Irish Life

PENSIONS: TAKE CONTROL OF YOUR FUTURE

Why pensions make sense

For most people starting a pension was just something we did when we started working or when we set up our business. It just seemed sensible to start putting money by, while we had it, to take care of the years ahead when we wouldn't have it! However in recent years there's been plenty of debate in the media on issues such as the pensions "time bomb", whether the State pension will be cut back and income tax relief on pensions just to name a few.

Despite all of the noise and the challenging environment, the critical fact remains – saving for retirement is as important and as sensible as ever. I regularly have conversations with friends and relatives (it goes with the job!) who are convinced the vast majority of people live for less than 10 years after they retire. In reality most of us will spend around a third of our adult lives living off whatever we've put by into our pensions (Source: Swiss Re, 2010).

Hopefully this booklet sets out clearly the benefits of saving for your retirement and answers many of the questions you might have about pensions. With so much at stake – no-one else is going to plan for your retirement – I passionately believe everyone needs to understand their pension options. So, after reading this guide, I'd really urge you to speak with a broker or financial adviser who can help you plan ahead for your retirement and give you peace of mind about your future. After all, when it comes time to finish working, we should all be saying 'goodbye tension, hello pension!'

Susan Gibson,

Head of Pensions, Irish Life Retail

The information in this booklet is correct as at September 2011 but may change.

CONTENTS

1 INTRODUCTION

Although we all know that it makes sense to plan for retirement, it can sometimes be easy to lose sight of the end goal, especially as life tends to get in the way.

As we get older there are more demands on our income, as the mortgage, child minding, education costs and grocery bills rise. What's more, lower incomes and higher taxes have meant many people have had to make cut backs in their day to day spending.

For some, this has meant having to reduce or skip some pension contributions. In the short term this might seem like the right cut back to make but more often than not short term gain can turn into long term pain and before you know it you are approaching retirement without enough money to cover your lifestyle.

53% of us are currently not saving into a pension – which means a guaranteed drop in living standards when we retire.

(Source: Amarach Research, August 2011)

This guide aims to:

- Highlight the importance of providing for your retirement
- Show how and why contributing into your pension makes sense
- Explain some of the common misconceptions around pensions
- Discuss your options, both before and after you retire

Whether you save into your pension really boils down to one simple question:

Do you really want to have to keep working five days a week into your 70s?

For the majority of people the answer to this question is most definitely no.
At Irish Life we know that the need to provide for your pension is as important as ever. We also know that, more often than not, people don't find the time to sit down to review their pension. So, to explain the ins and outs of why pensions make sense, we've produced this guide, covering topics from income tax relief to retirement options. Together with your broker or financial adviser you'll be able to decide on the right options for your retirement.

FACT:
Current average income
= €675 per week*

Current single State Pension
(Contributory)
= €230.30 per week

Drop in average income
= €444.70 per week

*(Source: Central Statistics Office, Quarter 1, 2011)

Almost 1 in every 2 people don't know how much the single State pension is or thought it was much higher than its current level of €11,975 per year.

(Source: Amarach Research, August 2011)

2 Retirement planning – the big 5

1. Happier, healthier......living longer!

Most people who retire at 65 can now expect to live for 20 years or more. That's a very long time to cover your day-to-day expenses without a regular income, never mind paying for things like travel, study or hobbies that you will have time to enjoy because you're not working.

You will also need to overcome the challenge of inflation – 20 years of price increases will be a serious threat to the buying power of your savings. While we might now live longer and healthier lives, the downside is that we need to build up a bigger retirement fund.

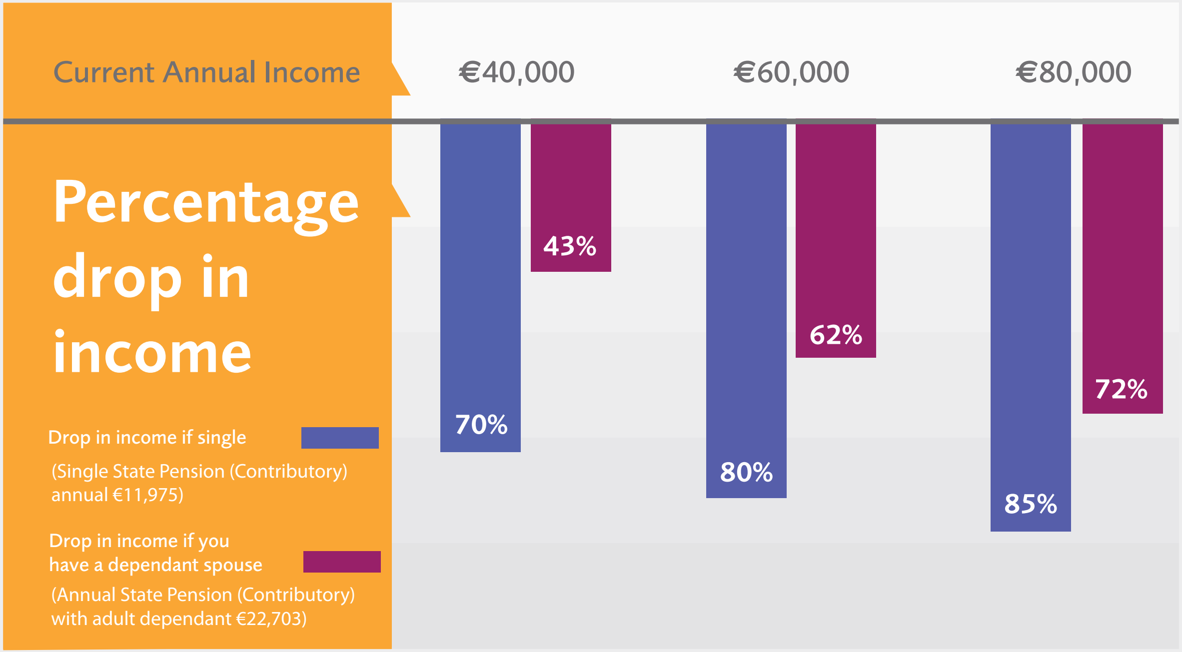
FACT:
The average person retiring tomorrow aged 65 years has a life expectancy of between 20 – 23 years.
(Source: Pensions Board, 2011)

2. Bridging the gap

The pensions gap is the difference between the income you feel you'll need in retirement and what you're likely to get from all your sources of retirement income. While you may be entitled to the State pension, you will probably need to add to this in order to keep up your standard of living. The current single State Pension (Contributory) is €230.30 a week, however there is no guarantee that this won't be cut in the future, especially as there will be a big increase in the numbers of people retiring over the next 10, 20 and 30 years. Take a look at the graph on the next page which shows the drop in income if you were to retire today and rely on the State pension as your only form of retirement income.

FACT:
87% of workers said that the State pension would fall well short of their retirement needs.
(Source: The Pensions Board, September 2010)

Percentage drop in income if relying solely on State pension



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.

3. Tax benefits – the real deal

One of the key incentives for paying into a pension is still the income tax relief that's available on retirement savings, up to certain limits. Over the last number of years there has been speculation around cuts to the current income tax relief levels. Up to now there's been no reduction in these levels, making this a very attractive time to save for your retirement. Take a look at the table below to see what income tax relief is available to you. And don't forget, when it comes to cashing in your pension, most people can take 25% of their fund as a retirement lump sum.

A. Income tax on contributions

For a pension plan of €100 at a tax rate of 41%, the real cost to you may be only €59.

€100 invested

Income tax relief €41

You pay €59

For a pension plan of €100 at a tax rate of 20%, the real cost to you may be only €80.

€100 invested

Income tax relief €20

You pay €80

B. Retirement lump sum

For a pension fund of €200,000 at retirement most people can take 25% as a tax free retirement lump sum.

€200,000

€50,000 tax free

€150,000 to buy a pension

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) in place at that time. The highest tax free retirement lump sum you can receive from all pension sources is currently €200,000. This is a lifetime limit.

4. Make the most of your age

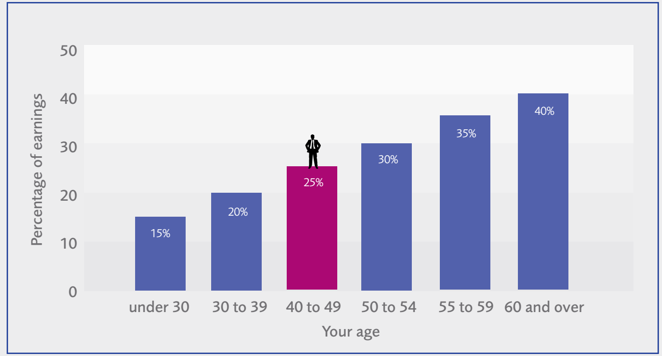
The closer you get to retirement the less family outgoings you should have as the kids are grown up and the mortgage is either fully paid off or almost there. What's more, as you get closer to retirement there's more income tax relief available on pension contributions. Simply take a look at the bar chart which outlines how much income tax relief is available at different ages to maximum yearly earnings of €115,000 (August 2011).

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

(Source: Central Statistics Office 2011)

Warning: The value of your investment may go down as well as up. Pension products may be affected by changes in currency exchange rates.

More income tax relief as you get older



In the example above, if you were 40 years of age and you earned €70,000 a year, you would be able to save €17,500 each year into your pension and get income tax relief on this full amount at your highest tax rate.

To claim income tax relief, you can apply to your Inspector of Taxes to adjust your tax credits. You will get immediate income tax relief on your contributions deducted directly from your salary.

Any regular employer contributions will receive income tax relief in the year the contribution is made. You should get professional advice as this information is only a guideline and doesn't take into account your personal circumstances.

Income tax relief is not guaranteed. Rates quoted are current as at August 2011.

5. The early bird......

The earlier you start your pension the better. The graph on the next page shows how much of your salary you would need to pay into your pension each year to target a pension annuity (income for life) of half of your final salary at age 65. As you can see, the earlier you start the easier it is to provide this level of pension.

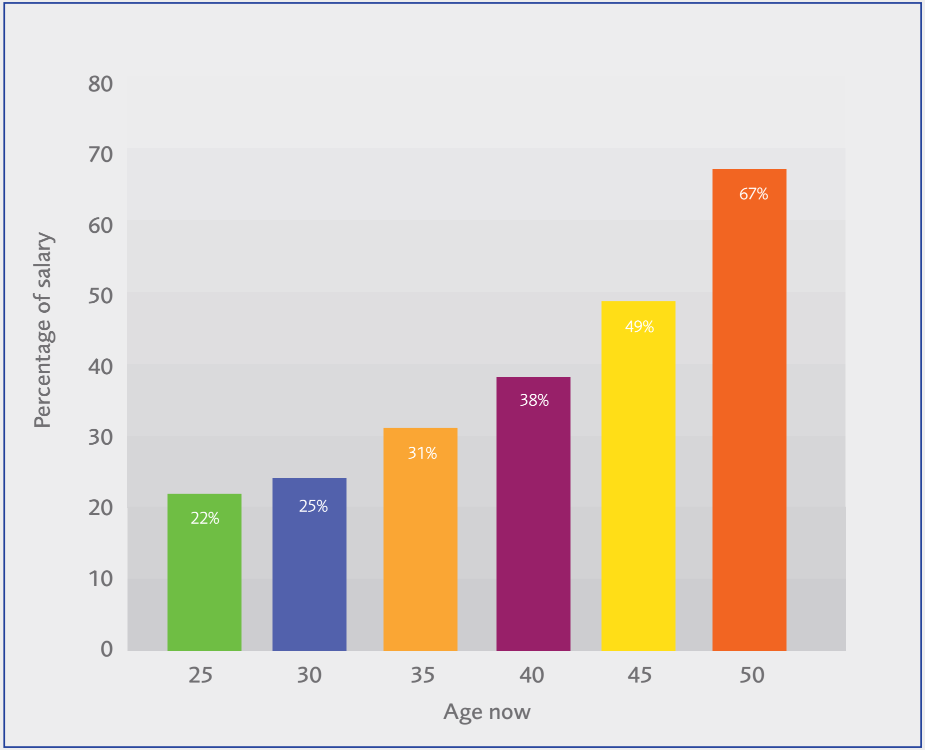
If we consider the length of time your money has to grow and benefit from potential upsides of the markets, it makes sense to start at a younger age. What's more, the further away from retirement you are, the more likely it is that you will be able to smooth out any downturn in your pension fund.

Fact: Research shows that 1 in 5 Irish people don't know how much they are saving into their pension.

(Source: Amarach Research August 2011)

Make sure you know how much you're saving and what income you can expect to get in retirement!

How much do you need to save to get a pension for life of half your final salary?



So, for example, if you are currently 35, you would need to save almost one third of your current income in order to retire on 50% of your final salary. However, the income tax relief available on these savings would substantially reduce the cost – to 25% for someone on the standard rate of income tax and to 18% for a higher rate tax payer. You would have to save this for the rest of your working life in order to enjoy this lifestyle in retirement.

This table assumes the following:

- 6% growth in your pension fund each year before fund charges
- 3% increase in contributions each year
- a pension for your spouse of 50%, payable on your death, and
- increases of 2% each year in the pension income you recieve.

(Source: Irish Life, using Complete Solutions 1, invested in Consensus, August 2011)

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

3 Types of pensions

Private pension

Private pensions are essentially long term investment plans. The real difference though is that they attract tax breaks which non-pension investments don't enjoy. Your money is invested in a pension fund. There's a wide range of pension funds, some of which invest in lower risk assets such as deposits while others give potential for higher returns by investing in assets such as shares, government bonds and property. The aim in general is to build up a large pension pot which you will use to generate a retirement income.

There are a number of different types of private pensions – Personal Pension plans, Personal Retirement Savings Accounts (PRSA) or if you are an employee or company director, your employer could set up an Occupational Pension Scheme (Company Pension) for you.

PRSAs and personal pensions are designed for people who are self employed or employees who don't have a pension scheme in work and who want to contribute themselves. Your employer can also make contributions to your PRSA.

Fact:
51% of Irish people have a personal or company pension.

(Source: Amarach Research 2011)

Company pension

Your employer might be paying into a pension on your behalf. Some employers promise to pay you a set weekly or monthly pension for life when you retire, based on your years of service and final salary (these are called Defined Benefit pensions).

In other company pensions the pension you will receive will depend on the value of the contributions that you and your employer have paid and how the investment fund has performed during your career (these are called Defined Contribution pensions).

As well as the employer and potentially employee contributions, you can also make Additional Voluntary Contributions (AVCs) into your company pension. Contributions up to a certain level are allowed with full income tax relief, provided that they don't go above the maximum levels set by the Revenue. (See page 24 for details).

FACT:
56% of those with a pension feel secure about their retirement compared to only 26% without a pension.

(Source: Amarach Research August 2011)

4 Pensions - the big questions answered

In this section we're addressing some of the most common issues and queries that people have in relation to their own pension. Further on in this chapter we address issues that are more specific to different life stages.

"There's no incentive to keep paying into my pension"

In reality it's still very tax efficient to continue saving into a pension. Firstly, you can claim income tax relief on the money you pay into your pension fund up to certain limits. What's more, most people can take 25% as a tax free retirement lump sum, up to a maximum of €200,000 from all pension sources.

Let's take a look at the following example which shows how John, who built up a retirement fund of €250,000, benefited from all of the income tax reliefs available for his pension plan. As you can see on the next page John benefited from:

1. **Significant income tax relief on payments into his pension;** and
2. **A tax-free retirement lump from his pension fund at retirement.**

1. Income tax relief while saving for retirement

To get his pension fund of €250,000 over 25 years John paid in just over €215,000 into his pension. Because John is a 41% tax payer, the net cost of his contributions was just over €127,000 as the remainder was covered through income tax relief. If John were a 20% tax payer the net cost of his contributions would be higher as you can see below.

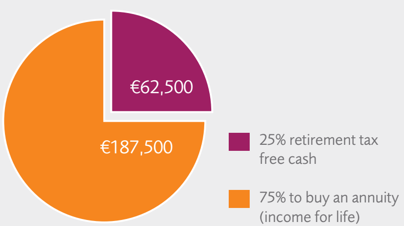
	Net Contributions		Tax Relief		Total Contributions
at 41%	€127,052	+	€88,290	=	€215,342
at 20%	€172,274	+	€43,068	=	€215,342

All figures above are in today's terms. The actual total contribution figure is €151,064, which combines the customer contribution and income tax relief.

2. Income tax relief at retirement

As well as income tax relief while saving for retirement, John was also able to take a 25% tax free retirement lump sum.

Total Estimated Pension Fund - €250,000



The big tax saving overall

John does have to pay income tax on his annuity (pension income for life) but as you can see below the overall net tax benefit confirms that a pension is still the best way to save for retirement.

John's annual retirement income is €20,900 - a combination of his €8,925 annuity and €11,975 from the State Pension (Contributory). So, although he was eligible for income tax relief at 41% on his contributions into his pension, his income in retirement is below the threshold for the 41% tax rate. This means that he would only have to pay income tax and Universal Social Charge of €1,060 this year on his income. So, if the tax due remains the same over 25 years in retirement, then from when he began saving for his retirement, John has had a net gain of €61,790.

John's Tax Savings	
Tax relief on his contributions	€88,290
Tax to pay on his annuity (over 25 years)	€26,500
Net gain through income tax reliefs	€61,790

In John's case, if he were to live for 25 years after retirement, he will have received 41% Government income tax relief on his overall contributions, and will only have paid just over 10% in tax on the overall pension and lump sum he receives.

This clearly shows that income tax relief on pensions continues to be the most tax efficient way of saving for your retirement.

If John were a 20% tax payer he would have received €43,068 in income tax relief on his contributions, he would pay €26,500 in tax on his annuity over 25 years meaning his overall net gain from income tax relief would be €16,568.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

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, tax assumed at 2011 rates. Tax payable on annuity income will depend on your own circumstances and total income. We've assumed John's assessed individually. The State Pension (Contributory) is included of €11,975 as of September 2011. No other income is included in these calculations. Tax figures include the deduction of Income tax, PRSI and Universal Social Charge where applicable as of September 2011. The age exemption limit and age tax credit have not been included. PRSI class M is assumed. Annuity rates are for a single male age 66 using a rate of 4.763% with pension income increasing by 2% a year.

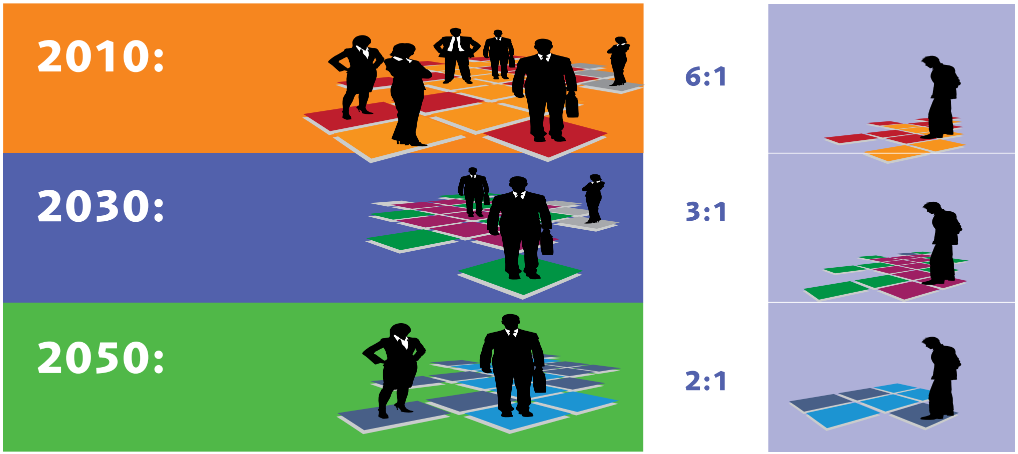
Assumed growth rates of 6% per year before a fund charge, with regular contributions having increased by 3% each year.

Approved Retirement Fund options are also available. Talk to your broker or financial adviser for more details.

"I simply can't afford to keep paying into my pension"

You can't afford not to! Regardless of new levies and interest rate hikes, our ageing population means that the State may not be able to provide for all pensioners in years to come. In the current financial situation, relying on the State pension is unlikely to be an option. The State funds public pensions through taxes such as income tax and PRSI. So the more people working, the more money the Government has available to spend on State benefits such as pensions. However in the coming years the numbers of people working for each retired person will reduce significantly.

Number of people of working age **A single pensioner**



(Source: National Pensions Framework, 2010)

This is going to put huge pressure on the public pension system and we've already seen the start of the impact of that. The Government announced that it is to increase the State pension age to 68 by 2028. So no one under the age of 51 will get the State pension until they're 68. And the reality is that, even if the Government can avoid cutting the State pension soon, it is quite likely that the amount will reduce in real terms over the coming years, that is, it won't keep pace with inflation.

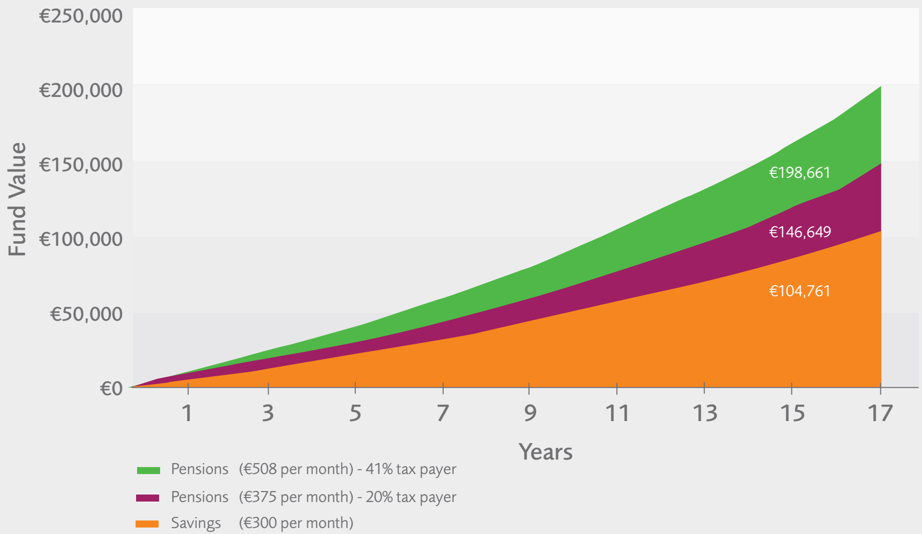
FACT: 75% of people with pensions are planning to pay the same or more into their pension over the next 12 months.

(Source: Amarach Research August 2011)

"I could put money into a savings plan instead"

There are many benefits to starting a savings plan especially for short term needs. However when it comes to saving for retirement, with the income tax relief available, it just makes more sense to save into your pension plan. Just take a look at the following graph which shows the comparison of saving the same net amount into a savings plan and a pension plan. This example assumes you put €300 a month into a savings plan versus €508 a month into a pension (which costs you €300 a month when 41% income tax relief is included) or €375 a month into a pension (which costs you €300 a month when 20% income tax relief is included).

Comparison of pension and savings products - same net contribution by you of €300 a month



So, in this example, if you were getting income tax relief at 41%, your pension fund would be almost double your savings fund when saving the same amount.

For both the savings and pension plan we assume:

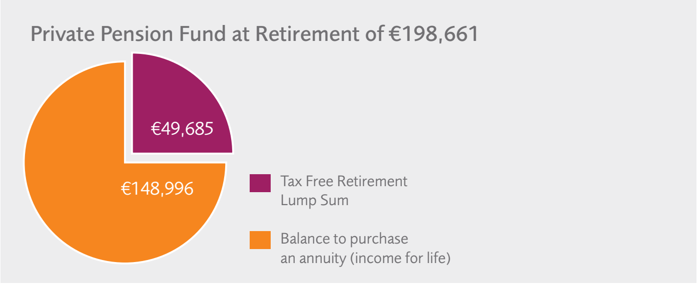
- 100% of the contribution is invested.
- The fund will grow by 6%.
- There is a 1% fund charge.
- Contributions will increase by 3% a year.
- There are no plan fees.

For the savings plan we have assumed a 30% exit tax is paid. For the pension plan we have deducted the Pension Levy. This quote was performed on 1st August and next levy payment is 30 June 2012. Pension income in retirement is subject to income tax.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

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, tax rates assumed at 2011 rates. Based on the example on the previous page of two people retiring today having built up a pension fund of €198,661 at 41% income tax relief and €146,649 at 20% income tax relief, we show here how this could be taken as an annuity income and taxed this year assuming the clients only other income is the State Pension (Contributory). The examples below are based on a single male age 66. We assume he is receiving the full State Pension (Contributory) personal of €11,975 a year. The annuities below assume increases of 2% per year and an annuity rate is 4.763% .

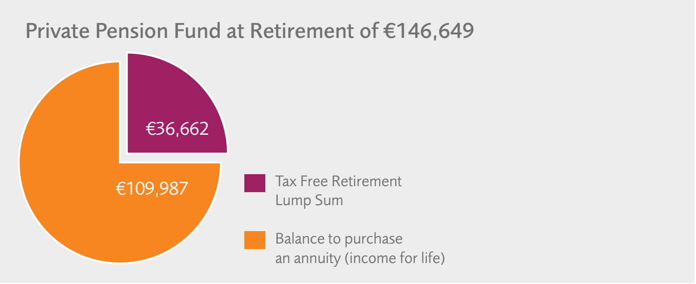
Tax relief at 41%



The income for life you would get, together with your State pension entitlements, would give you a total net income in the current year of €18,501 once income tax and the Universal Social Charge was deducted.

Annuity	€7,096
State Pension (Contributory)	€11,975
Client's total gross income in the current year	**€19,071**
Income Tax	€428
Unniversal Social Charge on annuity income	€142
Client's total net income in the current year	**€18,501**

Tax relief at 20%



The income for life you would get, together with your State pension entitlements, would give you a total net income in the current year of €17,109 once the Universal Social Charge was deducted.

Annuity	€5,239
State Pension (Contributory)	€11,975
Client's total gross income in the current year	**€17,214**
Income Tax- not due as within limits	€0
Unniversal Social Charge on annuity income	€105
Client's total net income in the current year	**€17,109**

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

"What is my pension currently worth?"

It's very important to know how much of an income you can expect of your pension in retirement. The table below shows the amount of a pension annuity (income for life) you could expect to receive if you had saved up a fund value of €50,000, €100,000 and so on at different stages in life. For example, a 40 year old with a €200,000 pension fund could get €19,178 a year income in retirement.On the next page we show you in today's terms the difference an extra €100 per month, net of income tax relief, could make to your pension depending on your age. These are projected pensions in today's terms.

Current Fund Value	Age			
	25	35	40	55
€50,000	€6,180	€5,223	€4,794	€3,729
€100,000		€10,446	€9,589	€7,458
€200,000		€20,892	€19,178	€14,915
€500,000			€47,945	€37,288

(Source: Irish Life using Complete Solutions 1, invested in Consensus, August 2011). We assume the fund grows by 6% per year before a fund charge. Regular contributions go up by 3% each year, male, single life pension and increases of 2% each year on any pensions in payment. The above figures are before tax. Pension income at retirement is subject to income tax. Approved Retirement Fund Options are also available.

For that same person, every €100 extra they decided to invest in their pension would provide an extra €2,704 per year if paying tax at the higher rate.

Extra Annuity Income	25	35	40	55
Per €100 a month – net of 20% income tax relief	€3,379	€2,419	€1,974	€741
Per €100 a month – net of 41% income tax relief	€4,630	€3,315	€2,704	€1,013

(Source: Irish Life using Complete Solutions 1, invested in Consensus, August 2011). We assume the fund grows by 6% per year before a fund charge. Regular contributions go up by 3% each year, male, single life pension and increases of 2% each year on any pensions in payment. The above figures are before tax. Pension income at retirement is subject to income tax and any othr taxes applicable at that time. Approved Retirement Fund Options are also available.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

"There's no flexibility around pensions"

There is now even more flexibility around pensions than ever before, allowing you to increase or reduce your contributions or take a payment holiday for a certain period of time. It's important to note that if you decide to reduce or stop your pension contributions it will have a significant effect on your pension. Just take a look at the graph on page 25 which shows the effect of stopping your pension contributions for 5 or 10 years.

"Won't I lose my pension if I die?"

Regardless of the type of pension you are invested in, your pension needn't just disintegrate if you die. The following rules outline what happens if you die, both before and after retirement, depending on the type of pension plan you have.

- ## Personal Pension or PRSA

If you have a personal pension or PRSA and die before you retire, the full value of the plan will be paid to your estate. Your beneficiaries will have to pay inheritance tax, however there is no inheritance tax between spouses or registered civil partners.

- ## Company Pension

If you have a company pension and die while in service before taking your retirement benefits the maximum benefits that can be paid to your dependents are:

- Lump sum of up to four times your salary (this must take lump sum death benefits from previous employments into account)
- Refund of any employee and Additional Voluntary Contributions
- A pension for your spouse, registered civil partner or dependents

- ## Annuity (Income for Life)

After you retire you can use your fund to purchase an annuity to give you an income for the rest of your life. How this is treated when you die depends on the options you choose at retirement, for example it can stop immediately or can continue to be paid to your spouse for the rest of their life. You should discuss all your income options with your broker or financial adviser.

- ## Approved Retirement Fund (ARF) / Approved Minimum Retirement Fund (AMRF)

One of the main differences between an ARF / AMRF, and an annuity is that with an ARF or AMRF you own your retirement fund. This means that when you die, you can leave the funds in your ARF or AMRF to your next of kin or other beneficiaries. If you leave the funds to your husband or wife, they can transfer the funds to an ARF in their name. In all other cases, the funds will be passed onto your estate. However, it is important to be aware that making regular withdrawals during your lifetime may reduce the value of your ARF / AMRF, especially if investment returns are poor or you choose a high rate of withdrawal (or both).

The ARF / AMRF investment can go down as well as up. Regular withdrawals over a long period may use up all of your retirement fund. There are Income Tax and Capital Acquisitions Tax implications for a death claim on an ARF/AMRF plan.

For further details please contact your broker or financial adviser.

On the following pages we give some examples of different life stages and some of the questions that can arise for each.

Life Stage 1: Young family

Meet Mary, her husband Brian and their three kids. Mary is a 35 year old accountant and has many priorities when it comes to her income such as the mortgage and school fees. Take a look at some of the common thoughts that people at Mary's stage in life often think about pensions.

"I'm still young; I'll worry about it later"

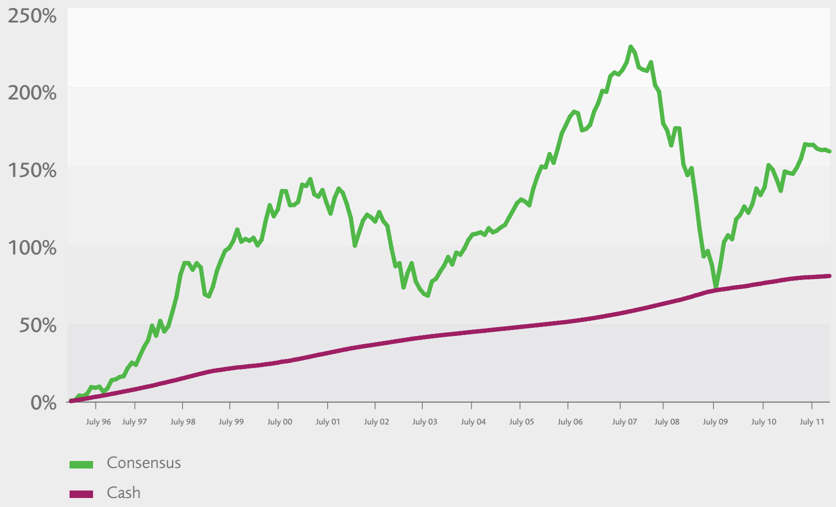
There is a common misconception among younger people that they can delay paying into their pension with no real consequences. However this delay can prove very costly indeed. The graph on page 9 shows how much of your salary you would need to pay into your pension each year to target a pension income of half of your final salary at age 65. As you can see, the earlier you start the easier it is to provide this level of pension.

Even if we consider the length of time your money has to grow and benefit from potential upsides of the markets, it makes sense to start at a younger age. What's more, the further away you are from retirement the more time you have to smooth out any downturn in your pension fund.

"All Pension funds have had big falls"

At Irish Life we have a range of investment options from lower risk funds to the more adventurous. When people are further away from retirement they tend to be able to take more risk with their fund choices. This is because the longer they have until retirement the more chance there is of making higher potential gains and recouping any losses they may have experienced. You should understand what your pension is invested in at all times. That way you can be more adventurous if you so wish, or you can move into lower risk funds if you are worried about potential falls.

The following graph shows the performance in our Consensus Fund (a mix of shares, bonds, properties and cash) versus the performance of a Cash Fund from July 1996 to July 2011.



So, if you had a pension fund worth €100,000 invested in the Consensus Fund in 1996, you would currently have a value of €255,530, that's a 155% return on your investment over 13 years. If you had invested the same amount in a cash fund, over the same period you would currently have an investment worth €178,190, that's a 78% return on your investment.

Fund returns are before tax and any fund charges which may apply. These figures are before account fund charges or any plan charges or tax.

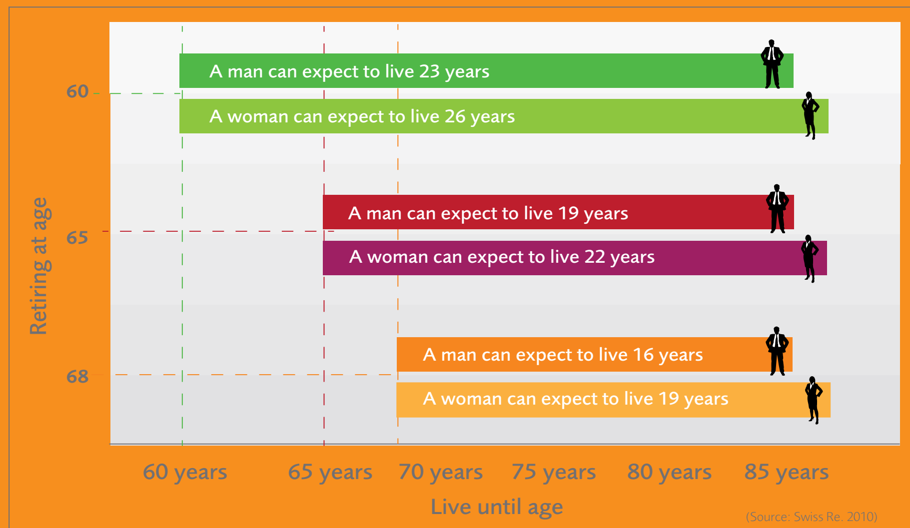
Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment. Past performance is not a reliable guide to future performance.

Life Stage 2: Adolescent family

Meet Patrick, his wife Grace and their three teenage kids. Patrick is 48 and is a publican. At the moment Patrick's main outgoings are second and third level fees. Take a look at some of the common thoughts that people at Patrick's stage in life often think about pensions.

"I won't need an income for 20 years"

With improvements in health, life expectancy is getting longer and longer. On the one hand this is great news as we have more time to enjoy our retirement. However, on the downside, we will need to have a pension that will last longer and inevitably cost more. That's just one of the reasons why it's essential to continue paying into your pension. From the graph it's clear that if Patrick were to retire at 60 years old he can expect to live 23 years into his retirement, that's over a quarter of his lifetime.



“If I can't access my pension until I'm at least 65 I'm going to put my money somewhere else”

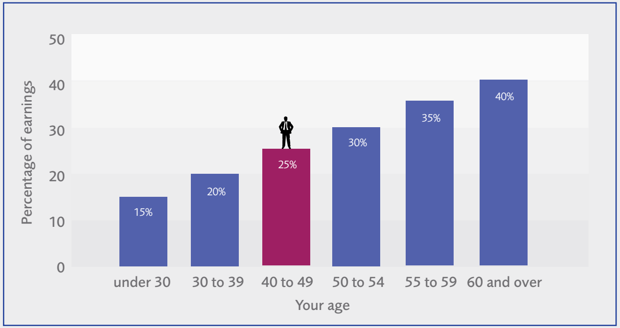
If you have a personal pension or PRSA you can take your retirement benefits from age 60 onwards. If you have a PRSA you may also have the option to take benefits after age 50 if you are an employee and you retire from your job.

In a company pension most people can retire at any age beyond 60 or you may be able to take early retirement after the age of 50 if your employer and trustees agree. So, you may not have that long to wait to access your retirement pot. However, you may also want to consider that having access to your account may not always be such a good thing. Many people tend to dip into their savings accounts over time so you could possibly find yourself in the position of not having sufficient funds when retirement comes.

“I've left it late, isn't it too late now?”

As you get older, the income tax relief limits on pension contributions increase. This means that a higher proportion of your salary can be used as a pension contribution without having to pay tax on it. Below is a table outlining the income tax relief limits currently available to each age group.

Higher income tax relief limits as you get older



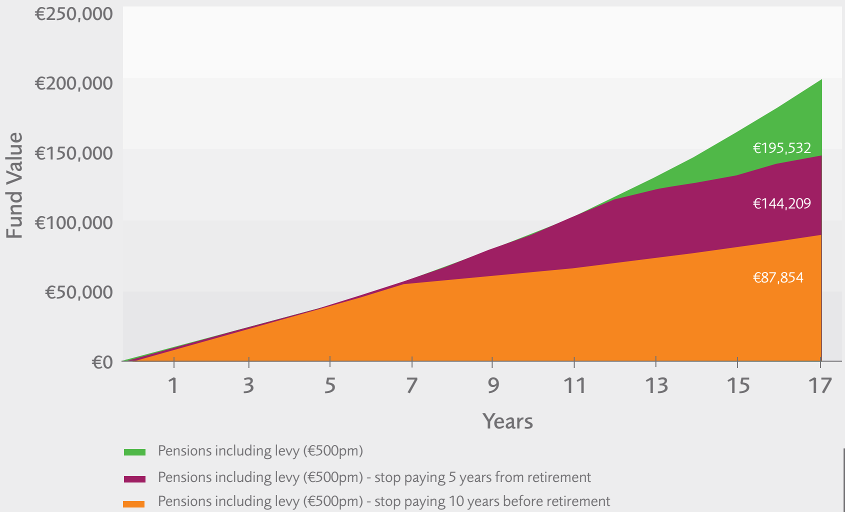
So for example, if Patrick's salary is €115,000 and he pays income tax at the 41% rate, he could invest up to €28,750 (25% of €115,000) and receive up to 41% income tax relief on this contribution, resulting in a net cost of €16,963. Similarly, if Patrick's salary is €32,000 and he pays income tax at 20%, he could invest up to €8,000 (25% of €32,000) and receive up to 20% tax relief on this contribution, resulting in a net cost of €6,400. Tax relief on pension contributions is allowable up to a maximum gross income of €115,000.

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.

"I'm going to stop paying anything more in – I'll leave what I've already put in and live on that"

You can choose to reduce your pension contributions or simply stop paying into your pension altogether. However, the following graph illustrates the decrease in value of a typical pension fund if you stop contributions for a period of five or ten years before retirement.

Comparison of pension fund values



You can clearly see in this example that if you stop your pension contributions five years before retirement you are missing out on a 35% larger pension pot and if you stop 10 years before retirement you miss out on a whopping 122% increase in your pension fund. So, before you reduce or even cut out your pension contributions, perhaps consider the effects of that decision on your future standard of living and consult with your broker or financial adviser.

For these figures we have assumed:

- 100% of the contributions are invested.
- The fund will grow by 6%.
- There is a 1% fund charge.
- Contributions will increase by 3% a year.
- There are no plan fees.

For these figures we have deducted the Pension Levy. This quote was done on 1st August and next levy payment is 30 June 2012. Pension income in retirement is subject to income tax.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

Life Stage 3:
Grown up family

Meet John, his wife Jane and their son George. John is a 57 year old engineer. His only son is finished college and his mortgage is all paid off. Take a look at some of the common thoughts that people at John's stage in life often think about pensions.

FACT: 60% of personal pension holders are not aware that they can have a Lifestyling option

(Source: Amarach Research August 2011)

"I'm worried my fund will fall when I need it most"

What many people don't realise is that there are pension plans that move from investing in riskier fund assets to lower risk options as you come closer to retirement. One of these options is known as Lifestyling and it slowly moves a small percentage of your pension fund each year into lower risk options, this means that as you are coming closer to retirement you are aiming to reduce the amount of risk your pension fund is exposed to. For more information on Lifestyling contact your broker or financial adviser.

"I won't need as much money in retirement"

It's fair to say that in retirement many of your larger outgoings have stopped - like your mortgage and any large loans you may have taken out early in your career. So you may think that you would need a substantially smaller amount of money to live on in retirement. But, consider the following, you may be spending a lot more of your time on recreational activities like joining clubs, travelling, entertainment which again, all come with a hefty price tag. So, before you underestimate your needs in retirement you should sit down and try to estimate the amount of money you think you will need from month to month in retirement.

You should also consider, as we've mentioned before, that life expectancy is increasing so you will need to provide yourself with an income for longer than perhaps you originally thought. Another cost which you may have to consider is the cost of long term care. In 2010, public nursing homes average weekly fees were €1,371 (Source: NHI, 2010).

This is a summary of the main issues around pensions that people often ask about. If you would like more information on any of the topics covered please contact your broker or financial adviser.

5 Your pension checklist

Most people know they need a pension but sometimes we don't keep an eye on it after we've taken the initial step and started saving for retirement. For this reason we've developed some simple steps to help you keep on top of your pension.

1. Have you already started saving into your pension?	✔
2. Do you know what type of funds your pension is invested in?	✔
3. Do you take the time to review your annual statements from your pension provider or keep track of your pension online?	✔
4. Are you making the most out of your pension by sitting down with your broker or financial adviser for an annual review?	✔
5. Are you claiming all income tax relief?	✔

What many people don't know is that they have various options when it comes to their pension.For example, there are lots of different types of funds your pension can invest in, from lower risk ones, balanced ones to more adventurous funds. Make sure your funds suit what you are looking for. It's very important to continually review your pension plan. There's a variety of ways you can keep up to date for example:

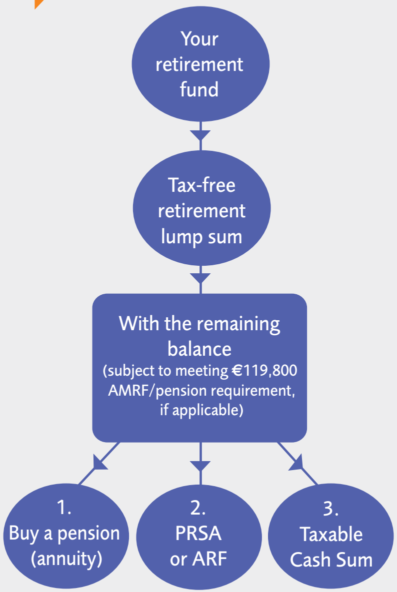
1. Review your annual statement on your pension
2. Keep track of your pension with online services
3. Contact your broker, financial adviser or pension provider for a regular update.

How and when you choose to review your pension is up to you but make sure you're aware of all the options that are available to you. Your financial circumstances may change frequently, that's why it's important to sit down with your broker or financial adviser to discuss your financial needs on a regular basis. This will make sure you are making the most out of the income tax relief available and assessing all of your incomings and outgoings. Remember, you control your pension. So if there is something you are not happy with it's up to you to change it.

FACT: 1 in 3 people have never reviewed their pension (what they are paying in or likely to get out) or haven't reviewed their pension in the last five years.

(Source: Amarach Research August 2011)

6 Your options at retirement



You may be able to take part of your pension fund as a retirement lump sum. You may be able to take some or all of this retirement lump sum tax free. Most people have the option to take 25% of the fund as a tax free retirement lump sum.

If you have a company pension, instead of taking 25% of the fund as a retirement lump sum, you can choose to take a retirement lump sum of up to one-and-a- half times your final salary, depending on the length of time you have actually been employed. The balance of your pension must be used to buy a pension for life. However if you have paid AVCs, your AVC fund can be used for one or more of the following: buy a pension for life, invest in an Approved Retirement Fund (ARF) or Approved Minimum Retirement Fund (AMRF) or take as a taxable cash sum.

The maximum tax free retirement lump sum you can receive is €200,000. Retirement lump sums between €200,000 and €575,000 will be subject to standard rate income tax (20% as at September 2011). Any retirement lump sums greater than €575,000 will be taxed as income at your marginal rate. The Universal Social Charge (USC), PRSI (if applicable) and any other tax or levies will also be deducted. Both the €200,000 and €575,000 limits include all retirement lump sums you have received since 7 December 2005. Your broker or financial adviser can give you more information about what you are entitled to.

With the rest of the fund you have the following options:

Option 1: Buy an annuity (pension for life)

Option 2: Invest in an ARF or AMRF (or remain invested in your PRSA)

Option 3: Take your pension fund as taxed cash.

1. You need to plan ahead for which option you expect to take.

2. You should get financial advice at least five to ten years before you expect to retire.

Option 1: Buy a pension (annuity)

An annuity is a regular pension income paid to you for the rest of your life. With an annuity you can also choose from a number of different types of pensions, including the following:

- A pension paid to you for at least five or ten years. This means that if you die during this period, your pension will continue to be paid to your dependants up to the end of the five or 10-year period.
- A pension which will increase. This means your pension increases each year, to take account of inflation, when it is being paid.
- A pension for your spouse, civil partner or dependant. If you die before your spouse, civil partner or dependant, your pension will be paid to them until they die.
- Annuity investment protection. This means that any remaining money not paid to you before you die can be paid to your spouse, registered civil partner or dependant.

The type of pension you choose will affect the amount of income your pension fund can provide.

You will pay income tax at your highest rate, Universal Social Charge, PRSI (if applicable) and any other charges or levies (tax) applicable at that time on the income you receive from your annuity.

Option 2: Invest in an ARF or AMRF

An ARF (Approved Retirement Fund) is a personal investment fund from a qualified manager that you can manage and control during your lifetime, and leave to your family when you die.

You can take a regular withdrawal amount between 5% and 15% of the fund value. However the minimum withdrawal amount from an ARF is currently 5% of the ARF value each year from the year you reach age 61.

You can open an ARF if you:

- already have a guaranteed annual pension of at least €18,000,
- have at least €119,800 to buy an annuity, or
- have set aside at least €119,800 in an AMRF

If you do not meet the requirements above you must invest €119,800 (or the rest of the fund, whichever is lower) in an AMRF (Approved Minimum Retirement Fund), or buy a pension with the same amount.

The main difference between an ARF and an AMRF are the restrictions placed on withdrawing your AMRF fund. With an AMRF you can only withdraw any gains made over and above the original investment amount.

Until one of the following happens (whichever is first) you cannot make withdrawals from the original amount invested in your AMRF:

- You start receiving a guaranteed income from other sources of at least €18,000 a year
- You reach age 75

Remain invested in your PRSA

If you have a PRSA you can choose to keep your retirement fund in the PRSA. The guaranteed annual pension, annuity purchase and AMRF figures required to open an ARF must be met before you can take an income from the PRSA, or an amount of €119,800 must be kept in the PRSA. With a PRSA these figures can change in retirement in line with any increase or decease in the State Pension (Contributory).

A PRSA is similar to an ARF and an AMRF except that

- You do not have to take an income each year from age 61
- You cannot drawdown an income from your PRSA after age 75

You will have to pay income tax, the Universal Social Charge and PRSI (if applicable) on any all withdrawals from your PRSA.

It is important to be aware that making regular withdrawals during your lifetime may reduce the value of your ARF, AMRF or PRSA, especially if investment returns are poor or you choose a high rate of withdrawal (or both). The ARF, AMRF or PRSA investment can go down as well as up. Regular withdrawals over a long period may use up all of your retirement fund. For a full breakdown of these options please contact your broker or financial adviser.

Warning: The income you get from this investment may go down as well as up

Option 3: Take your pension fund as taxed cash

After taking your retirement lump sum, you may take the rest of the fund as cash. There are certain legal restrictions on taking up this option. For example, you must be able to show that you are guaranteed to receive a pension income for life (from other sources) of at least €18,000 a year.

You will have to pay income tax on this at your highest rate. The Universal Social Charge, PRSI (if applicable) and any other charges or levies (tax) applicable at that time will also be due.

If you are not guaranteed a retirement income for life of at least €18,000, you must invest €119,800 (or the rest of the fund, whichever is lower) in an approved minimum retirement fund (AMRF), or buy a pension with the same amount. You can take any fund left as cash, which you will pay tax on. When you reach 75, your AMRF will become an ARF. You can then take all your money in cash. Again, you will have to pay tax on this.

7 About Irish Life

As specialists in pensions and life assurance we help to look after the finances of over 1 million people.

No. 1 for pensions

At Irish Life we manage the largest amount of pension funds for Irish people, other than the State. We currently look after pensions and investments worth over €30 billion (Irish Life Investment Managers, September 2011). So when it comes to your pension there really is no one better you can trust with your future.

Chosen by top organisations

We've been helping Irish people manage their finances for over 70 years and over that time we've built up an unrivalled level of pensions expertise and know how. Thousands of organisations across Ireland including leading companies, State bodies and unions choose us to look after their pension needs. For example, 7 out of 10 biggest Irish Companies choose Irish Life pensions. We're also recognised internationally with 7 out of 10 biggest U.S. companies picking us to provide pensions for their Irish employees. (Source: Irish Life Investment Managers, 2011).

Wide range of funds

We have a range of options to suit your needs. You can switch your pension, free of charge, into funds ranging from low risk right the way up to more adventurous funds. For more information on the options available to you please contact your broker or financial adviser.

Great fund performance

Our pension performance has consistently been very strong. Our Pension Managed Fund is a top quartile performer over the last 10 years. Ireland's most popular fund – our Consensus Fund – has over €5.3 billion invested (Source: Irish Life Investment Managers, 2011)

Excellent service

Your broker or financial adviser and Irish Life want to make it easy for you to keep up to date with your pension plan either online or over the phone. You can log onto www.irishlife.ie or call 01-704 1111 for:

	Phone 01 704 1111	Online www.irishlife.ie
Up-to-date investment values	✔	✔
Project (estimated) values		✔
Fund prices and fund performance	✔	✔
Switch between funds		✔
Weekly investment market update	✔	✔
Change your PIN	✔	✔
Customer service forms		✔

Your broker or financial adviser can help with any information or queries you have on your pension plan but don't forget, you can also call our Customer Service Team on:

Phone: 01 704 10 10

8am to 8pm Monday to Thursday

10am to 6pm on Fridays

9am to 1pm on Saturdays

Fax: 01 704 19 00

e-mail: customerservice@irishlife.ie

Website: www.irishlife.ie

Write to: Irish Life Assurance plc, Lower Abbey Street, Dublin 1.

In the interest of customer service, we will record and monitor calls.

Irish Life

PEFC
PEFC/01-31-70

From sustainably managed forests -
For more info: ws.org

ILA 8961 (NPI 09-11)