and Applied AI Epistemics, a research lab focusing on epistemic research and reform in the age of artificial intelligence.

He currently serves on the advisory board of AI 2030, a Washington, DC–based global nonprofit for responsible AI; a member of the Equity and Inclusion Committee of the Financial Therapy Association in the US; and is a member of the Financial Planning Institute of Southern Africa.

Prof Sarpong's current work confronts the limits of traditional disciplinary boundaries by designing systems that metabolize pressure into structure, across money, identity, capital, and corporate leadership.

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Executive Summary

South Africa's two-pot retirement system has achieved one important outcome: awareness. Millions of South Africans are now educated about their retirement savings, and employers have invested heavily in financial literacy campaigns. Yet withdrawals remain high. SARS reported over 2.6 million withdrawal applications by January 2025, with more than R21 billion paid out in the first six weeks of the system. Leakage is not anecdotal anymore, it is structural.

Current corporate strategies focus narrowly on financial education. Employees are told not to cash out, but they do! And when they do, they are left with shame, guilt, and silence. This "one-eyed" approach overlooks a powerful behavioural lever: *the psychology of redemption*. Guilt, when effectively channelled, is not a liability. It is the single most potent driver of corrective action and corporates are failing to harness this bounce-back energy.

I argue that South African corporates must move from one-eyed education to two-eyed behavioural design. The second eye sees not only prevention but also structured pathways for rebuilding to turn guilt into momentum. Properly designed, these redemption pathways could reduce long-term leakage, deepen client trust, increase assets under management (AUM), and provide employees with a therapeutic sense of regaining control.

The Current Blind Spot

Leakage Despite Awareness

The two-pot system restricts withdrawals to one per year, minimum R2 000, taxed at marginal rates. New contributions are split: one-third to a savings pot, two-thirds preserved. Despite these guardrails, leakage is massive. The South African Reserve Bank noted a marked rise in early withdrawals and estimated an additional R12.9 billion in personal income tax revenues from two-pot activity for 2024/25.

The Culture of Silence

Personal money conversations remain taboo in South Africa and globally. Admitting to a withdrawal is, for many, an admission of financial struggle. Employees speak about withdrawals in whispers or cloak them in "*guiltful defiance*". Even financial educators and professionals, living in the same stressed economy, are not immune. The result: a hidden epidemic of leakage, cloaked in shame.

Why Education Alone Fails

Decades of behavioural finance research show that information rarely changes behaviour. Programmes like auto-enrolment and *Save More Tomorrow* in the United States have driven up savings because they restructure defaults, not because they explain compound interest better. South Africa's corporate education campaigns are necessary, but insufficient because they leave employees stranded when guilt strikes after a withdrawal.

The Untapped Power of Guilt

Guilt as a Reparative Force

Psychological research is clear: guilt is not only painful, but also reparative. Studies show that guilt motivates individuals to take corrective actions if credible pathways are available. Left unchanneled, guilt turns into avoidance and secrecy. Properly framed, it can be the emotional trigger that drives re-engagement with saving for retirement.

The Fresh-Start Effect

Work by behavioural scientists Katherine Milkman and colleagues shows that "*temporal landmarks*", moments like birthdays, new years, or new pay cycles, create psychological fresh starts. In South Africa, bonus payout days for example could function as financial landmarks of the same kind, offering corporates a high-leverage opportunity to re-engage employees in retirement rebuilding. Employees are more likely to recommit to positive behaviors when given structured opportunities at these points. Employers who synchronise redemption offers with payroll dates, bonus cycles, or the start of the tax year can multiply engagement.

Commitment Devices and Progress Framing

Evidence from field studies in emerging markets shows that "commitment savings products" significantly raise balances when clients voluntarily lock funds until a goal is met. Similarly, progress framing i.e., the *goal-gradient effect*, increases effort when individuals see how close they are to replenishing a target. Corporates can combine these proven levers with the emotional engine of guilt to design effective redemption mechanisms.

Two-Pots, Two Eyes: A Behavioural Reframing of the Two-Pot System

Auto-Rebuild Defaults

Every withdrawal should trigger an opt-out payroll deduction into a supplementary retirement annuity or additional voluntary contribution. Even a 1–3% starting contribution, with auto-escalation, harnesses momentum. Defaults work; information does not.

Bonus-Sweep Active Choice

At bonus time, require an explicit allocation decision. Present a default that channels a percentage into retirement rebuilding. Show the after-tax cost and the tax deduction benefit. The 27.5% deductibility (capped at R350 000 per year) effectively functions as a "state match." Surfacing this makes contribution feel like a gain, not a loss.

Sidecar Commitment Accounts

Create lockable but flexible sidecar accounts for those who want to earmark funds toward rebuilding withdrawals. These "redemption accounts" give structure to guilt and a visible path toward recovery.

Progress Tracking

Provide digital dashboards showing how much of a withdrawal has been "paid back." For example: "You have replenished 18% of your withdrawal." Progress framing accelerates commitment and reinforces control.

Shame-Free Enrollment

Offer confidential or anonymous disclosure channels to allow employees to admit withdrawals without stigma. From that moment, channel them into structured rebuilding tracks.

Business Case for Corporates

- **Higher AUM**: Redemption contributions expand assets under management beyond the baseline.
- **Deeper Trust**: By helping employees recover rather than judge them, corporates position themselves as partners in resilience, not scolds at the gate.
- **Employee Well-Being**: The psychological boost of regaining control is therapeutic. Employees who feel financially competent are more productive and less stressed.
- **Macro Stability**: At national scale, structured rebuilding reduces the systemic leakage risk that undermines retirement adequacy.

Ethical Guardrails

- **No Shaming**: Frame redemption as empowerment, not punishment.
- **Transparency**: Disclose tax and fee implications clearly.
- **Voluntary with Defaults**: Defaults should be opt-out, not coercive, respecting employee autonomy.

Redemption Without Relapse: Guarding Against Perverse Incentives

While redemption pathways unlock powerful behavioural levers, they must be carefully designed to avoid creating an excuse for repeated withdrawals. Without safeguards, the redemption pot could unintentionally normalize leakage, as employees think: *"I can withdraw now and rebuild later."* This would worsen long-term outcomes.

Behavioural Risk: The Licensing Effect

Research in behavioural science documents the *licensing effect*: when people commit to a future positive action, they often allow themselves more negative behavior in the present. In a financial context, this means that promising to "redeem later" can paradoxically increase withdrawal frequency.

Structural Guardrails

1. ***Locked Redemption:*** Once money enters the redemption pot, it is inaccessible until retirement. It functions like the retirement pot, not the savings pot. This ensures it cannot be used as a revolving account.
2. ***Irreversible Commitments:*** Once enrolled, employees cannot cancel their redemption contributions within the first cycle. This strengthens the commitment device and prevents impulse reversals.
3. ***Frequency Anchoring:*** The redemption pot must be explicitly positioned as a *recovery pathway*, not a parallel savings option. Messaging and digital dashboards should emphasise catching up, not cashing out.
4. ***Progress Tracking:*** Show fund members the gap they are closing relative to their withdrawal, reinforcing redemption as recovery, not as justification for repeated access.

A Living Framework

This is not a fixed solution but the opening of a new frame. Behavioural systems must be iterated in design and tested in practice. Corporates should treat the redemption pot as a *prototype in evolution*, tested, refined, and adapted over time as behavioural data accumulates.

Conclusion

Corporates in South Africa have one eye open: they have educated, they have warned, they have cautioned. But the other eye is still closed. By seeing guilt as a force to be channelled rather than suppressed, and by wiring redemption pathways into payroll, fund design, and bonus cycles, corporates can transform leakage into resilience.

Two pots with two eyes: not just education but behavioural design; where guilt is recast as energy, and employers provide not only literacy but also empathy and a structured path to redemption. This is how corporates turn withdrawal into resilience, and leakage into long-term strength.