Irish Life

In your fifties…then it's time to start thinking about your retirement plans

Pension planning with Irish Life

Planning for a longer life

First the good news – as a nation, we're living longer! And not just by a little. According to the 2011 Census, there are 58,416 people aged 85 or over – that's 10,000 more than the previous 5 years.

Of course, as life expectancy increases so does our need for a realistic retirement plan. For most of us that will include a well-funded pension. A pension will help you ensure that your retirement years are spent doing the things you always wanted to, not regretting the opportunities you missed.

Introduction

Have you made a realistic plan for your retirement yet?

That's the question we all need to ask ourselves, whether we're in our fifties or closing in fast on retirement age.

In recent years there has been extensive media debate about the challenges around retirement. Challenges like whether the Government can afford to maintain the State Pension at the present level. Concerns about changes in Government policy, such as the pensions levy and a possible change in income tax allowances. The difficulties we face because of a rise in the official State retirement age. And, of course, stress caused by the general economic crisis.

We can't solve every problem in one go. But we can make a good start, with realistic retirement planning with Irish Life.

PENSION CALCULATOR CLICK HERE

Take advantage of income tax relief

Even if you're sure you have all the savings you'll ever need, a pension would still be worth it for the income tax relief alone. The Government actively encourages you to put your money into a pension, as a good way to keep your own taxes working for your own benefit.

€100 invested	Tax rate 20%
	Tax relief €20
	You pay €80

€100 invested	Tax rate 41%
	Tax relief €41
	You pay €59

For lower rate taxpayers it means that every €100 invested in a pension saves €20 off your tax bill. For higher rate taxpayers the benefit is even greater, saving €41 for every €100 you invest. And at the end of the day, when you come to cash in your pension, you can take up to 25% of it as a tax-free lump sum (up to a limit of €200,000). For a company pension your lump sum may be based on your salary and service (up to a maximum of one and a half times of your annual salary but up to a limit of €200,000).

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you will not have access to your money until age 60 and/or you retire.

Warning: If you invest in this product you may lose some or all of the money you invest.

Income tax relief is not guaranteed.
To be eligible to claim income tax relief, your income must be taxable either Schedule E or Schedule D (case I or II). To claim income tax relief, you can apply to your Inspector of Taxes to adjust your tax credits. Contributions deducted from salary will receive immediate tax relief. If you are self-employed, you must include your pension contributions in your self assessment tax returns in order to obtain income tax relief.

Pension income in retirement is subject to income tax at your highest rate on withdrawal, Universal Social Charge, PRSI (if applicable) and any other taxes or government levies due at that time.

Life on the State Pension

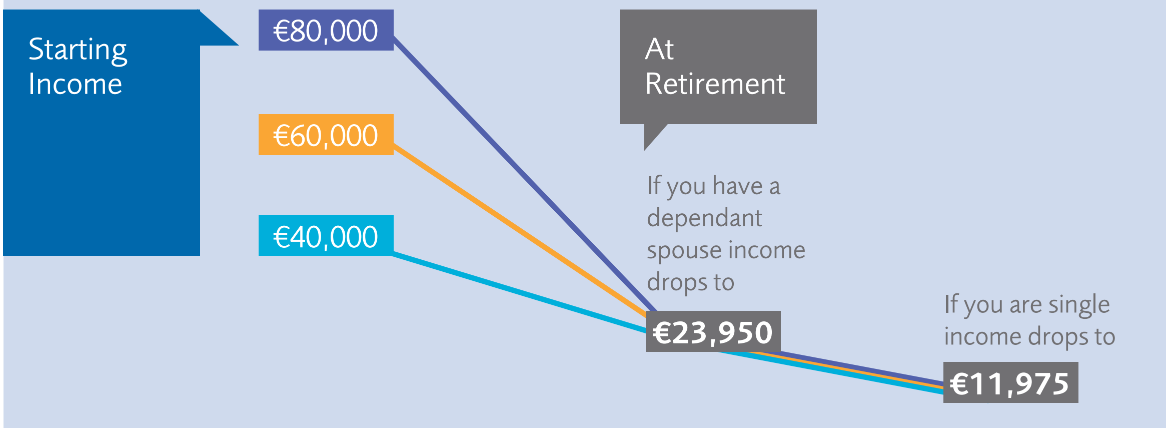
The fall-back retirement option is of course to make do with the State Pension, assuming you are eligible. Sounds like a good idea until you hear what you actually get. Currently the State Pension (Contributory) for a single person is just €230.30 a week, which adds up to a grand total of €11,975 a year. That's even lower than the minimum wage.

That might seem hard enough, but in view of our aging population it will probably get worse. Today there are six workers paying taxes to support every one pensioner (Source: Census 2011). By 2050 it's estimated there will be just two workers supporting each pensioner. That just doesn't add up.

How can you tell how much you'll need?

Most of us find it hard to look so many years into the future and imagine what it takes to provide a comfortable retirement. For example you might have little or no mortgage but you might have higher medical or leisure expenses. To give you an idea it is worth comparing with the lifestyle and income level you have now. The difference between the State Pension and your income could be the gap you need to fill with a pension.
The more you earn now, the bigger the drop in lifestyle you may face as you can see in the graph below.

Income Drop at Retirement



So, in the example above, if you earned an annual income of €60,000 and were planning to rely solely on the single State Pension (Contributory), you would be taking a drop in income of 80% of your current salary, or a yearly drop of €48,025.

FACT: Eight out of ten people say that the State Pension would not meet all their needs in retirement.

(Source: Pensions Board, August 2012)

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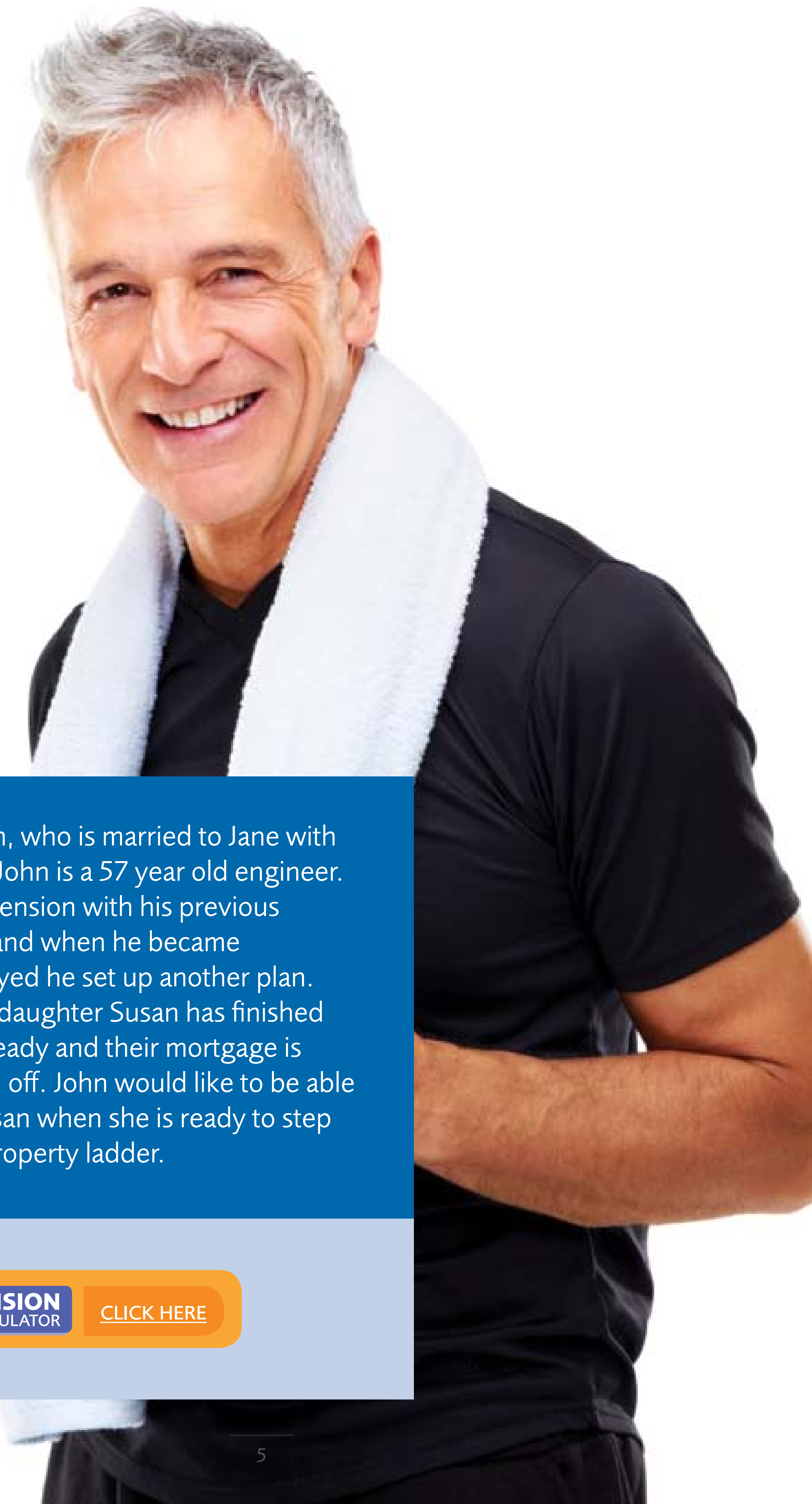

This is John, who is married to Jane with one child. John is a 57 year old engineer. He had a pension with his previous employer and when he became self-employed he set up another plan. Their only daughter Susan has finished college already and their mortgage is nearly paid off. John would like to be able to help Susan when she is ready to step onto the property ladder.

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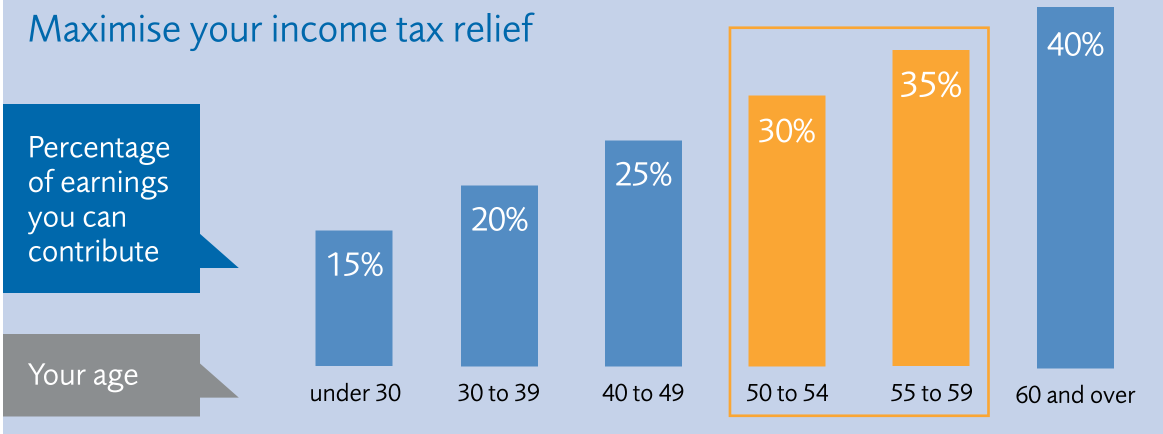
What to do if you're 50-something

Set up a Pension Review

As you enter your 50s retirement doesn't seem quite so far away. It's time for some more detailed planning. The key thing to realise is that, whatever your current situation, there's plenty you can do to improve your lifestyle in retirement, providing you act now. Your Pension Adviser will review your existing Pension Plans and discuss your expected retirement goals.

It's true to say that the sooner you start a pension, the longer it has to grow. But if you don't have a pension, that doesn't mean you've missed the boat altogether. The system is designed to help you catch up. The older you are, the more income tax relief you get. Don't worry about the years that have gone, just maximise your efforts in the years to come and use all your extra relief.

Maximise your income tax relief



So for example, if John's salary is €60,000 he could invest up to €21,000 (35% of €60,000) and receive income tax relief on this contribution, resulting in a net cost of €16,800 at 20% income tax relief or €12,390 at 41% income tax relief. Pension income in retirement is subject to income tax at your highest rate on withdrawal, Universal Social Charge (USC), PRSI (if applicable) and any other taxes or government levies due at that time.

Taking less risk approaching retirement age

As you're approaching retirement age you're probably more cautious and may want to consider investing in lower risk funds.

Irish Life offer a very practical solution called Lifestyling. This involves gradually moving your own choice of funds to a mix of medium-risk to low-risk funds as you move closer to retirement. These strategies are suitable if you want to invest in high-risk or medium-risk funds over the term of your pension plan but want to move gradually into a mix of medium-risk and low-risk funds as you get nearer retirement. Ask your Pension Adviser for details.

FACT: 60% of personal pension holders are not aware that they can have a Lifestyling option.

(Source: Amarach Research, August 2011)

Options for retirement

When you reach your retirement age there are some different options of what to do with your Pension Fund. It is important that you start looking at them early to plan for the approach that suits you best.

So what happens when your pension finally starts paying out instead of paying in?

Most pension plans are designed to provide you with an income supplemented by your State Pension.

Warning: If you invest in this product you will not have any access to your money until age 60 and/or you retire.

Warning: This product may be affected by changes in currency exchange rates.

Warning: The income you get from this investment may go down as well as up.

Tax free lump sum or regular income

When you retire you stop paying into your pension and the fund is closed. You then have a variety of options. Most people choose to take advantage of a retirement lump sum, of which the first €200,000 is tax free (the maximum lump sum is 25% of a fund size of €2 million).

For company pensions your lump sum may be based on your salary and service (up to a maximum of one and a half of your annual salary but up to a limit of €200,000).

The other 75% can be re-invested a number of ways to provide you with an ongoing pension income. All pension plans allow you to buy an annuity, which will provide you with regular monthly income in retirement. Some types of plans give you further options – to invest in an ARF (Approved Retirement Fund) or AMRF, remain invested in your PRSA (vested PRSA) or take a taxable lump sum.

What is an Approved Retirement Fund (ARF)/vested PRSA?

An ARF or a vested PRSA are retirement funds that allow you flexibility with your pension income, while also allowing you the opportunity to further invest. This provides you with greater flexibility and independence, and is now available to employees as well as employers.

When you retire, you can invest your retirement fund in a personal investment account called an Approved Retirement Fund. The key benefit is that you can withdraw money from the account when you need.

Warning: The income you get from this investment may go down as well as up.

What is an AMRF (Approved Minimum Retirement Fund)?

An AMRF is also an investment account for your retirement fund. If you do not have a guaranteed pension income for life of €12,700 a year (or you are not buying an annuity) you must invest €63,500 into an AMRF before you can invest in an ARF. You can only make withdrawals from the growth made on your AMRF investment before age 75. Your AMRF will become an ARF when you start to receive a guaranteed pension income of €12,700 a year from other sources or you reach age 75. Once your AMRF becomes an ARF you can then make withdrawals from the original amount invested. These limits are current as at June 2014.

Ask your local Pension Adviser for more details.

Warning: If you invest in an AMRF you will not have access to your initial investment until age 75.

Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you may lose some or all of the money you invest.

A pension plan for you

We can help you work out your personal lifestyle priorities. For instance, would you prefer a secure, regular income or a fund which you could withdraw money from as and when you need it, and which you would ultimately pass on to your dependants? Source www.rpc.ie

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Checklist for 50-something:

- [ ] If you have a pension already, do you know what type of funds it's invested in?
- [ ] Have you considered moving to lower risk funds? Your Adviser can help you with this.
- [ ] Have you considered and made plans for your options in retirement? For example, whether you're going to take your pension as an income or mix of lump sum and income.
- [ ] You should take time to read your Pension Benefit Statements and keep track online.
- [ ] Are you reviewing your pension with your Pension Adviser at least every year?
- [ ] Are you claiming the full income tax relief you're entitled to? - see page 6
- [ ] If you have a company pension, are you keeping track of your employment details?
- [ ] If you haven't started a pension, then contact your local Pension Adviser.

Irish Life – strength and experience

Established in Ireland in 1939, Irish Life is now part of the Great-West Lifeco group of companies, one of the world's leading life assurance organizations.

Irish Life has over 1 million customers and is Ireland's leading pension provider.
We provide pensions to the Irish employees of over 3,000 companies, state bodies and unions.

Irish Life Investment Managers (ILIM) is a separate company within the Great-West Lifeco Group and provides asset management services to Irish Life.

Irish Life Investment Managers (ILIM) is Ireland's biggest and most successful fund manager. ILIM currently manages €38 billion for private investors and leading Irish and international companies.

Information correct as of July 2014.

For the latest information, please see www.irishlife.ie.

To discuss your retirement plan contact your Financial Broker or Adviser today.

We advise that you seek specialist pension advice as the information given is a guideline only and does not take into account your personal circumstances.

Irish Life Assurance plc is regulated by the Central Bank of Ireland.

Information is correct as of July 2014 unless stated otherwise but can change afterwards.

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