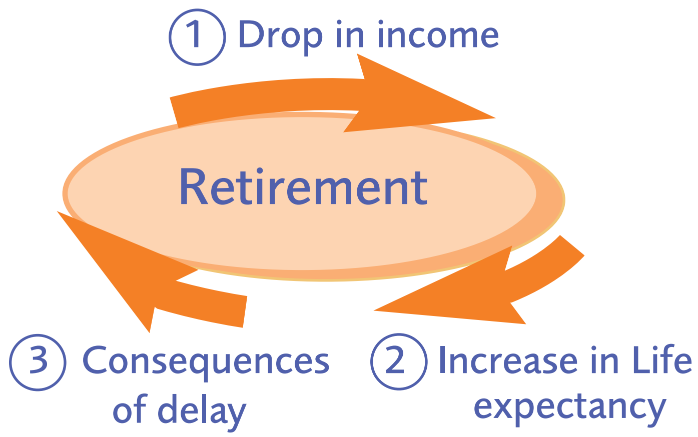
Why pension planning makes sense

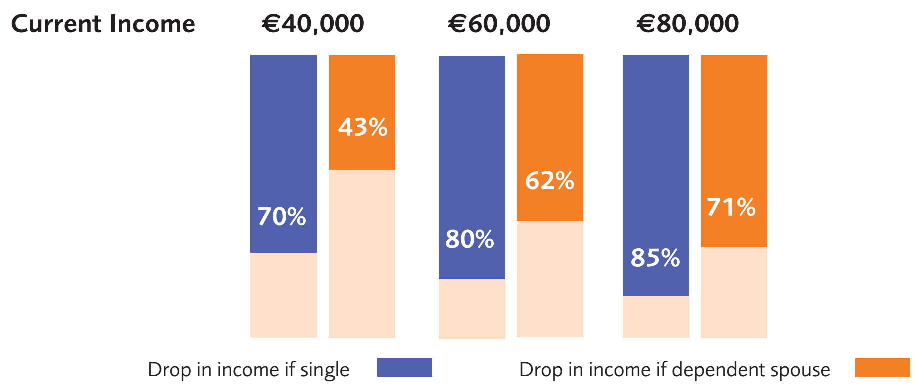
It is very important to consider your retirement options as early as possible. The longer you wait to start your pension, the more of your income you will have to invest to achieve your retirement goals. There are three major considerations which make retirement planning all the more important.



1 How much will your income drop when you retire?

If you do not plan for your retirement, and expect to live on the state pension (contributory), the drop in your income level could be substantial. For example, if you currently earn €60,000 a year, the drop in your income is 80% if you are single (62% for a married couple).

Drop in income if relying solely on State Pension (Contributory) 2009 if you retired today



State Pension (Contributory) 2009

Full Personal Rate: **€11,975p.a.**

Full Personal PLUS Adult Dependent Rate *(Over 66)*: **€22,703p.a.**

What's more, many economists predict that with our aging population by the time many people reach retirement age, the state will no longer be able to afford such generous payments – this means your drop in income could be even larger than this.

- The population of Ireland is expected to increase by 1 million by 2020
- Currently, for every 1 retired person, there are 6 people in employment. By 2050, there is expected to be less than 2 people in employment for every retired person.

(Source: NCB 2020 Vision Report March 2006)

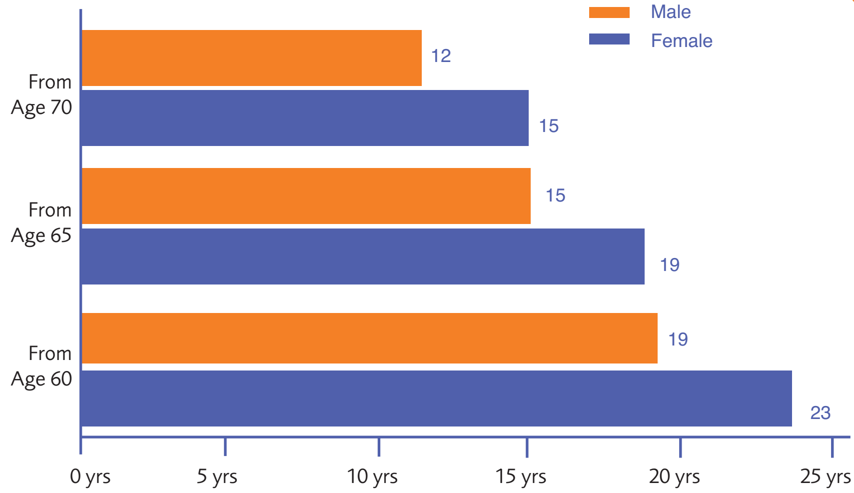
2 How long will your pension fund need to last in retirement?

With improvements in health care and lifestyle, people are living much longer and leading more active lives in retirement. For example, recent research indicates that for a retired couple aged 65, there is a 25% chance that one partner will live to the age of 99 *(Source: Fidelity International)*. This means that if you are starting a pension, you need to consider that you might be retired for a long time, and you need to build up a fund to allow for this.

Life Expectancy

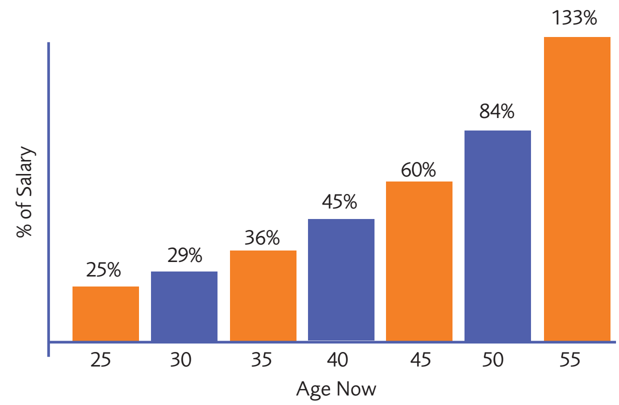
Did you know?

There is a 50% chance of a female born today living to 100



3 What is the cost of delay?

The earlier you start to save for your retirement the better. The graph below shows how much of your salary you would need to pay into your pension each year to target a pension annuity of two thirds of your final salary at age 65. As you can see, the earlier you start, the easier it is to provide this level of pension.



Assumptions: 6% gross investment return each year; 3% salary inflation every year to retirement age; annuity rates based at post-retirement interest rate of 4%; males retiring at 65; pension annuity increase of 2% each year; and pension contribution increase of 3% each year.

For more information on pensions, please contact your financial adviser today.

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

Irish Life

Pension income in retirement is subject to income tax on withdrawal. Pensions are long term savings plans that can only be taken at retirement. Irish Life Assurance plc is regulated by the Financial Regulator.

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