Your No.1 Supporter

This is not a customer document and is intended for Financial Advisers only.

Irish Life

Supporting your pension plan

Advisers Retirement Guide

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Section 1

Questions to help you assess your clients' needs...

- Do they have a spouse or other dependents, and how financially secure would they be should your client die?
- What other income do they currently have, and for how long do they expect this income to continue?
- What is their current state of health? What plans have they made for long-term care in the event of inability to carry out some of their basic daily activities?
- How does their desire for an income to meet the ongoing cost of living expenses compare with their desire to be able to access capital in the short or medium term, or their desire to pass on capital to their estate on death?
- How concerned would they be if the income from their pension savings fund was to dry-up before they die?

Did you know?

A person who retires within the next 10 years will have twice as long in retirement as those who are retired in the 1980s.

Source: CSO, 2011.

A woman born today has a 50% chance of living to 100.

Source: CSO, 2011.

Section 2

Retirement options Matrix

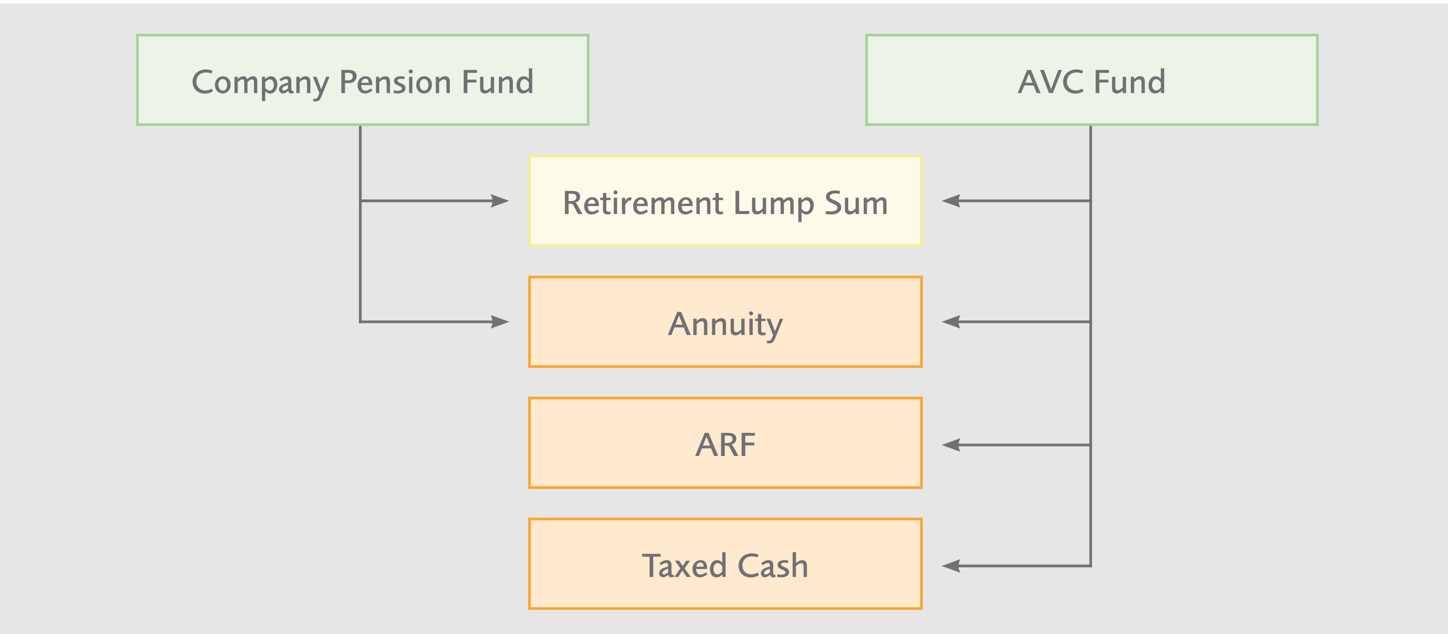
The table below shows the retirement options that are available depending on what pension contract your client may be investing in.

Pension Type	Option 1: Salary & Service	Option 2: ARF Route
Personal Pensions	✗	✔
PRSAs	✗	✔
DC Company Pension Scheme	✔	✔
DB Company Pension Scheme - Employee	✔	✗
DB Company Pension Scheme - Proprietary Director	✔	✔
Buy out Bonds from DC after 6 February 2011 (and scheme rules allowed ARF option)	✔	✔
Buy out Bonds from DC after 6 February 2011 (and scheme rules did not allow ARF option)	✔	✗
Buy out Bonds from DC before 6 February 2011 - Employee	✔	✗
Buy out Bonds from DB – Employee	✔	✗
Buy out Bonds for Proprietary Director – from DC or DB	✔	✔

Section 3

There are two options at retirement for a client in a Defined Contribution scheme

Option 1: Salary & Service Route



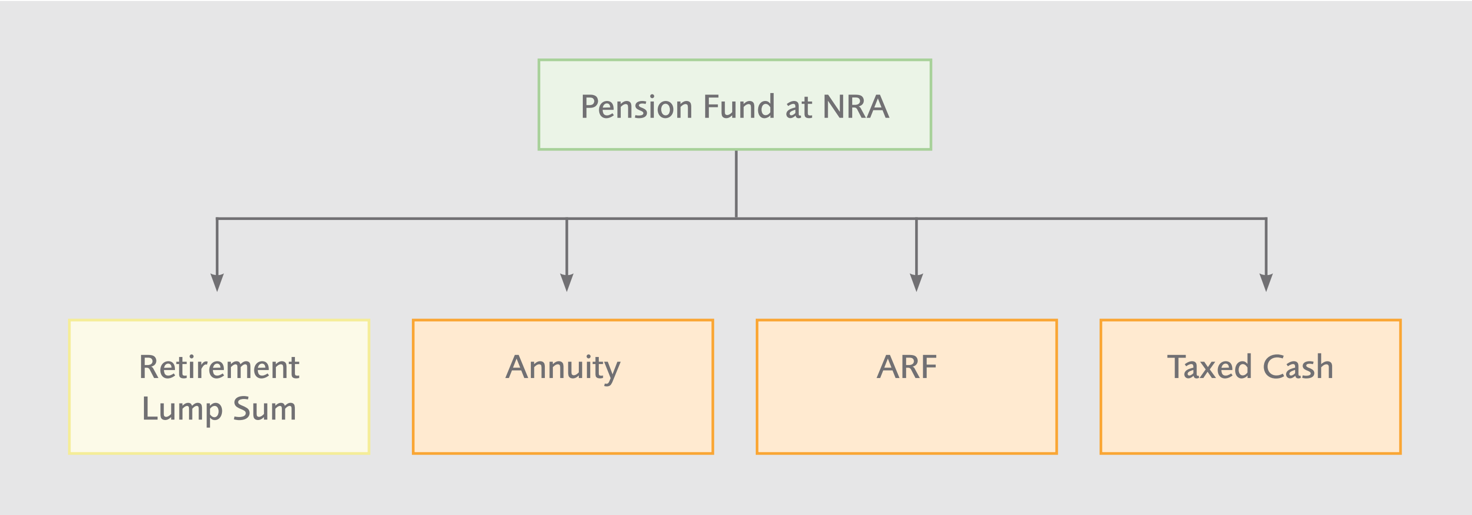
Warning: The value of your investment may go down as well as up.

Warning: If you invest in this product you may lose some or all of the money you invest.

Under the Salary & Service route clients can choose to take a retirement lump sum of up to one-and-a-half times final salary, depending on the length of time they have actually been employed. They need 20 years service with the same employer continuing up to normal retirement age in order to receive the maximum 150% of final salary. The rest of the fund is used to buy a pension for life. However if they have also been making AVCs or PRSA AVCs, this can be used for one or more of the following:

1. buy an annuity
2. invest in an ARF or AMRF (or remain invested in your vested PRSA AVC)
3. take as a taxable cash sum
4. a combination of the above

Option 2: ARF Route



Under the ARF route your client has the option to take 25% of the fund as a retirement lump sum. With the rest of the fund they have the following options:

1. buy an annuity
2. invest in an ARF or AMRF (or remain invested in your PRSA)
3. take as a taxable cash sum
4. a combination of the above

Warning: If you invest in this product you may lose some or all of the money you invest.

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

Warning: If you invest in an AMRF you will not have access to your initial investment amount until age 75.

Annuity or ARF ?

Summary of Advantages and Disadvantages of Annuities and ARFs

Advantages

Annuities

- Annuities provide certainty
- The individual's pension is not affested if stock returns are poor, or if they live a long time.
- The individual is paid a known pension for the rest of their life.
- The following options are available at an additional cost.
    i. The pension payment can have a guaranteed period for up to 10 years regardless of whether the individual dies within that period.
    ii. A spouse's, civil partner's or dependent's pension in the event of death and is paid for the life of the dependent.
    iii. Inflation protection.
    iv. Investment protection option can be purchased to provide for a payment to the estate in the event of death. This is an alternative to the guaranteed period. The payment available on death is a return of the initial investment less all annuity income that has been paid. This option is only for customers who have ARF / AMRF options.

AMRFs and ARFs

- Gives the individual flexibility and control over their pension fund during retirement.
- They can choose the level of income / withdrawals they want to take each year, however a minimum income of 5% of the value will be paid every year. Where individuals have funds over €2m a rate of 6% applies. This applies to ARF clients from the year they turn 61. It will also apply to AMRFs when they become ARFs.
- ARFs can invest in a wide range of assets, with the potential for the fund to continue growing.
- On death the fund value at that date passes to the estate.
- AMRFs and ARFs can be used to purchase an annuity at any stage. It would be expected that the older the client the higher the annuity rate will be.
- The individual can buy an ARF / AMRF with any Qualifying Fund Manager.

Disadvantages

Annuities

- Annuity rates are linked to long term interest rates and life expectancy. When interest rates reduce and life expectancy increases then annuity rates would be expected to fall.
- The annuity rate is fixed at the time the annuity is purchased and is not affected by later changes in interest rates or life expectancy.
- The individual's pension fund no longer exists because you have changed it into an income for life.
- Lack of flexibility, the options chosen under the annuity cannot be changed once its purchased.
- The pension income will stop on death, unless the individual chose investment protection, a dependent's pension or guaranteed period.
- The cost of all the options, i.e. inflation protection, dependent's pension, investment protection will reduce the annuity income that is payable. The amount of this reduction will depend on the individual's particular circumstances.

AMRFs and ARFs

- If the individual takes an income from their fund there is a high risk that their fund may not provide an income for the rest of their lifetime and the fund may be depleted before they die. This may be due to poor fund performance and / or if they take excessive levels of income from the fund.
- The individual is taking on investment risks. This means that the initial capital could go down as well as up.
- The individual may have to put at least €119,800 in an AMRF if they do not have a guaranteed pension income of at least €18,000 a year currently in place.
- From the year the individual turns 61 they must take a minimum level of income from the ARF every year. Currently this is 5% of the value of your fund, but this may change in the future. Where individuals have funds over €2m a rate of 6% applies. This will also apply to AMRFs once they become ARFs.
- The individual cannot take an income from an AMRF until age 75.

Warning: If you invest in this AMRF you will not have access to your initial investment amount until age 75.

Warning: The value of your investment may go down as well as up.

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

The information is correct as of September 2012.

All income/withdrawals are subject to tax at your highest rate on withdrawal, Universal Social Charge, PRSI (if applicable) and any other charges or levies (tax) applicable at that time.

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