



## Trivial Pension Update

### Pension Advisory Services – Irish Life

#### **What is a Trivial Pension?**

This is an option available to clients who have very small pension funds at retirement which allows them take the balance of their fund as a taxable lump sum.

#### **What is the Trivial Pension Limit?**

There are two ways a trivial pension can be provided:

##### **Option A**

Where the value of **all** the clients pension funds after the payment of the retirement lump sum is less than **€20,000** then the client can take the balance of the fund as a once off taxable payment.

##### **Option B**

This option is only available to company pension schemes, if the benefits payable to a member does not exceed €330 a year then the fund can be paid out as a taxable lump sum. In this case the calculation must be done before the retirement lump sum is taken and should be based on a single life annuity rate with no escalation.

#### **What tax is due on the Trivial Pension?**

Under both options (a) and (b) above the client is entitled to their maximum retirement lump sum. However the balance of the fund is treated differently depending on which option the trivial pension is paid under.

##### **Option A**

If the trivial pension is paid under this option then the balance of the fund will be subject to income tax and the Universal Social Charge.

##### **Option B**

If the trivial pension is paid under this option then the balance of the fund will be subject to income tax at a rate of 10%.

#### **What pension plans can avail of the Trivial Pension?**

**Option A** is available to Company Pension Schemes, PRSAs and Personal Pensions.

**Option B** is available to Company Pension Schemes only.

The information contained in this document is based on Irish Life's understanding of legislation as at 22 February 2012 which may change in the future.