Irish Life

prsa... standard

the no-fuss PRSA

Ref: 1% & 5%

Irish Life

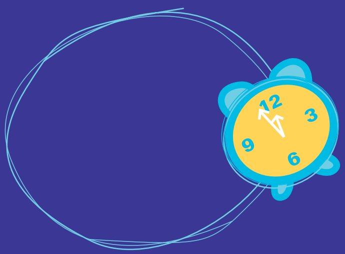
more options for your future

product snapshot

PRSA STANDARD		
Aim		To build up a fund to help provide for your retirement
Risk		Low to medium depending on fund choice
Funds Available	3	Three
Time Period	60 75	Normally to between age 60 and 75
Jargon Free		Yes

Our guarantee to you

There is no financial jargon in this booklet and everything you need to know is written in an upfront and honest way.

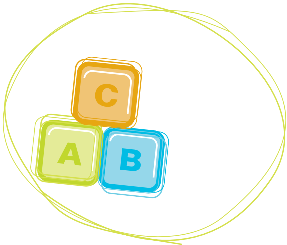


Your **PRSA** *standard* in 60 seconds

- You can stop, start or change your payments at any time, without penalty.
- You could get full tax relief on every euro you pay in.
- There are no big upfront or fixed costs to pay.
- You get an investment approach that delivers consistent performance.
- Your funds can be moved into more secure funds as you get closer to retirement - you don't need to worry.
- You can keep track of your investment seven days a week by phoning our dedicated phoneline.
- Your fund is being looked after by Ireland's leading pension provider.

contents

1 introduction



Everybody knows that it makes sense to plan for retirement. For one thing, the alternative is the State pension, which won't go far. For another, there are very generous tax benefits given for people who save for retirement. In fact, within limits, you may be entitled to get full tax relief on every euro you invest.

And yet many people put off starting a pension and so put off saving tax. Often, this is because pensions are seen as confusing or hard work.

This has all changed with our **PRSA** *standard*. **PRSA** *standard* is a new type of plan that makes it easy to build for retirement. Firstly, it's a standard PRSA - the new type of pension plan that makes it easier to save for retirement. Secondly, it is backed by the experience and expertise of Irish Life, Ireland's leading pension provider.

This booklet will explain:

- what **PRSA** *standard* is all about;
- how it helps you plan for retirement;
- what your options are; and
- how **PRSA** *standard* invests your money to make the most of it.

Saving for retirement has never been this easy. Everyone deserves an easy and worry-free route to the best retirement they can afford.
Our **PRSA** *standard* is a new style PRSA that makes saving for retirement easy.

A Decide when you want to retire.

B Decide how much of an income you want to aim for in retirement.

C Start paying into your **PRSA** *standard* and relax because you've taken the first step.

And because we have more pensions experience than anyone else, you have the strength and expertise of Ireland's top pension provider on your side.

2 PRSAs explained

But before we look at **PRSA** *standard* itself, let's look at **PRSAs in general.**

PRSAs are 'Personal Retirement Savings Accounts'. They are a contract between you and an approved PRSA provider, such as Irish Life. This results in a new type of pension plan that makes it even easier to save for retirement because they offer value for money, flexibility and convenience. Whether you are an employee, self-employed or between jobs, a PRSA helps you save for retirement. And if your employment status changes or you move to a new employer, you may be able to take your PRSA with you.

You may be considering investing some or all of your SSIA funds into a pension plan. It is possible to do this using your PRSA plan. A customer guide on SSIA investments into pension plan is available on request from Irish Life, which explains the requirements and benefits of doing this. It should be read along with this booklet.

You can also use your PRSA to supplement the pension benefits already available from your job. This is done by paying additional voluntary contributions into your PRSA. Irish Life has designed a guide called 'AVCs and your PRSA - a guide for members of Occupational Pension Schemes', to help you understand the options available to you if you are a member of a pension scheme at work and wish to boost the benefits under it, subject to Revenue limits by paying AVCs. We recommend you read the Guide in conjunction with this booklet before you make a decision to invest in a PRSA for this purpose.

PRSAs work like this

1

You can either invest regular contributions or one-off contributions at any stage. Most people choose regular contributions because it is easier and smoothes out the cost.

If you are an employee and are not in a pension plan at work, your employer could also contribute to your plan.

If you are an employee and are a member of an occupational pension scheme at work, you can make additional voluntary contributions to supplement the pension benefits under your pension scheme at work.

You can find out more details on this on page 25.

2

You may then be entitled to tax relief on your payments. It would be nice if you could save unlimited amounts into your PRSA and get tax relief, but because the tax breaks are so good, the Government puts limits on them. You can pay as much as you like. While entitlement to income tax is not automatically guaranteed, you will generally get tax relief up to the limits shown opposite.

If you are an employee, these limits include any contribution your employer may make.

If you contribute more than these amounts, or if you contribute during a period when you are unemployed, you may be entitled to carry forward tax relief to future years.

If you're under 30	Up to 15% of your earnings
If you're 30 to 39	Up to 20% of your earnings
If you're 40 to 49	Up to 25% of your earnings
If you're 50 to 54	Up to 30% of your earnings
If you're 55 to 59	Up to 35% of your earnings
If you are 60 and over	Up to 40% of your earnings

These percentages are capped at an earnings limit of currently €254,000, and include contributions to other approved pension arrangements, such as retirement annuity contracts and occupational pension schemes. The earnings limit will be adjusted annually from 2007 in line with an earning index. Also, certain occupations may get tax relief of 30% of earnings, no matter how old you are. In general, these tend to be professional sportspeople, who earn their income from that occupation, such as athletes, boxers, footballers, golfers, jockeys and so on.

If you pay contributions by direct debit from your bank account, we will send you a tax certificate, which you can send to the Revenue to have your tax credits adjusted. If you are an employee, you will also qualify for PRSI relief. If your contributions are taken straight out of your salary, you will receive immediate tax and PRSI relief.

3

Your payments (less any contribution charge)are then invested in a fund that grows **totally free of tax**.

4

Finally, you'll hopefully have built up a big enough fund for your retirement. Normally, you can take your benefits between the ages of 60 and 75, but there are certain exceptions explained on page 28. At that stage, you'll have a number of choices in terms of what you want to do with that fund.

First of all, you can take a portion of your fund totally free of tax. The amount of this will depend on your job status at the date you take your benefit.

- If you are self employed, or an employee who is not a member of an occupational pension scheme, you can take a quarter of the fund totally free of tax

- If you are a member of an occupational pension scheme at work and have contributed AVCs into your PRSA, the tax free lump sum from your PRSA will depend on the tax free lump sum given to you under your main scheme. This is explained further on.

With the remainder of the fund, you can either:

- use the balance to buy an income that's guaranteed for the rest of your life; or

- Move your fund to an approved retirement fund (ARF) or an approved minimum retirement fund (AMRF) with Irish Life or another Qualifying Fund Manager. These funds were introduced by the Government to allow customers the option of continuing the investment of their pension funds to retirement instead of having to buy an income with their fund. Restrictions apply on investing into an ARF or AMRF and these are outlined on page 20.

- Instead of moving your pension fund to an ARF or ARMF product, you can leave your money in your PRSA and draw down on the fund as you wish during your retirement. This effectively means that your fund becomes an ARF or an ARMF and you are subject to the same restrictions that apply to those funds. Again, these are outlined on page 20.

- Take the remaining fund as cash. You can only do this if you have a specified guaranteed income for life or you invest part of the fund in an AMRF.

All income or withdrawals from your pension fund (with the exception of your tax free lump sum entitlement) are subject to income tax in the normal way.

It is not obligatory to take the tax-free cash lump sum but most contributors do so. If you do not take the tax-free cash lump sum, the whole fund can be used in the ways explained above.

Your retirement options are explained more fully on page 19.

3

seven great things about PRSA standard

Seven great things about PRSA *standard*

PRSA *standard* is simply a PRSA that helps you build up a fund for your retirement. What's different about **PRSA** *standard* is that we have done all the work in choosing and arranging the best options for you.

1

Low charges mean more money when you retire

PRSA *standard* has no big upfront or fixed monthly charges, which means that your money is working for you from day one. The only charges are an entry charge of 5% of your payments to cover administration and 1% of your fund each year to cover the management of your investment. Please refer to your Preliminary Disclosure Certificate, which will outline the impact of these charges on a typical PRSA.

If you decide to invest some or all of your SSIA contribution into a pension, there will be an entry charge of 5% charge on this investment. There is a 0% charge on any Government Top-Up and Additional Maturity tax credit.

2

Giving back more as your fund **grows**

As your fund gets bigger, the charge for managing that fund reduces to:

- 0.95% when it reaches €150,000;
- 0.90% when it reaches €250,000; and
- 0.85% when it reaches €500,000.

This means that there are lower charges when your fund needs it most. And with maybe 20 or 30 years of payments and tax-free growth, you'd be surprised at how fast your fund will grow. If there are any changes to the charging structure, we will give you two months' notice.

3

Consistent **performance** year after year

You can invest in the Consensus Fund, Ireland's most popular fund. It is popular because it aims to provide performance that is consistently in line with the average of all funds in the market, taking out the risk of choosing the wrong fund manager. We explain this in more detail on page 16.

4

Smoothing you into retirement

PRSA *standard* takes account of your circumstances and need for security as you get closer to retirement. It does this by switching your fund into more secure funds in the five years before your chosen retirement date. This feature is called the Default Investment Strategy and is outlined on page 16.

5

Keeping track of your **money**

Our service does not stop once you've bought our pension. Every six months we will send you a statement of account and an investment report to let you know how your pension is doing. Once a year we'll also send you a more detailed statement (called a 'statement of reasonable projection') to help you continually assess your retirement plans. As well as this, you can find out the value of your fund all day, seven days a week by phoning our dedicated phoneline.

6

You're not tied to rigid payments

There's an old saying that "it's a long road that doesn't turn". Above all, we have designed **PRSA** *standard* to be flexible so that your pension can adapt to your changing circumstances. You're not locked into decisions that you make today. You can choose your level of contribution and you have the option to increase or reduce it. You can add one-off contributions to your plan at any time or, if you prefer, make these payments each year instead of regular contributions. You can even take a break in payments if you need to.

7

You know your savings are in **safe hands**

Because your money is invested with us, you know it's in safe hands. More people trust us with their pension money than anyone else, and no other company pays out more pension benefits to Irish people every day of every year.

So all you need to decide is when you want to retire and what kind of benefits you'd like to build up.

4 the PRSA *standard* plan

So how exactly will **PRSA** *standard* **work?**

If you've read the section on PRSAs, you'll have an idea of how **PRSA** *standard* works. In the next section, we'll look at each of the following steps in more detail.

- How much do I need to put in?
- Where will my money be invested?

How much do I need to put in?

If you've decided to invest for your retirement in **PRSA** *standard*, the first question will be how much will it cost? Because **PRSA** *standard* is simply a tax-efficient savings plan for retirement, the amount you should put in will depend on a number of different things.

1 How much money you'll need for retirement.

2 How long you will be saving for.

How much will this **cost?**

The answers to these questions will help you come up with a reasonable figure. Also, because you may get tax relief on your payments, remember that it could cost you a lot less.

The handy ready reckoner at the back of this booklet will help you work out the amount.

Step 1 – how much will I need for **retirement**? (your budget calculator)

Most people will use their PRSA to replace some or all of their income in retirement. So, although you'll have a number of different options when you retire (such as tax-free cash), we've looked at the cost of replacing your standard of living.

The first thing is to look at your outgoings to decide how much you need to aim for. Remember that some of your outgoings will be gone or reduced. For example, your mortgage might be paid off and any children might have grown up and left home. Also, you should qualify for the State Pension from age 66, which is currently around €193.30* a week. So taking this into account, you might need to replace only part of your current income.

At the back of this booklet, we have included a budget calculator (see opposite), which may help you decide how much you will need for retirement.

*Single Contributory Old Age State Pension as at June 2006.

The budget calculator

Monthly expenses	You'll need	The average
Your home		
Rent and mortgage	€29	€165
Furniture	€30	€21
Electrical appliances		€86
Repairs and decorations	€29	€41
Fuel and electricity		€87
Insurance		€16
Telephone		€53
Other household expenses (newspapers, stationery and so on)		€78
Television licence & cable fee		€19
Shopping		
Food		€471
Drink and tobacco		€176
Clothing and footwear		€140
Other shopping expenses (toiletries, cleaning material and so on)		€58
Transport		
Vehicle purchase and loans		€169
Petrol		€81
Car tax and insurance		€65
Other transport expenses (services, bus fares and so on)		€65
Entertainment		
Going out		€33
Holidays		€103
Other		
Insurance premiums		€96
Medical costs		€79
Miscellaneous (education, child care, National Lottery and so on)		€211
Total		€2,313

Step 2 – how long will I be **saving** for?

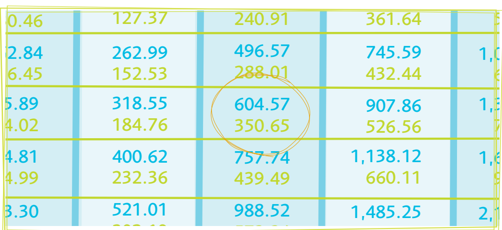
The next question is when would you like to retire? Most people will retire between 60 and 65, although many people hope to retire earlier than that. With **PRSA** *standard*, you don't need to decide on a date now, but having an idea of when you'd like to retire will help you plan. The longer you have to build up a retirement fund, the less you'll have to invest every month between now and retirement.

Step 3 – how much will this **cost**? (the payment calculator)

The budget calculator helps you decide how much regular income you'd need if you retired tomorrow. The payment calculator gives you an indication of how much this would cost. It takes account of inflation and makes some assumptions.

For example, if you needed to build up an income of €24,000 a year (including the State Pension) in today's terms and had just over 30 years to go until you retire, you'd need your PRSA to fund for an income of €58,254 to beat inflation. We estimate that you would need a fund at retirement of €673,648 to provide this level of income. If you have 30 years to go until retirement, the cost of this would be €604.57 a month (or €350.65 after tax, assuming current 42% tax relief) based on assumed investment growth of 6% every year and contributions increasing by 3% every year.

At the back of this booklet, we have included the payment calculator (see below), which will give you an idea of how much it could cost you to provide the benefits you would like at retirement. For a more detailed and personal review, you should talk to your financial adviser.


0.46	127.37	240.91	361.64	
2.84 6.45	262.99 152.53	496.57 288.01	745.59 432.44	1,(
5.89 4.02	318.55 184.76	604.57 350.65	907.86 526.56	1,3
4.81 4.99	400.62 232.36	757.74 439.49	1,138.12 660.11	1,6
3.30	521.01	988.52	1,485.25	2,1

Where will my **money be invested?**

After you've chosen how much to pay into your **PRSA** *standard*, the next important thing that will decide what you'll have in retirement will be where you've invested your money. There are three main rules to investing your pension fund.

1. **Shares tend to perform better than other types of investments over the long term.** The idea with most pension funds is that when you save in a pension, your money is used to buy shares in companies. When those companies are profitable, their share price tends to rise so the value of your investment goes up. And although shares go up and down each day, it's the general upward trend of share prices over the long term which has made the stock market the best place for investors.

2. Many people think that the stock market is risky, but you shouldn't be too worried by short-term falls. Pensions are among the longest-term investments around. The longer you're in the stock market, the better the returns have tended to be. As a general rule, **the longer you have to retirement, the less risky investing in shares is.**

3 **No fund manager has consistently performed better in the market.** Despite the claims of many fund managers, no fund manager has performed better than the average fund performance year after year. Funds can fall, as well as rise, in value.

What makes us **different?**

The Consensus Fund

We do things differently. We've developed an investment approach called 'consensus' investing. Rather than taking the risk of trying to choose an investment manager that will perform well, we will invest your savings in a new fund called the Consensus Fund.

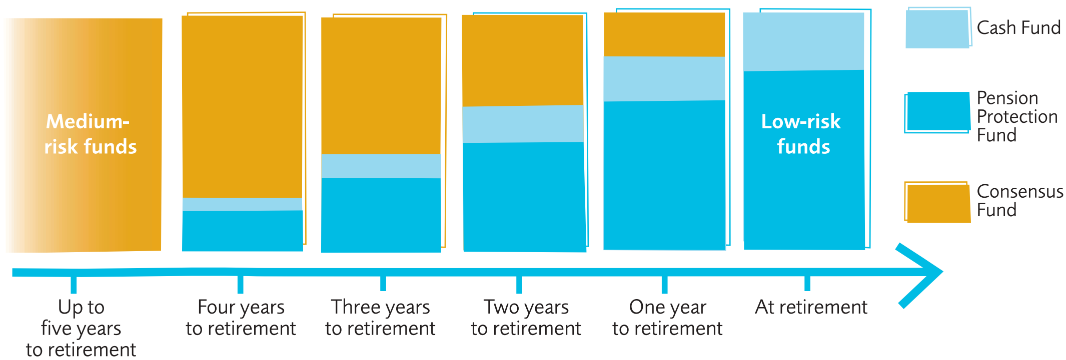
The Consensus Fund aims to provide performance that is consistently in line with the average, by using the combined wisdom of the main fund managers in the Irish market. It looks at where they invest, and does the same more cost-effectively, which should mean better long-term performance. It also removes the risk of choosing the wrong fund manager because you have all of them working for you.

And, because the consensus mix tends to mainly invest in shares, it should perform well over the long term. It's an approach that has made the Consensus Fund the most popular fund in Ireland with over €4.5 billion being managed on behalf of thousands of pension investors.

But, we go one step further. Using our Default Investment Strategy, we can smooth you automatically into more secure funds, as you get closer to retirement. Or you can choose your own mix of funds.

Default investment strategy

The default investment strategy (DIS) is a service where we invest your built-up fund in the Consensus Fund until you are near to retirement. We then switch your fund into more secure funds. (Although the Consensus Fund aims to perform consistently in line with the average market performance, it can still be quite a risky fund over the short term.) So, it will help protect your pension fund from the ups and downs of the market as you get closer to retirement. The diagram below shows how it will work in practice.



When you are five years away from retirement, we'll start switching 10% of your fund into more secure funds every six months. This means that when you are six months away from retirement, your full fund will be invested in more secure funds. This is useful in locking in any gains that you have made over the years and reducing the risk of loss as you get nearer retirement. The secure funds are as follows.

- A Cash Fund which invests in cash-type investments and so is very secure, but does not grow very fast. We aim to have one quarter of your money invested in the Cash Fund when you retire to lock in **your tax-free lump sum.**

- The Pension Protection Fund mainly invests in government-backed bonds. Although the value of this fund can rise and fall, it tracks investment rates. So, the value of the fund should tend to rise if pensions become more expensive. As such, we aim to have the rest of your money invested in this fund when you retire **to secure your pension income.**

The funds in this strategy are liquid (which means we can sell them quickly), the charges are very clear and the prices are updated regularly. We will review this strategy at least every five years.

The purpose of the default investment strategy is mainly to generate a retirement income by buying an annuity rather than drawing down your retirement fund.

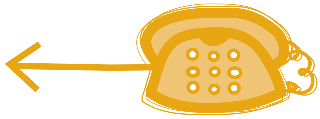
Other **investment options**

If you do not choose to invest in the default investment strategy (you must tell us this in writing), you can choose any one, or a combination, of the other three funds available – the Consensus Fund, the Cash Fund and the Pension Protection Fund. You must let us know in writing if you do not want to invest in the DIS. If you choose this other investment strategy, we will not automatically switch your funds into more secure funds as you near retirement. However, at any stage over the term of your contract, you can ask to switch funds into the DIS at no cost.

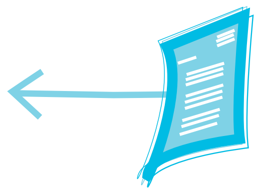
How will I know how my PRSA *standard* is doing?

As a pension plan is a major long-term investment, we make sure that we will keep you informed about your **PRSA** *standard* and how it's doing so that you can review it regularly. We're here to give you the information you need when you need it.

- You can phone our dedicated phoneline all day, seven days a week to check the value of your **PRSA** *standard*. The number is 01 704 1111.



- Every six months we will send you a statement of account and an investment report. These will let you know how your pension is doing and detail what you've paid, what it's worth and how the funds have done. Once a year we'll also send you a more detailed statement (called a 'statement of reasonable projection') to help you review your plan.



- If you need to talk to us, we're here to answer questions about your plan. Just phone 01 704 1010 from 8am to 8pm Monday to Thursday, 8am to 6pm on Fridays, or from 9am to 1pm on Saturdays. If you want advice about your pension planning arrangements, you can also talk to your financial adviser. We will record or monitor calls to help us improve our customer service.

- By logging onto our website (www.myprsa.ie) you can see how funds are doing and get answers to frequently asked questions.

What happens when **I decide to retire?**

With **PRSA** *standard*, you will have a number of options when you retire, including taking part of your pension fund as a tax-free lump sum.

You don't need to decide now what you're going to do - you can make your decisions closer to retirement when you have a better idea of how you'd like to spend the money you've built up.

The options you'll have are as follows.

Tax-free cash

The amount of your tax-free lump sum will depend on how you are using your PRSA

- If you are self employed, or an employee but not a member of an occupational pension scheme, you can take a quarter of the fund totally free of tax

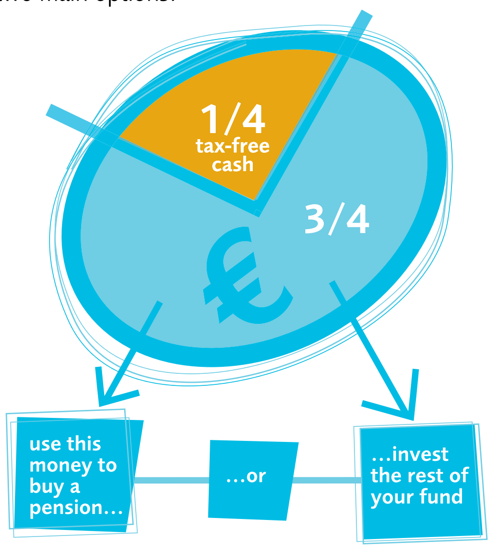
- if you are a member of an occupational pension scheme at work and have contributed AVCs into your PRSA, the tax free lump sum from your PRSA will depend on the tax free lump sum given to you under your main scheme.

The maximum amount between the two pension plans is 150% of your final salary but this depends on the number of years service at retirement. If this is less than 20 years, the tax-free lump sum will be scaled back.

Let's take an example:

If your employer's scheme provides you with 100% of final salary as a tax-free lump sum, you can use your AVCs to provide the other 50% (providing you have the number of years required).

After you've taken your tax-free fund, you have two main options.



A You can **buy a pension**

You can use the rest of the fund to buy a pension (in other words, a regular income that's guaranteed for the rest of your life). Usually, this means that you pay your pension fund over to us (or another insurance company if you'd prefer) and we'll guarantee to pay you a regular amount every month while you're still alive.

You can also choose other options, such as having the income increase each year, or having part of it paid to your husband or wife after you've died. You don't have to make any of these decisions until you actually retire.

If you do decide to buy a pension, the pension is treated as a normal income so you will have to pay income tax on it. Also, because it is a pension for you, you cannot cash it in, change it to a lump sum, or transfer it to someone else in the future.

If you are a member of an occupational pension scheme and you have paid AVCs into a PRSA, the amount of pension you can choose from your AVC fund depends on the amount you will get from your main scheme. The maximum pension allowed between the two plans is 66.67% of your final salary based on at least 10 years service at retirement.

Let's take an example:
If you take a tax-free lump sum of 150%, the maximum pension reduces to approximately 50%. If for example, your employer's scheme provides you with 150% of final salary as a tax-free lump sum and a pension of 30%, your AVC fund can be used to buy up to 20% of your final salary as a pension.

B You can **invest the rest of your fund**

After taking your tax-free lump sum, you can continue to invest the rest of your pension in a fund that you can manage and control during your lifetime, and then leave to your family when you die.

Depending on your circumstances, you will have two main options for investing your pension fund.

Option 1

Invest in an **Approved** retirement fund (ARF) of your choice

If you can show that you are guaranteed to receive an income for life of at least €12,700 a year, you can invest the rest of your pension fund in an Approved Retirement Fund (ARF) of your choice.

An ARF is an investment fund that allows you to do the following.

- Decide where you want to invest your money.
- Make withdrawals from your fund as and when you need them. (In fact, you could take all of your fund as cash if you'd like. However, any withdrawals that you make from your ARF will be taxed like a normal income.)
- Use your fund to buy a pension later on, rather than when you retire.

Approved minimum **retirement fund** (AMRF)

If you do not have a guaranteed retirement income of at least €12,700 a year when you retire, you must invest at least €63,500 into an Approved Minimum Retirement Fund (AMRF) or buy a pension with the same amount.

The difference between this and an ARF is that you cannot take any of the money you invested in your AMRF until you reach 75. Instead, you can only take money from the growth your investment in the AMRF fund makes (and you will have to pay income tax on it).

At 75, your AMRF becomes an ARF. At this stage, you can take all of your money (as income) or leave it invested.

Option 2

Leave your funds in your PRSA

Instead of moving your pension fund to an ARF or AMRF you can leave the fund in your **PRSA**. Your fund becomes an ARF or an AMRF.
Then, provided you always have at least €63,500 in your fund you can make withdrawals from your fund when you need them. However, any withdrawals that you make from your ARF will be taxed like a normal income. You may also be required to take certain minimum withdrawals from your ARF every year. Asy your Financial Adviser fro further information on the requirement.

You can still use your fund at any time to buy a pension or transfer to a separate ARF/AMRF.

At 75, you would no longer have to keep at least €63,500 in your **PRSA**.

Whether you decide to transfer to an ARF or draw down the fund within the PRSA it is important to remember that the value of your fund may be reduced over time if the level of income is high and the investment return is not high enough to maintain this.

When you die, any money left in your fund will pass through your personal representatives to your estate. Your husband or wife may have the option of continuing to invest in a separate ARF.

Again, you can make all of these choices at retirement (or close to it), and your financial adviser can help you decide what is best for you.

What is most important is that you make sure you have a reasonable fund at retirement to make these choices. If you do not have a guaranteed income that will maintain your current standard of living during retirement, we recommend that you consider buying a pension before choosing to invest in an ARF or draw an income from your PRSA.

All of these options and limits are based on current laws and regulations, which could change in the future.

5

your next step

Your next **step**

If our common-sense investment approach is what you're looking for, your next step is easy. Talk to your financial adviser, or simply phone us.

Who knows, maybe years from now you'll look back on this as one of the most important decisions you ever made.

6

your questions answered

Your **questions answered**

Am I eligible to take out this plan?

You can take out this plan if:

- you are self employed or in a job which is non pensionable, or in between jobs at the moment, or
- you are a member of an occupational pension scheme and wish to pay additional voluntary contributions (AVC's) in your PRSA to boost your retirement fund; and
- you are resident in Ireland and you are between the ages of 18 and 75.

If you intend to pay AVC's into your PRSA we recommend you also read Irish Lifes Guide called 'AVCs and yor PRSA - A guide for members of Occupational pension schemes.

What **payment options** do I have?

You can choose between making regular payments, adding a one-off lump sum at any stage or paying them separately. Most people tend to pay regularly. You can pay:

- regular contributions by direct debit (every month, every three months, every six months or every year);
- one-off contributions by cheque; and
- if you are an employee, by having your contributions taken from your salary. Any employer contributions will be added to your personal contributions. If you are a member of an occupational pension scheme at work, it is not possible for your employer to contribute to your PRSA.

Can contributions be **deducted from my salary** by my employer?

Yes. Your employer can take contributions from your salary whenever you are paid. This could be every week, fortnight or month. We will then take this contribution from your employer's bank account. Please note that your plan will be a monthly-paid plan and we will collect contributions from your employer every month.

For example, if you are paid weekly and decide to make a regular contribution of €60, we multiply €60 by 52 (weeks in a year) and divide it by 12 (months in a year). Your plan will then be set up for €260 every month and we will collect this from your employer's bank account every month by direct debit.

Therefore, at certain times, deductions made from your payroll may be held in your employer's bank account for a short period before they are sent to us and invested in your plan. Contributions are invested on the day we receive them.

Can I **change the amount I pay**, or even **stop paying for a while**?

If you want to, you can increase your contributions, reduce your contributions or take a break from making payments at any time. You will no be charged for these options.

However, the estimated value of your pension fund, which will be in the 'statement of reasonable projection' of your welcome pack when you take out a **PRSA** *standard*, is based on the contribution level that you agreed to pay when you started the plan.

So remember that reducing (or stopping) your contributions will reduce the value of your pension when you retire. If you are going to miss any contributions, you should contact your financial adviser or our Customer Service Department.

Can I transfer my existing pension funds into this PRSA?

You can transfer existing pension funds from approved retirement annuity contracts, PRSAs and occupational pension schemes into your PRSA. You can also transfer funds from pension arrangements overseas. No entry charge will be applied to that transfer payment. You should think carefully about transferring funds from one plan to another. Some restrictions apply to transfers from occupational pension schemes and overseas arrangements.

Do my **contributions increase with inflation**?

When you take out your plan, you can choose to have your contributions increase with inflation. If, like most people, you choose this option, your contribution will increase each year in line with the Consumer Price Index (a measurement of inflation), or by 5% if this is higher.

Can I **cancel my plan**?

If, after taking out this plan, you feel that it is not suitable, you may cancel it by writing to us at:
Irish Life Assurance plc
Lower Abbey Street
Dublin 1.

If you do this within 30 days of the date we send you your statement of reasonable projection, we will cancel the plan. We will refund any regular contributions you have made. We will refund any one-off contributions less any fall in value due to market conditions.

When your plan is up and running, you can stop contributing to your plan at any time, but you will not usually be able to take the benefits from your plan before you reach 60 (see other questions).

Can I **stop paying into my plan**?

If you decide to stop making contributions, your pension fund stays invested and continues to grow tax-free. Obviously, the value of your fund when you retire will be lower at retirement than if you had continued paying.

Before stopping payments, you should be sure that you have made other arrangements for your retirement. You should contact your financial adviser for more details.

Is there any limit on the size of my pension fund or my tax free cash?

For tax purposes, the maximum pension fund you can have is €5 million from all sources. If you have pension funds in excess of this amount there may be tax implications and you should consult your financial adviser. The overall tax free cash from all your pension arrangements can't exceed €1.25 million. Any lump sum payment in excess of this limit will be taxed at the marginal rate of tax. This limit will be adjusted annually from the tax year 2007 in line with an earnings index.

Do I have to pay tax on my pension?

Under current law, when you retire, you can take some of the fund as a tax-free lump sum. How much of a tax free lump sum you can take is explained on page 19. You will have a number of options as to how you can use the rest of your pension fund, and the tax you pay will vary depending on which one you choose. If you choose to buy a pension for life, your income will be taxed as income in the normal way.

If you invest in an Approved Retirement Fund or continue to invest in your PRSA, you will have to pay income tax on any withdrawls that you make.

When is the earliest I can take my pension?

If you are self-employed, you can take your benefits from age 60. You do not have to retire to take your pension benefits. Some occupations allow earlier retirement, such as air-pilots, fishermen, jockeys, professional rugby players, singers and so on.

If you are an employee and you are not a member of an occupational pension scheme, you can take your benefits at any time after your 50th birthday (unless you are a member of an occupational pension scheme at work). If you do this between age 50 and 60, you must retire from your job. If you take benefits from age 60, you do not have to retire and you can continue to work whilst enjoying the benefits from your PRSA.

If you are a member of an occupational pension scheme at work and have paid AVCs into a PRSA, your retirement age must be the same as the retirement age under your pension scheme at work. You will need the permission of the trustees of your work scheme to take your benefits.

If you are sick, it is possible to take benefits earlier than outlined below. See further on.

What happens if I stop working?

If you stop working but do not plan to begin taking benefits, you can either:

- stop contributing to the plan (perhaps until you start working again); or
- continue to contribute to the plan. If you do continue to contribute, tax relief on the contributions may have to be carried forward to when you have earnings in the future.

What happens if I have to **retire early because of ill health**?

If you have to retire early because of ill health (that is, you are "permanently incapable through infirmity of mind or body of carrying out your own occupation or any occupation of a similar nature for which you are trained or fitted.*), you can take

your pension benefits immediately. However, your pension may be low because your contributions are stopping at an earlier age and the pension will have to last longer as you will be retiring earlier. If you retire early because of ill health, you must give us medical evidence to support this.
* Source: Section 787K of the Taxes Consolidation Act 1997.

What happens if I **leave employment**?

If you are self-employed whilst paying into a PRSA and subsequently move into job which has a pension scheme, your contributions into your PRSA either should cease or become additional voluntary contributions linked to your main scheme. The way you make your payments could change (i.e. from direct debit to payroll deduction) and you should notify your financial adviser or Irish Life. If you are employed in a job which does not have pension scheme and subsequently become self-employed, you can continue your contributions as normal. If you move into a job which has a pension scheme, your contributions into your PRSA either should cease or become additional voluntary contributions linked to your main scheme. The way you make your payments could change (i.e. from direct debit to payroll deduction) and you should notify your financial adviser or Irish Life.

If you are a member of an occupational pension scheme and are paying AVCs into PRSAs but leave that job, your contributions can continue but they will become 'ordinary' contributions unless you join another job with a pension scheme. This may mean changing your mode of payment from payroll deduction to direct debit from your personal account. If you move from an occupational pension job to another occupational pension job, the payroll system will change from the old employer to a new employer. We can only do this if you inform us immediately of this change. It is important that we keep a record of your employment history in order to pay out the correct benefit to you at retirement.

So changing your job does not mean that you have to stop paying into your PRSA. It just means that you may have to change the way you pay your contributions and you should let us know as soon as possible.

Can I **take money out** of my **PRSA** *standard*?

As discussed above, you can take your benefits at retirement, based on your occupation. See above. Generally this is from age 60. The exceptions are if

- your occupation is one that typically has an earlier retirement age;
- you have to retire early because of ill health

If you are a member of an occupational pension scheme at work and are paying AVCs into your PRSA, you have to take benefits at the same time.

It may be possible to cash in the value of your plan if it is €650 or less and you have not paid contributions into your PRSA in the two years prior to your request to cash in. If the value of your fund is €650 or less and you do not pay any more contributions into it for two years, Irish Life has the right to request that you transfer your fund to another approved pension scheme or start to pay contributions again. We will notify you in writing of this. If we don't hear back from you within 3 months of this request, we could decide to automatically refund the value to you.

What happens if I **die before retirement**?

The value of your pension fund will be paid to your estate. Your dependants may have to pay inheritance tax depending on who inherits.

What happens if I die after starting to take my benefits?

If, at retirement, you have taken your tax-free lump sum and you decided to leave your fund within your PRSA, the remaining fund will be paid to your estate if you die during it. How the fund is treated for tax purposes on death depends on who you leave it to. Usually, the whole fund passing to your estate will be treated as income (of the deceased PRSA holder) in the year of death and will be subject to income tax. Inheritance tax, income tax, or both, may also have to be paid, depending upon who receives the benefit.

If, however, you leave any part of that fund to your spouse, she or he has the option of taking out an Approved Retirement Fund. We will pay the fund directly into that ARF and there are no tax issues on this transfer into that ARF. Income tax will have to be paid on subsequent withdrawal from that ARF.

Tax legislation changes over time and we would advise that you seek independent tax advice in this area.

Can I **move my money** to another provider?

You can transfer your plan to another approved PRSA provider at any stage. You can also transfer your assets to an approved occupational pension scheme if you are a member of that scheme where the scheme rules have been amended to accept PRSAs. Transfers may also be allowed to approved pension arrangements outside the state. No charge is applied to transfers out of the PRSA unless you are in a fund that restricts the movement of funds before agreed dates.

Do I have to **retire to get my pension**?

Generally if you are self employed, or an employee who is not in an occupational pension scheme you do not need to retire to get your pension. You can take your pension at any time from age 60 onwards and continue to work, although it could even be earlier for certain occupations (as mentioned above). You can retire because of ill health at any time. If you are an employee, you will have to retire if you want to take benefits between 50 and 60.

If you are paying AVCs to your PRSA you must take your PRSA benefits at the same time as your benefits under your main occupational pension scheme. You may need the permission of the trustees of the main scheme before you can take benefits from your main occupational scheme. This may also mean that you will need to retire in order to take benefits before the schemes normal retirement date.

Family law and pensions

If you go through a legal separation or divorce, a court application for a pension adjustment order (for the retirement or death benefits we pay under this plan) may be made for your husband or wife. You can get more information on how a pension adjustment order works from the Pensions Board at the following address:

The Pensions Board
Verschoyle House
28/30 Lower Mount Street
Dublin 2.
Phone: 01 613 1900
Fax: 01 631 8602

Who should I talk to **if I have any questions?**

You should talk to your financial adviser or contact our Customer Service Department.

Who should I talk to **if I have a complaint?**

If you believe that you have suffered a financial loss as a result of poor administration of your PRSA or if there is a dispute of fact or law, you should contact our Customer Service Department. As a PRSA provider, we must set up an "Internal Disputes Resolution" procedure. You can ask us for a copy of this at any time. After writing to us with your complaint, we will make a decision on it and let you know.

If you are unhappy with this decision, under Part XI of the Pensions Act, 1990 as amended you can take your complaint to the Pensions Ombudsman at the following address:

The Office of the Pensions Ombudsman
36 Upper Mount Street
Dublin 2.
Phone: 01 647 1650
Fax: 01 676 9577
Email: info@pensionsombudsman.ie
Web: www.pensionsombudsman.ie

The Pensions Ombudsman will investigate the matter for you. Both you and we can appeal their decision to the High Court. For more information on your rights, please contact the Ombudsman's office.

If you have any other type of complaint, please contact our Customer Service Department. We will review your complaint and let you know the outcome. If you are not satisfied with this, we will let you know where you can go to process your complaint further.

The Pensions Ombudsman does not investigate every customer complaint. Sometimes complaints are dealt with by other industry regulators, such as the Pensions Board, the Financial Regulator or the Financial Services Ombudsman. Our

Customer Service Department can let you know which regulator is most suitable for your complaint.

Who is my **PRSA contract provided by**?

Your contract is in the form of a plan and is provided by Irish Life Assurance plc. It sets out the details of your contract with us. This booklet is only meant to be a guide to help you understand your **PRSA** *standard* and does not give all the details of your plan. These details will be in your plan schedule. We will include more specific details and rules in your terms and conditions booklet, which you should also read carefully.

Your application form and plan will be your legal contract with us. The contract will be governed by Irish law. The Irish courts are the only courts that are entitled to hear disagreements. The information in this booklet is based on our understanding of current law, tax and Revenue practice as at June 2006.

This product has been approved by the Pensions Board and the Revenue Commissioners - it's reference number is APP/K/935/S .

7 your handy ready reckoner

There are two steps involved in working out how much you may need to contribute.

1 How much income do you think **you might need in retirement**?

Think through what kind of income you would need if you were going to retire tomorrow. What would you need to live on (or even to enjoy yourself)? We've given you a few pointers to think through and have included what the average household spends on these items each month.

Think through what you'd need every month (remember, if you've retired, your mortgage might be paid off or expenses on your children might be less if they've moved out). You need to write down the monthly cost, so if you pay for some expenses once a year, you'll need to divide them by 12. The Central Statistics Office of Ireland (CSO) estimates that the average household spending is more than €2,300 a month.

Your **budget calculator**

Monthly expenses	You'll need	The average
Your home		
Rent and mortgage		€165
Furniture		€21
Electrical appliances		€86
Repairs and decorations		€41
Fuel and electricity		€87
Insurance		€16
Telephone		€53
Other household expenses (newspapers, stationery and so on)		€78
Television licence & cable fee		€19
Shopping		
Food		€471
Drink and tobacco		€176
Clothing and footwear		€140
Other shopping expenses (toiletries, cleaning material and so on)		€58
Transport		
Vehicle purchase and loans		€169
Petrol		€81
Car tax and insurance		€65
Other transport expenses (services, bus fares and so on)		€65
Entertainment		
Going out		€33
Holidays		€103
Other		
Insurance premiums		€96
Medical costs		€79
Miscellaneous (education, child care, National Lottery and so on)		€211
Total		€2,313

It can **all add up.**

Note: These figures are taken from the CSO's Household Budget Survey 1999-2000.

2 **How much will it cost** to provide the kind of benefits you might need?

This handy table will give you an idea of how much it could cost you to provide the benefits you'd like to aim for in retirement. You just need to follow a few steps.

1 Choose the age that is nearest to your current age on the column on the left.

2 Run across the top row to choose the income that you think you might need if you retired tomorrow.

3 The box where 1 and 2 meet is the estimated monthly cost of your desired retirement benefit.

4 The figure in blue gives you an idea of how much your retirement might cost you, and the figure in green shows that cost after tax relief (assuming current tax rate of 42% - May 2006).

5 This is just a rough guide and you should read the notes listed on the next page.

Your **payment calculator**

your age now	€1,000 a month	€1,500 a month	€2,000 a month	€2,500 a month	€3,000 a month	€3,500 a month	€4,000 a month
25	52.52 30.46	219.60 127.37	415.37 240.91	623.52 361.64	892.82 517.84	1,162.03 673.98	1,431.22 830.11
30	62.84 36.45	262.99 152.53	496.57 288.01	745.59 432.44	1,067.76 619.30	1,389.92 806.15	1,712.10 993.02
35	75.89 44.02	318.55 184.76	604.57 350.65	907.86 526.56	1,300.42 754.24	1,692.85 981.85	2,085.51 1,209.60
40	94.81 54.99	400.62 232.36	757.74 439.49	1,138.12 660.11	1,630.64 945.77	2,123.12 1,231.41	2,615.59 1,517.04
45	123.30 71.51	521.01 302.19	988.52 573.34	1,485.25 861.45	2,128.24 1,234.38	2,771.46 1,607.45	3,414.82 1,980.60
50	170.64 98.97	721.08 418.23	1,377.71 799.07	2,062.10 1,196.02	2,955.82 1,714.38	3,849.68 2,232.81	4,744.02 2,751.53
55	265.53 154.01	1,122.06 650.79	2,143.84 1,243.43	3,232.25 1,874.71	4,614.72 2,676.54	6,011.52 3,486.68	7,409.00 4,297.22
60	551.51 319.88	2,330.54 1,351.71	4,452.82 2,582.64	6,713.46 3,893.81	9,640.79 5,591.66	12,567.82 7,289.34	15,495.15 8,987.19

How this **table works**

The figures show you how much it might cost to provide an income at 65. First, it takes account of the current State Pension. Then it takes account of inflation, so the actual figure you'll get will be much higher. It then takes account of tax because some of the income you provide for yourself will be taxed. Finally, it takes that figure into a fund that you need to target.

So now let's look at an example of what's happening behind the scenes.

Imagine you're almost 35 and want to provide an income for yourself, after tax, of €2,000 a month in today's terms. What this table does is as follows.

- It takes off €838, because that is the current Old Age Contributory State Pension, and you should get that automatically when you retire.
- That leaves you needing your **PRSA** *standard* to aim for providing an income of €1,162 a month.
- To get €1,162 a month, after tax as well as the State Pension, you'd need to plan for an extra income of €1,311 because some of your income will be taxed.
- €1,311 a month will be worth very little when you're 65, so to beat an assumed inflation of 3%, you'd need €3,183 every month at 65.
- To provide this, your fund would need to be €673,648.
- The cost of building up this fund would be €604.57 a month or €350.651 after tax (at 42%).

To put this table together, we've had to make a number of assumptions. We assume that:

- your fund will grow at 6% a year (which is not a forecast as prices may fall as well as rise) and your contributions will increase at 3% each year;
- inflation will be 3%;
- pension law, tax law and tax rates will not change;
- current State benefit will increase at 3% a year, and that you will get the single person's Old Age Contributory State Pension of €193.30 a week;
- your income in retirement will increase by 2% each year;
- you pay 42% income tax; and
- annuity (pension in retirement) rates will be broadly in line with today's rates.

The examples and the assumptions are estimates only, and what your fund will grow to or provide as income will depend on economic, tax and other factors over the years to retirement. As an employee, you may be able to get PRSI relief.

Contact us

phone: 01 704 1010
8am - 8pm Monday to Thursday
8am - 6pm Friday
9am - 1pm Saturday
fax: 01 704 1900
email: customerservice@irishlife.ie
website: irishlife.ie
write to: Irish Life Assurance plc, Lower Abbey Street, Dublin 1.

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