Take care of your pension now

By Margaret O'Brien

The pensions market is holding up relatively well, according to Patrick O'Shea, pensions manager with Irish Life Financial Services, the leading pensions provider in Ireland. "People have been trying to stick with their pensions, despite financial pressures," he said.

With the self-assessment tax deadline looming, O'Shea reminded those who were self-employed to ensure they availed of their last opportunity to make a pension contribution and claim tax relief for the 2011 tax year. "The October 31 deadline really focuses minds and provides an ideal opportunity to set money aside for pensions and reduce your tax bill at the same time."

He alerted those planning to make a pension contribution this month as part of their self-assessment returns that, for the first time, they must claim the pension contributions tax relief through Revenue online service (ROS), when they 'pay and file' at ros.ie.

Like many working and advising in the pensions sector, O'Shea was mindful of what might lie ahead in the December budget. "We already know that pensions have been included in the National Recovery Plan, so the government will be looking towards pensions as an area in which they can make savings. In this context, I think tax reliefs are vulnerable," he said. "The question really is will the tax rate at which relief is given be cut or will they opt to introduce a cap on the maximum contribution that can be made to a pension."

Patrick O'Shea, pensions manager with Irish Life Financial Services

O'Shea said he hoped that if the government made a move it would be to introduce a cap rather than cut in the tax relief rate. "We believe a cap would provide the same level of savings that the government require, while affecting far fewer than the more than 500,000 workers who will see their take home pay hit if the tax relief rate is reduced," he said.

"With an ageing population and longer life expectancy, people need to be encouraged and supported in their efforts to provide for their own retirement."

With regard to pensions advice, O'Shea said "the earlier you start a pension the better".

"It's much easier to save over a longer period of time, your pension enjoys the benefit of being invested for longer and you are able to spread the cost over a longer period of time, which makes saving for a pension a lot easier," he said.

Apart from putting a plan in place as soon as you can, O'Shea also advises reviewing your pension regularly to ensure it is adequate and that all is in order. "Some people start a pension and assume that's enough and they don't necessarily review it, but they should. They need to examine their annual benefit statement, particularly the projected value of their pension and take action accordingly if needed."

The other area of debate around pensions centred on risk. "Risk and return on investment are linked and right now people are still feeling risk averse," he said. "Yet, because of this many have missed out on very good investment returns over the past two years.- With a lot of pension plans the customer is offered life styling options, in other words they are gradually moved into more conservative funds as they get close to retirement."

He said people should keep tabs on their pension, especially if they move jobs or have an older plan.

"They need to make sure they haven't left any pension pots behind them. After leaving employment you have two years to request for your pension to be moved on."

The Irish Life website, irishlife.ie, is an informative port of call for anyone looking to start a pension or to understand their pension rights.

"You will find a range of tools to help you plan for your retirement on our website, including our pension calculator and our new simple and clear guide to pensions," said O'Shea.

"There has always been a strong case for providing for your retirement, but that case for funding your own pension is even stronger now. The factors driving that need to include significantly longer life expectancy, the fact that the state pension age will be pushed out to age 67 by 2021 and age 68 by 2028.

"Add to this the sobering reality that the current ratio of six people working to one retired will drop to three people of working age for every one person retired within 20 years and you can readily see why a pension is not only a good idea but a must."

Timeframe for DB scheme proposals revised

Following representations made to the Pensions Board, it last week announced that it had revised the timeframe for defined benefit schemes with funding deficits to submit their funding proposals. The trustees of all schemes will now have until June 30, 2013 to submit their funding proposal to the board.

The revised deadline applies to all relevant schemes irrespective of a scheme's year-end date and irrespective of whether or not the funding proposal is in conjunction with a Section 50 application.

This decision was made to allow trustees additional time to fully explore all options available to address scheme funding deficits.

The board expects that there will be no lessening of the efforts by trustees to resolve scheme deficits as a result of the additional time.

The board also reminded trustees that, notwithstanding the revised deadline, completed funding proposals can be submitted at any time on an ongoing basis.