3. Funding After Retirement

Problem:

Over the last couple of years, a lot of executives and directors have drawn down their retirement benefits for cashflow reasons or due to concerns about changes to pension legislation. This may have led to a shortfall between the fund they had actually accumulated and the maximum retirement fund that Revenue would have allowed them have.

Solution:

Do you have clients who are still in the same employment that they received their retirement benefits from.

If so, then their employer could make additional contributions to increase their chosen post retirement benefits – whether that be an ARF or an Annuity. For example if the client had originally invested in an ARF plan, then any additional employer payments will be used to supplement the existing ARF contract.

Let's take a look at a typical example

Revenue maximum fund allowed	€2,000,000
Client's actual retirement fund	€1,200,000
Retirement Lump Sum paid	€300,000
Balance of fund invested in ARF	€900,000
Gap between Actual & Rev Max Fund	€800,000

The example above shows a typical client who in 2009 could have built up a fund of €2,000,000 based on his salary and service at that stage. He was entitled to withdraw up to 25% as a tax-free lump sum of €300,000 from his accumulated fund of €1,200,000. He invested the balance of €900,000 into an ARF.

Once this client is still working in the same employment, then the employer can top-up his existing ARF at any stage by up to €800,000.

WHAT'S THE BIG IDEA?

Irish Life

Funding After Retirement

What does this mean for you?

If the employer was able to contribute the €800,000 today, then this will lead to additional income for you.

ARF Top-up Employer Contribution	€800,000
Client Investment Allocation	100%
Fund Management Charge	1%
Commission	4%
Commission Income	€32,000

- In this example, your client would receive 100% investment allocation on the €800,000 top-up to his existing Complete Solutions ARF 1 contract with an FMC of 1% if investing in the Global Cash fund.
- This would generate commission income of €32,000, i.e. 4% of the €800,000 investment.

Target Market:

All clients who have taken retirement benefits from a defined contribution pension who are still working and receiving an income from the same employment (particularly executives / directors)

What you should do next

Step 1: Pull a list of all your pension clients who have drawn down their DC pension benefits in the last 10 years who are still employed in the same company

Step 2: Contact your Account Manager or the Pension Advisory Services team who can perform a revenue maximum funding calculation to see how much scope your client may have in relation to an employer ARF / Annuity top-up contribution.

Step 3: Illustrate the potential benefits to your client / their employer (possibly the same person for director clients) and agree top up amount

Step 4: Once agreed, client / employer should complete an Irish Life ARF Source of Investment Certificate and accompany this with a top-up letter and cheque.

Irish Life Support:

- We will perform the revenue maximum funding calculation to identify the funding gap for each client.

- Broker mail letter available on b-line or via your Account Manager

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