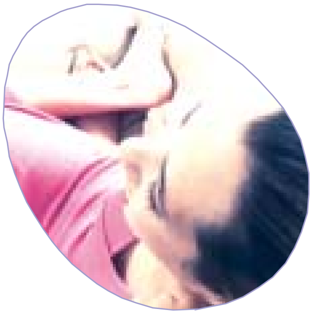
Your **options at retirement**

A guide from Irish Life

Irish Life

More Options for Your Future



About us

Founded in 1939, we have been taking care of our customers' financial futures for over 60 years. We are proud to be part of the Irish Life & Permanent group of companies - one of Ireland's largest and most successful financial organisations. As the leading life assurer in Ireland, our vision for the future is to be your first and best choice for all your long-term financial needs. We understand that your lifestyle and financial circumstances are specific to you and so we aim to offer you, over your lifetime, a better combination of choice, value and service than any other company. We will do our best to give you the flexibility to manage your finances and the freedom to live your life the way you want to.

The Crystal Mark

Because financial products can be complicated and difficult to understand, we are committed to using clear and straightforward language in all our customer communications. We work with Plain English Campaign, an independent company who specialise in testing the text and layout of our documents to make sure that all our customer communications meet the highest standards of clarity, openness and honesty.

Irish Life Pension's

In terms of pensions, more Irish people choose us to manage their pension plan than any other company. In fact, we manage over €10 billion on behalf of pension customers. Every week of every year, we pay out more retirement benefits than anybody else (except the state) because, as the pension experts, our experience has led us to design smart solutions for pension customers. These solutions cover not just the products we offer, but also an unrivalled choice of funds and customer service. No wonder we're Ireland's number one choice for pensions.

the pension experts

Your options at retirement

Contents

1 Introduction

It can be daunting enough retiring without worrying what to do with your pension fund. You've worked hard to save for your retirement and you need to think carefully about what to do with your pension fund.

We have designed this booklet to help you decide what your next step with your pension fund should be. This booklet will look at the different types of pension plans and the retirement options available under each of these plans. We compare the advantages and disadvantages of each of your options to help you with the important decision you have to make.

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Types of pension plan you may have currently

There are a number of different types of pension plans available which you can use to save money for retirement. The type of plan you would have taken out during your working career depends on what you did before retiring. The options at retirement are different for each type of pension plan. The four main categories are given below.

Personal pension plan

Personal pension plans are available for people who are:

- self-employed;
- sole traders;
- partners in a legal partnership; or
- working for a company that does not have a pension scheme.

Personal Retirement Savings Account (PRSA)

PRSAs are pension plans that you take with you as you move from one job to another.

They are available for people who are:

- self-employed;
- sole traders;
- partners in a legal partnership;
- working for a company that does not have a pension scheme; or
- not currently working.

If you are an employee and a member of a company pension scheme, you can also make additional voluntary contributions (AVCs) into your PRSA. (See the section on AVCs opposite.)

Company pension plan

In many companies employees will join the company pension scheme. With company pensions the employer makes some or all of the contributions to your pension. Sometimes, you will make contributions. These are called 'ordinary' contributions.

All company pension plans are set up under trust with trustees appointed to make sure that the pension is run for the benefit of its members. This means that all decisions about the pension must be approved by the trustees.

There are two types of company pension plans

- Defined contribution schemes
- Defined benefit schemes

Defined contribution schemes – with this type of pension all contributions received from employers and employees are invested in an investment fund. The amount of pension benefits you can get when you retire will depend on the size of this fund and the cost of the pension benefits at the time you retire.

Defined benefit schemes – with this type of pension, the trustees guarantee to pay you a guaranteed level of benefits no matter how the fund has performed or the cost of providing benefits when you retire.

The trustees of your pension scheme will explain what type of scheme you are in.

Additional voluntary contribution plan

If you are in a company pension, you can pay contributions on top of the 'ordinary' contributions you must pay. You can use the fund from this type of plan to add to your main company pension benefits. The contributions are called additional voluntary contributions (AVCs) and you can pay them directly into your main scheme (subject to the scheme rules), into a separate AVC plan, or into your PRSA.

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When can I retire?

The rules for when you can take your retirement benefits will depend on the type of pension plan you have. Once you have identified the type of pension plan you have, you can see when you are allowed take your pension benefits.

Personal pension

If you have a personal pension plan, you can take your retirement benefits at any age between 60 and 75. You do not actually have to retire and stop working. As soon as you reach 60, you can take your benefits and continue working.

There are some circumstances when you can take your benefits before age 60. You may take your benefits if:

- you are seriously ill and due to your ill health you have to permanently give up work; or
- you work in specific occupations where it is normal to retire before 60. These include professional sportspeople, air pilots and fishermen.

Personal Retirement Savings Accounts (PRSAs)

If you have a PRSA, you can take your retirement benefits at any age between 60 and 75. You do not actually have to retire and stop working. As soon as you reach 60, you can take your benefits and continue working.

There are some circumstances when you can take your benefits before age 60. You may take your benefits if:

- you are seriously ill and due to your ill health you have to permanently give up work;
- you work in specific occupations where it is normal to retire before 60 (for example, these include professional sportspeople, air pilots and fishermen); or
- you are working as an employee. You can take your benefits from the age of 50 if you stop working for that company. This option does not apply to the self-employed, sole traders or partners.

Company pensions

The trustees (or your employer) would have set your retirement date between age 60 and 70.

You may be able to take early retirement from age 50 if the trustees of your pension scheme and your employer agree. If you own or control 20% or more of the shares in the company, you will also have to sell your shares.

You may also be able to retire if you are seriously ill and due to your ill health you have to permanently give up work.

Additional Voluntary Contributions (AVCs)

As your company pension and AVCs are linked, the retirement age for both will be the same. You must take your benefits from your AVC at the same time as you take your benefits from your company pension.

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What options are available when I retire?

There are four broad options which you may have when you retire depending on your circumstances and the type of pension plan you have. We discuss the detailed options for each type of pension plan in the next few chapters. The four broad options available are:

- a tax-free lump sum;
- an annuity;
- reinvesting your pension; and
- taxable cash.

Tax-free lump sum

At retirement everybody has the option of taking a tax-free lump sum. Most people take the maximum amount allowed under this option. The level of tax-free lump sum you can take will depend on the type of pension plan you have and your personal circumstances. The level of tax-free lump sum which may be available under each type of pension plan is outlined further on in the 'What are my options?' chapters.

An annuity

An annuity is what many people commonly refer to as a pension. It is a guaranteed income for the rest of your life.

Unlike a tax-free lump sum, you pay income tax on income from an annuity. There are a number of extra options you can take advantage of with an annuity. However, any options you choose will affect the cost of the annuity and so the level of income you receive.

- You can guarantee the annuity income so that it will be paid for a minimum period, even if you die. This is called the 'guaranteed period' and can be up to 10 years.
- You can choose a set income or one that increases each year (for example, your payments may increase by either 3% or 5%, depending on Revenue limits).
- You can choose an income that can be paid to your husband, wife or dependants after your death.
- You can arrange for your annuity payments to be paid every month, every three months, every six months or every year.

Reinvesting your pension fund

With certain types of pension plan you may be able to reinvest some or all of your pension fund in an approved retirement fund (ARF) and withdraw money as you want, depending on certain restrictions.

With a PRSA you can continue investing when you retire without having to take out an ARF.

The 'What are my options?' chapters will explain if this option is available to you.

What is an approved retirement fund (ARF)?

An approved retirement fund is a separate plan allowing you to continue investing after you retire. With an ARF you manage and control your retirement fund and can invest it in a wide range of different investment funds. You can also make withdrawals, as you need them. You also pay income tax on all withdrawals. You can leave the rest of the fund to your dependants when you die.

Before you invest in an ARF, you must meet **one** of the conditions below.

- You must set aside up to €63,500 in an approved minimum retirement fund until you reach 75 (see below).
- You must buy a pension (annuity) with this money (€63,500).
- You must have a guaranteed income for life of €12,700 a year.

€63,500 is currently the smallest amount the Revenue say you must invest in an AMRF before you can invest in an ARF. This may change in the future.

What is an approved minimum retirement fund (AMRF)?

You must take out an AMRF if you have chosen the ARF route but do not have a guaranteed income for life of at least €12,700 a year already in place. The amount you invest in an AMRF is €63,500 unless the balance of your fund is less, in which case you may invest the balance of your fund.

The main difference between an AMRF and an ARF is that you cannot withdraw your AMRF fund until you reach age 75. You can withdraw any gain you make within the AMRF over and above the original amount you invest. You can buy an annuity with the fund at any stage during the term of your AMRF plan.

Example of how an AMRF and ARF work together

Your retirement fund	€500,000
Tax-free lump sum (say 25% - see pg 48)	€125,000
What's left	€375,000
Invest in an AMRF (if you do not have a guaranteed income of €12,700 a year)	€63,500
Invest the rest in an ARF	**€311,500**

Taxable cash

Depending on the type of plan you have, you may be able to take the rest of your fund, after the tax-free lump sum, in one go. You will need to pay income tax on this.

See the 'What are my options?' chapters which will show if this option is available to you.

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What are my options if I have a personal pension?

If you have a personal pension, you can first of all take a tax-free lump sum of up to 25% of your fund.

What you can do with the rest of your fund is set out on the next page. You will have different sets of options depending on whether you have a guaranteed income each year for life of €12,700.

Will you have a guaranteed income each year for life of €12,700 when you retire?

No

- Buy an annuity for life.

or

- Invest the first €63,500 in an AMRF or an annuity for life and invest the rest in an ARF, taking withdrawals as you want.

or

- Invest the first €63,500 in an AMRF or an annuity for life and take the rest as taxable cash.

Yes

- Buy an annuity for life.

or

- Invest in ARF, taking withdrawals as you want.

or

- Take the rest as taxable cash.

Note: You will have to pay income tax on any income you receive either from an annuity or withdrawals from an ARF or AMRF.

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What are my options if I have a PRSA?

If you have a PRSA, you can first of all take a tax-free lump sum of up to 25% of your fund.

What you can do with the rest of your fund is set out on the next page. You will have different sets of options depending on whether you have a guaranteed income each year for life of €12,700.

Will you have a guaranteed income each year for life of €12,700 when you retire?

No

- Buy an annuity for life.

or

- Leave €63,500 in the PRSA or buy an annuity with that amount and leave the rest of the fund in the PRSA taking withdrawals as you want.
  or
  take the rest as taxable cash.
- Invest the first €63,500 in an AMRF or an annuity for life and invest the rest in an ARF taking withdrawals as you want
  or
  take the rest as taxable cash.

Yes

- Buy an annuity for life.

or

- Leave the fund in the PRSA taking withdrawals as you want.

or

- Invest in an ARF taking withdrawals as you want.

or

- take the rest as taxable cash.

Note: You will have to pay income tax on any income you receive etiher from an annuity or withdrawals from an ARF or AMRF.

What if I have paid in additional voluntary contributions into my PRSA?

It is possible that you have contributed additional voluntary contributions into your PRSA. If this is the case, your options are shown in the chapter 'What are my options if I have paid additional voluntary contributions?' on page 18.

If you leave your company pension plan at work and continue to contribute into your PRSA while not a member of an occupational scheme, these contributions are not treated as AVCs any more. If you then retire, the fund you have built up will be kept separate from your old company pension plan and you can choose from the options shown above.

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What are my options if I am an employee and have a company pension?

The options you have for your pension fund from a company pension will depend on whether or not you control more than 5% of the voting rights in the company.

If you do not control more than 5% of the voting rights in the company, your options will be as follows.

Tax-free lump sum

The tax-free lump sum available under a company pension plan will depend on your circumstances and how long you have been working for the company.

The most you can take as a tax-free lump sum is $1\frac{1}{2}$ times (150%) your final earnings. To be able to take the maximum allowed, you will need to have worked with your current employer for between 20 and 40 years depending on your circumstances.

The trustees of your company pension scheme will tell you the maximum tax-free cash you can take based on your salary and service.

The rest of your fund

After you have taken your tax-free cash, you must use the rest of your fund to buy an annuity.

What if I have paid in additional voluntary contributions into my company pension plan?

You could have contributed additional voluntary contributions into your company pension plan. If this is the case, your options are shown in the chapter 'What are my options if I have paid additional voluntary contributions?' on page 18.

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What are my options if I am a director and have a company pension?

The options you have for your pension fund from a company pension will depend on whether you are a director and control more than 5% of the voting rights in the company.

If you do control more than 5% of the voting rights in the company, you can choose between two sets of options. If you do not, you should read the previous page 'What are my options if I am an employee and have a company pension?'.

Option A

Tax-free lump sum

The tax-free lump sum available under a company pension plan will depend on your circumstances and how long you have been working for the company.

The maximum tax-free lump sum allowed is $1\frac{1}{2}$ times (150%) your final earnings. To be able to take the maximum allowed, you will need to have worked with your current employer for between 20 and 40 years depending on your circumstances.

The trustees of your company pension scheme will tell you the maximum tax-free cash you can take based on your salary and service.

The rest of your fund

After you have taken your tax-free cash, you must use the rest of your fund to buy an annuity.

Options B

Tax-free lump sum

You can take a tax-free lump sum of up to 25% of your pension fund.

The rest of your fund

You will have different sets of options depending on whether you have a guaranteed income each year of €12,700.

Will you have a guaranteed income each year for life of €12,700 when you retire?

No

- Buy an annuity for life.

or

- Invest first €63,500 in an AMRF or an annuity for life and invest the rest in an ARF, taking withdrawals as you want.

or

- Invest the first €63,500 in an AMRF or an annuity for life and take the rest as taxable cash.

Yes

- Buy an annuity for life.

or

- Invest in an ARF, taking withdrawals as you want.

or

- Take the rest as taxable cash.

Note: You will have to pay income tax on any income you receive etiher from an annuity or withdrawals from an ARF or AMRF.

It is not possible to choose some parts of option A and other parts of option B. For example, you cannot take $1\frac{1}{2}$ times your earnings as a tax-free lump sum (as in option A) and then invest the rest of your fund in an ARF (as in option B). If you take $1\frac{1}{2}$ times your earnings as a tax-free lump sum, you must use the rest of your fund to buy an annuity.

What if I have paid additional voluntary contributions into my company pension plan?

You could have contributed additional voluntary contributions into your company pension plan. If this is the case, your options are shown in the chapter 'What are my options if I have paid additional voluntary contributions?' on page 18.

9 What are my options if I have paid additional voluntary contributions (AVCs)?

You may have paid AVCs into your main scheme or into a separate AVC plan or into your PRSA. The AVC fund will help to make up the shortfall between the maximum benefits you are allowed under your main scheme and what your main scheme actually provides.

Tax-free lump sum

The amount you can take as a tax-free lump sum under your AVC will depend on the rules of your company pension plan. This will depend on your circumstances and how long you have been working for the company. The maximum tax-free lump sum allowed is 1½ times (150%) your final earnings.

For example, if you are allowed 150% of your final earnings as a tax-free lump sum and your company pension gives you 100%, you can use your AVC to make up the other 50%.

The trustees of your company pension scheme will tell you the maximum tax-free cash you can take based on your salary and service.

If you are a director (controlling more than 5% of the voting rights) and you decide to take 25% of your retirement fund as a tax-free lump sum, you can also take 25% of the fund built up by your AVCs as a tax-free lump sum.

The rest of your fund

All employees and directors, whatever voting rights they have, have the same options when using the rest of their AVC fund. Depending on whether you contributed your AVCs to your main scheme, or to a seperate AVC, or a PRSA, the options are as follows.

1 If you contributed AVCs into your main scheme or a separate AVC plan

You will have different sets of options depending on whether you have a guaranteed income each year for life of €12,700.

Will you have a guaranteed annual income each year for life of €12,700 when you retire?

No

- Buy an annuity for life.

or

- Invest the first €63,500 in an AMRF or an annuity for life and invest the rest in an ARF, taking withdrawals as you want.

or

- Invest the first €63,500 in an AMRF or an annuity for life and take the rest as taxable cash.

Yes

- Buy an annuity for life.

or

- Invest in an ARF, taking withdrawals as you want.

or

- Take the rest as taxable cash.

Note: You will have to pay income tax on any income you receive etiher from an annuity or withdrawals from an ARF or AMRF.

2 If you contributed AVCs into a PRSA

You will have different sets of options depending on whether you have a guaranteed income of €12,700 a year or not.

Will you have a guaranteed income each year for life of €12,700 when you retire?

No

- Buy an annuity for life.

or

- Leave €63,500 in the PRSA or buy an annuity with that amount and leave the rest of the fund in the PRSA taking withdrawals as you want.
  or
  take the rest as taxable cash.

- Invest the first €63,500 in an AMRF or an annuity for life and

  invest the rest in an ARF taking withdrawals as you want.
  or
  take the rest as taxable cash.

Yes

- Buy an annuity for life.

or

- Leave fund in the PRSA taking withdrawals as you want.

or

- Invest in an ARF taking withdrawals as you want.

or

- Take the rest as taxable cash.

Note: You will have to pay income tax on any income you receive etiher from an annuity or withdrawals from an ARF or AMRF.

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Your options – the advantages and disadvantages

The table below is a guide only. The options available to you will depend on your circumstances. See the 'what are my options?' chapters for more details.

Option	Main advantages	Main disadvantages
Tax-free lump sum	You do not have to pay any tax on your tax-free lump sum. You can use a lump sum straight away for something you've always wanted! You can reinvest your lump sum to provide you with further income throughout your retirement.	
Annuity	You have the security of a guaranteed income for the rest of your life. You can choose to pay your income to your dependants if you die. You are not at risk from changes in investment markets as you would be if you reinvested your fund. Your income is set for life.	Once you have bought an annuity you cannot change your mind and reinvest your money. With most plans your income is fixed and you cannot change it. Once you die your annuity will no longer be paid unless you buy a guaranteed payment period or a pension for your husband, wife or dependants.
Leaving your funds within your PRSA	You do not need to take a new product out. You can continue to have flexibility and control over your fund throughout your retirement. You can withdraw money as you want as long as you have provided for a guaranteed income for life or an AMRF. You can pass your PRSA fund on to your estate if you die after you retire.	You can only choose to invest in the range of funds available under the original PRSA. You will not have a guaranteed income for life, in other words, the withdrawals you make from your PRSA will reduce your retirement fund. This is particularly the case if your fund grows at a slower rate than you are withdrawing from it. As you are continuing to invest, your fund is open to ups and downs in the markets.
ARF or AMRF	You have flexibility and control over your fund throughout your retirement. You can choose what funds you want to invest in and many companies allow you to change funds at any time. You can withdraw money from your ARF whenever you like. You can pass your ARF on to your estate when you die.	Your income is not guaranteed; you could use up all of your fund. If your fund grows at a slower rate than you're withdrawing from it, your fund will run out. As you are continuing to invest, your fund may be open to ups and downs in the markets. If your original plan was a PRSA you have the same option to withdraw under it without needing to take a new product out!
Taxed cash	You have direct access to a lump sum as soon as your retire.	Unless you have another source of income, you have no money to fund you throughout your retirement.

Personal financial advice

It takes just a short time for a professional financial adviser to sit down with you and review your personal finances. An adviser will tell you the most suitable ways for you to get the most benefit from your money, taking account of all your existing financial commitments.

How to contact our Customer Service Department

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Lines are open between 8am and 8pm Monday to Thursday, 8am and 6pm on Fridays and from 9am and 1pm on Saturdays. Calls will be recorded or monitored to help improve customer service.

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