Irish Life

Have you *really* figured out how you'll finance your retirement?

The quick guide to pension planning

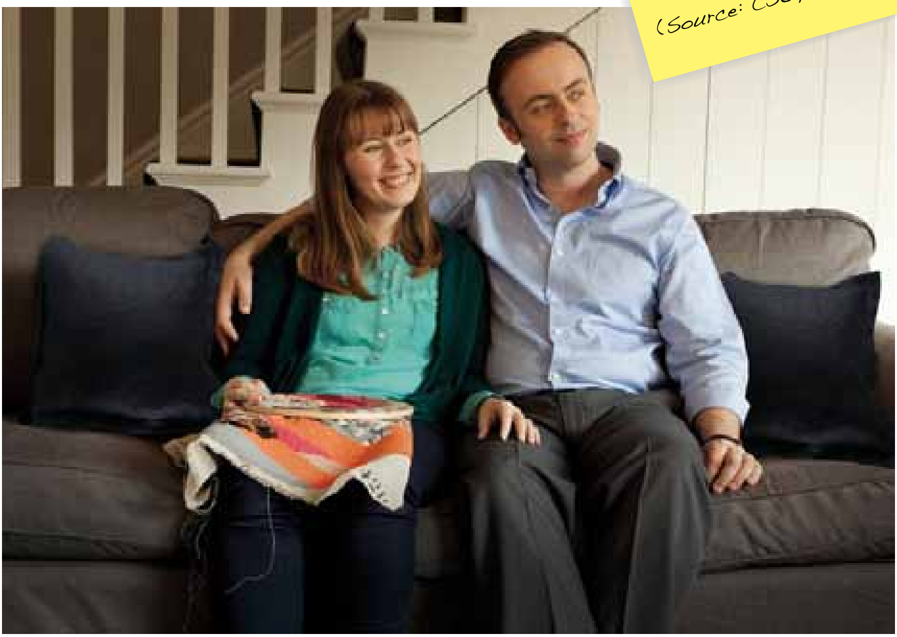
We're living longer

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

Of course, as life expectancy increases so does our need for a realistic retirement plan. If you follow this simple step-by-step guide, you'll end up in a far better place when you retire.

A man aged 40 years today will live twice as long in retirement as a man in their 40s in 1980s.

(Source: CSO, 2011 Yearbook)



Your Pension Journey

1 *Take a close look at the State Pension*

2 *See how tax relief can boost your personal pension*

3 *Use our Pension Calculator to plan what you need*

4 *What to do when you retire*

5 *See how you score on our pensions checklist*

1 *Take a close look at the State Pension*

Three things you should know

The starting point for anyone's retirement plan is of course the State Pension (if you're eligible). That's enough to get by on, isn't it? Well, if you're going to put your future in someone else's hands, you'd better take a good look at what's actually on offer.

1. It's not much to live on

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! Not the lifestyle you were looking forward to.

2. It's probably going to get even smaller

Of course, we're also living longer. Today there are 6 workers for every 1 pensioner. But by 2050 it's estimated there will be just 2 workers paying taxes to support each pensioner. That just doesn't add up.

	Number of people of working age		A single pensioner
2010		6:1	
2030		3:1	
2050		2:1	

(Source: National Pensions Framework, 2010)

3. It's getting further away than ever

Not only is the State Pension likely to be reduced, it's also retreating further into the distance. The qualifying age is set to rise an extra 3 years from 65 to 68. If you still want to retire at 65, you'll need a private pension to fill the gap.

FACT: 238,000 additional people will reach 65 during the next 10 years.

(Source: Central Statistics Office 2011)

2 *See how tax relief can boost your personal pension*

%

Unbeatable savings with income tax relief

Even if you had all the savings you'll ever need, a pension would still be worthwhile as an investment, simply because of the income tax relief you could get. Depending on how much you invest it could be worth thousands of euro to you every year.

For lower rate taxpayers 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. And 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):

€100 invested	Tax rate 20%	€100 invested	Tax rate 41%
	Tax relief €20		Tax relief €41
	You pay €80		You pay €59

A head-start over any savings plan

So, in other words, for a higher rate taxpayer, every €100 you invest takes just €59 out of your take-home pay. Thanks to tax relief on pension contributions you could get €100 invested in your pension plan with an actual cost to you of €59. Whereas with the savings plan, you'd be investing only €59 into your plan.

With a head-start like that, by the time you retire a pension could give you twice the return compared to an average savings plan.

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 charges or levies ("tax") applicable at that time.

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

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

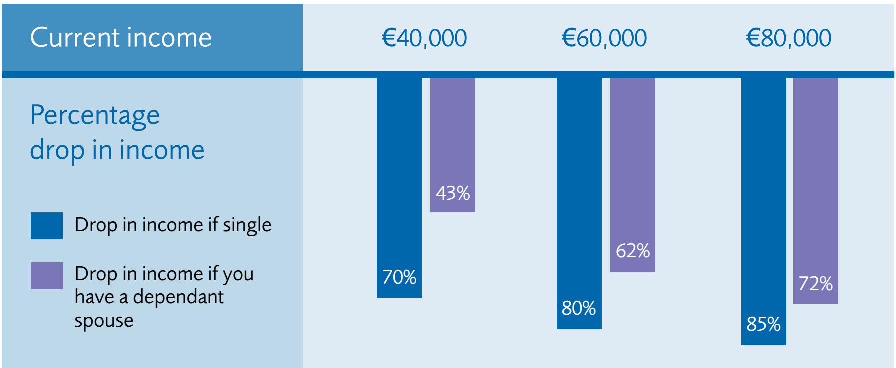
Warning: If you invest in this product you may lose some or all of the money you invest.

3 *Use our Pension Calculator to plan what you need*

Retirement planning made easy

If you did start a pension, how much would you need?

So if the State Pension isn't enough, what do you actually need to retire on? The easiest guide is to compare it with the lifestyle and income level you have now. The difference between the State Pension and your income is the gap you need to fill with a pension. The more you earn now, the bigger the drop in lifestyle you face:



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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: 87% of workers say that they won't be able to live on the State Pension alone.

(Source: Pensions Board, September 2010)

Decide for yourself with the online Pension Calculator

It's your future, and only you can decide what works for you. Have a look at the easy-to-use online Pension Calculator at *www.irishlife.ie*. You set your own targets, adjust the figures up and down to see the result of investing more or less.

When is the best time to start a pension?

It's always true that the sooner you start a pension, the longer it has to grow. Even a small regular investment will deliver big results if you start in your 20s. But if for whatever reason you're starting in your 30s or 40s, or even 50s, you can still take control. You will probably have a higher income and you could benefit from greater income tax relief allowances. So when is the best time for you personally to start a pension? Now!

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 the money from as and when you need it, and which you would ultimately pass on to your dependants?

Tax free retirement lump sum

Most people choose to take 25% in the form of the retirement lump sum, of which the first €200,000 is tax free up to certain limits. The other 75% can be used to provide you with an ongoing pension income (an annuity).

Regular income and other choices

Most people take an annuity, which provides a regular monthly income in retirement. Alternatively, you can choose to re-invest your retirement fund.

Talk to your Pension Adviser for details of all the available options.

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See how you score on our pensions checklist

Take control of your own future by making a realistic retirement plan. There are some simple steps you can take, whatever your age, whatever your current saving situation.

If you don't have a pension plan yet

You really need to start thinking about it now. Realistic retirement planning is vital for all of us:

- See for yourself what you can afford with our easy-to-use online Pension Calculator at *www.irishlife.ie*
- Then talk to a Pension Adviser about your options today.

If you have a pension plan already

A pension is a long term investment. But that doesn't mean you should lock it away in a drawer and forget about it. Just like other investments, it pays to make regular checks on how it's performing. See how you score on our pension checklist:

- ☐ Do you know what type of funds your pension is invested in?
- ☐ Are you on track with your expected retirement income?
- ☐ Have you met your Pension Adviser in the last year?
- ☐ Do you take time to read your annual statements or keep track online?
- ☐ If you are a couple, are you both maximising your income tax relief benefits?
- ☐ Do you know that you may be able to arrange Pension Life Cover and claim back income tax relief?

You score 1-4 out of 6: It's time to start thinking about your retirement plan now. Make sure you talk to your Pension Adviser today.

You score 5-6 out of 6: Well done! You seem to be up-to-date with your plan. Make sure you keep talking to your Pension Adviser on a regular basis.

For a real retirement plan
talk to your Financial Broker or Adviser today.

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

Information is correct as of September 2012 unless stated otherwise but can change afterwards.

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