Pension Advice

ADVICE | PENSIONS | INVESTMENTS

Your Guide to Retirement Options

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INTRODUCTION

As you approach retirement, one of the most important decisions you will make is how to use your pension fund to provide an income for you and your family in retirement.

The options available to you depend on the following:

01 The type of pension arrangement you have.

02 The value of your retirement fund / assets.

The option(s) that is/are right for you will depend on many factors including.

- The value of your retirement fund / assets.
- The level of and type [flexible or guaranteed] income you and your family will need during your retirement years.
- The amount of other assets, apart from your retirement fund, you have to fall back on;
- Whether investment growth or security is more important to you during your retirement years.
- Whether you wish to pass your retirement fund on to your spouse / dependents on your death.
- Your health and potential life expectancy.

This guide aims to set out the different options available to you depending on your pension arrangement and sets out the points you should consider for the various options. Current tax and Revenue limits, which may change, are set out on page 21. You should talk to Pension Advice for advice when considering your retirement options.

You should carefully consider how to use your retirement fund to provide for your retirement years. Making the wrong choice could be hugely detrimental and can't always be undone.

OVERVIEW

	Personal Pension Plan	PRSA	Defined Contribution Company Pension Scheme & Retirement Bonds		Additional Voluntary Contributions
			Option 1*	Option 2	
Step 1. Lump Sum	Up to 25%	Up to 25%	Up to 25%	Take an amount based on your sala- ry and service with the employer up to a maximum of 1.5 times your salary	Amount (if any) will depend on the rules and retirement lump sum entitlement of your main scheme
Step 2. Annuity	Can use some or all of the remainder of your fund to buy an annuity/ enhanced annuity	Can use some or all of the remainder of your fund to buy an annuity/ enhanced annuity	You cannot buy an annuity if you take the 25% retirement lump sum option, though money in an ARF may be used to buy an annuity/ enhanced annuity	You have to buy an annuity if you take the re- tirement lump sum option based on salary and service (ex- cept if you have AVCs)	Can use some or all of the remainder of your fund to buy an annuity depending on the rules and how you take benefits from your main scheme
Step 3. ARF	Invest in an Approved Retirement Fund (ARF) ǂ	Invest in an Approved Retirement Fund (ARF) ǂ	Invest in an Approved Retirement Fund (ARF) ǂ	The Approved Re- tirement Fund (ARF) option/Taxable Cash option is not available (except in relation to AVCs)	Invest in an Approved Retirement Fund (ARF) ǂ
	Take Taxable Cash	Take Taxable Cash	Take Taxable Cash		Take Taxable Cash
Step 4. PRSA & AVC PRSA	Not Applicable	Leave the balance of your fund in your PRSA after taking your retirement lump sum	Not Applicable	Not Applicable	Leave the balance of your fund in your AVC PRSA after taking your retirement lump sum

ǂ See page 7 for further details.

* This option does not apply if the proceeds of a Retirement Bond are from a Defined Benefit Company Pension Scheme.

Personal Pension Plans/PRSAs

Do you want to take a Retirement Lump Sum?

Step: 1

Largely, pension funds provide you with an option to take a lump sum at retirement, some or all of which can be taken tax- free. You can use this money in any way you wish. You can even re-invest this lump sum.

Currently you can take up to 25% of your fund as a retirement lump sum from your Personal Pension Plan/PRSA.

However, Revenue limits apply in relation to how much of this retirement lump sum may be, taken tax-free.

Do you want to Purchase an Annuity?

Step: 2

You have the choice to use some (or all) of your fund to purchase an annuity when you retire. An annuity, commonly known.

as a pension, provides you with guaranteed income during your retirement years. An annuity may be an attractive choice if:

01 Your retirement fund will be your main or only source of income in retirement; or

02 Your main priority in retirement is a secure regular income rather than passing on your funds to your dependents.

03 You are risk adverse and a very cautious investor.

Purchasing an annuity involves using some (or all) of your pension funds to secure a regular set income for the rest of your life. The amount of income you receive depends on the annuity rates available when you purchase your annuity.

If you decide to choose the annuity option, Pension Advice will review if you qualify for an "enhanced" annuity. Depending on your health status and lifestyle health risks (such as if you are a smoker) you may be entitled to a higher regular income [increased rate] than you would under a standard annuity.

You may be able to avail of an open market option which means that at retirement you can choose to buy a pension from a different life company to the one you saved for your retirement with.

Annuity rates vary depending on:

- Your age: you will generally secure a larger income the older you are
- Your health status and lifestyle health risks
- Interest rates
- The options you choose for your annuity.

Personal Pension Plans/PRSAs (cont'd)

Step: 2 (cont'd)

Your choice of annuity/enhanced annuity can include:

01

(a) Level Payments: Where your payments stay the same each year, or

(b) Increasing Payments: Where your payments increase each year by a fixed amount, e.g. 3% each year.

02

A Guarantee Period: You can choose that your payments are secured for a fixed period of up to 10 years, so that if you die during this time, your annuity payments will be paid to your dependents for the remainder of the guaranteed period.

03

A Dependent's Pension/Dependent Child's Pension: You can specify a percentage of your pension that is to be paid, when you die in retirement, to your spouse/civil partner or dependent child.

04

Overlap: If you die during any guaranteed period the dependent's pension will be paid immediately and the guaranteed pension will also continue to be paid. For occupational pension schemes, if the guarantee period is longer than 5 years, the dependent's pension will not commence until the end of the guaranteed period (i.e. no overlap).

Annuity payments and income are subject to income tax at your marginal rate and Universal Social Charge (USC) deductions under the PAYE system. Your annuity provider generally makes these deductions at source and remits them to the Revenue Commissioners on your behalf.

Full details of the types of annuity benefits that you may purchase will be discussed with you and reviewed. Pension Advice will also review the full open marketplace to achieve the most attractive annuity rates and guaranteed income on your behalf, available at that time.

Do you wish to investin ARF ortake taxable cash?

Step: 3

As an alternative to purchasing an annuity/pension, you have the option to invest in an Approved Retirement Fund (ARF) or you can withdraw the balance of your fund, subject to tax.

1. Invest in an ARF

An Approved Retirement Fund (ARF) is a very flexible arrangement that allows you to remain invested in funds [achieve investment growth after retirement and withdraw money as and when you need it. Any investment growth within the fund is currently tax free, however, withdrawals are taxed as set out below.

An ARF allows you to:

- Make withdrawals when you want (though the frequency and size of your withdrawals will impact the length of time your ARF can provide you with an income in retirement)
- Set it up to receive a regular income from y our ARF
- Pass on the remaining value of your fund to your dependents or other beneficiaries on your death

Imputed Distribution / Deemed Withdrawal

Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you make a deemed withdrawal of a certain amount each year from your ARF. Where the total ARF value is €2 million or less, the deemed withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The deemed withdrawal is 6% p.a. if the total ARF value exceeds €2 million

Any actual withdrawals taken during the year can count towards the deemed withdrawal amount. **It is important to note that:** if a high level of withdrawals are made relative to any growth achieved there is a risk that your ARF fund could run out.

All withdrawals and income payments are subject to income tax, USC and PRSI. PRSI ceases at the age of 66. Your ARF provider will make the appropriate deduction and remit it to the Revenue Commissioners on your behalf. Money in an ARF can be used to buy an annuity at any time before age 75. This might be attractive if annuity rates increase in retirement.

Please note:
An early encashment charge may apply on an ARF if you transfer the ARF to another provider within the first five years.

Warning

- The value of your investment may go down as well as up.
- If you invest in this product, you may lose some or all of the money you invest.

Step: 4 (for PRAS only)

2. Take taxable cash

You can take an additional taxable lump sum. You will pay income tax and USC on the amount you withdraw from your fund.

Do you want to leave the balance of your fund in your PRSA?

You have the option of leaving the balance of your fund in your PRSA after taking your retirement lump sum.

This means you can remain invested without availing of the ARF option. Similar to an ARF, you are required to take an annual deemed withdrawal of a certain amount from your Vested PRSA (see page 7). Talk to your Pension Advice for more details.

Warning

- The value of your investment may go down as well as up.
- If you invest in this product, you may lose some or all of the money you invest.

Defined Contribution Company Pension Plans

Do you want to take a Retirement Lump Sum?

Step: 1

In most cases, pensions allow an option to take a lump sum at retirement some or all of which can be tax- free.

You can use this money in any way you wish. You can also re-invest this lump sum.

You have a choice in how you take your retirement lump sum but the option you choose will then determine the options available for the balance of your fund (if any).

You can take up to 25% of your fund as a retirement lump sum or an amount calculated based on your salary and service with your employer up to a maximum of up to 1.5 times your salary. You will only be able to take the 1.5 times salary if you have 20 years service with the sponsoring employer at normal retirement age. A sliding scale applies where you have less than 20 years service or if you retire or leave that employment before normal retirement age.

This is based on the uplifted scale

However, Revenue limits apply in relation to how much of this retirement lump sum may be taken tax-free. Please see tax treatments section for more details.

Defined Contribution Company

Do you want to buy an Annuity?

The option to use all or some of your fund to purchase an annuity when you retire is available if you choose the retirement lump sum based on salary and service or 25% lump sum option. An annuity, commonly known as a pension for life, provides you with security of guaranteed income during your retirement years.

If you choose the retirement lump sum based on salary and service, you must use the remainder of your fund to buy an annuity. However, if you have paid Additional Voluntary Contributions (AVCs) to the scheme, you don't have to use your AVC fund to buy an annuity. You can choose from the ARF/ taxable cash options in respect of your AVC fund.

This could allow you to avail of the salary and service route and avail of the Annuity and ARF options [only if you have AVC's]

An annuity may be an attractive option particularly if:

- Your retirement fund will be your main source of income in retirement.
- You are risk adverse, post-retirement.
- Your main priority in retirement is a secure regular guaranteed income rather than passing on your fund to your dependents.

Step: 2

You may be able to avail of an open market option which means that at retirement you can choose to buy a pension from a different life company to the one you saved for your retirement with.

Defined Contribution Company Pension Plans (cont'd)

Purchasing an annuity involves using some or all of your pension fund to secure a regular income for the rest of your life. The amount of income you receive depends on the annuity rates available when you are considering purchasing your annuity.

If you decide to choose the annuity option, then you should review if you could avail of an enhanced annuity. Depending on your health status and lifestyle health risks (such as if you are a smoker) you may be entitled to a higher regular rate / income than you would under a standard annuity.

Step: 2 (Cont't)

Your choice of annuity/enhanced annuity can include:

01

(a) Level Payments: Where your payments stay the same each year, or
(b) Increasing Payments: Where your payments increase each year by a fixed amount, e.g. 3% each year.

02

A Guarantee Period: You can choose that your payments are secured for a fixed period of up to 10 years, so that if you die during this time, your annuity payments will be paid to your dependents for the remainder of the guaranteed period.

03

A Dependent's Pension/Dependent Child's Pension: You can specify a percentage of your pension that is to be paid, when you die in retirement, to your spouse/civil partner or dependent child.

04

Overlap: If you die during any guaranteed period the dependent's pension will be paid immediately and the guaranteed pension will also continue to be paid. For occupational pension schemes, if the guarantee period is longer than 5 years, the dependent's pension will not commence until the end of the guaranteed period (i.e. no overlap).

Annuity rates vary depending on:

- Your age: you will generally secure a larger income the older you are
- Your health status and lifestyle health risks
- Interest rates
- The options you choose for your annuity.

Defined Contribution Company Pension Plans (cont'd)

Annuity/enhanced annuity payments are subject to income tax at your marginal rate and Universal Social Charge (USC) deductions under the PAYE system. The annuity provider will generally make these deductions at source and remit them to the Revenue Commissioners on your behalf.

Step: 3

Do you wish to Invest in an ARF or take Taxable Cash?

If you choose the 25% retirement lump sum you have the option to invest in an ARF or withdraw the balance of your fund subject to tax. **[this is unlikely to be tax effective]** If you have made AVCs, these options are also available for your AVC fund.

1. Invest in an ARF

An Approved Retirement Fund (ARF) is a flexible arrangement that allows you to remain invested in funds, receive growth after retirement and withdraw money as and when you need it. For example, this could allow you to avail of higher income levels earlier in retirement and less later in life, offering flexibility. Any investment growth within the fund is currently tax free, however withdrawals are taxed as set out below.

Deemed withdrawal

Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you make a deemed withdrawal of a certain amount each year from your ARF and pay tax as if you had made an actual withdrawal. Where the total ARF/Vested PRSA value is €2 million or less, the deemed withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The deemed withdrawal is 6% p.a. if the total ARF/ Vested PRSA value exceeds €2 million.

Any actual withdrawals taken during the year can count towards the deemed withdrawal amount. **It is important to note that if a high level of withdrawals are made relative to any growth achieved there is a risk that your ARF fund could run out [Bomb out risk].**

> **Talk to us about our 3 pot ARF strategy that mitigates against many of the associated risks with an ARF**

All withdrawals and income payments are subject to income tax, USC and PRSI. The ARF provider will make the appropriate deduction and remit it to the Revenue Commissioners on your behalf. Funds in an ARF can be used to buy an annuity at any time before age 75.

2. Take taxable cash

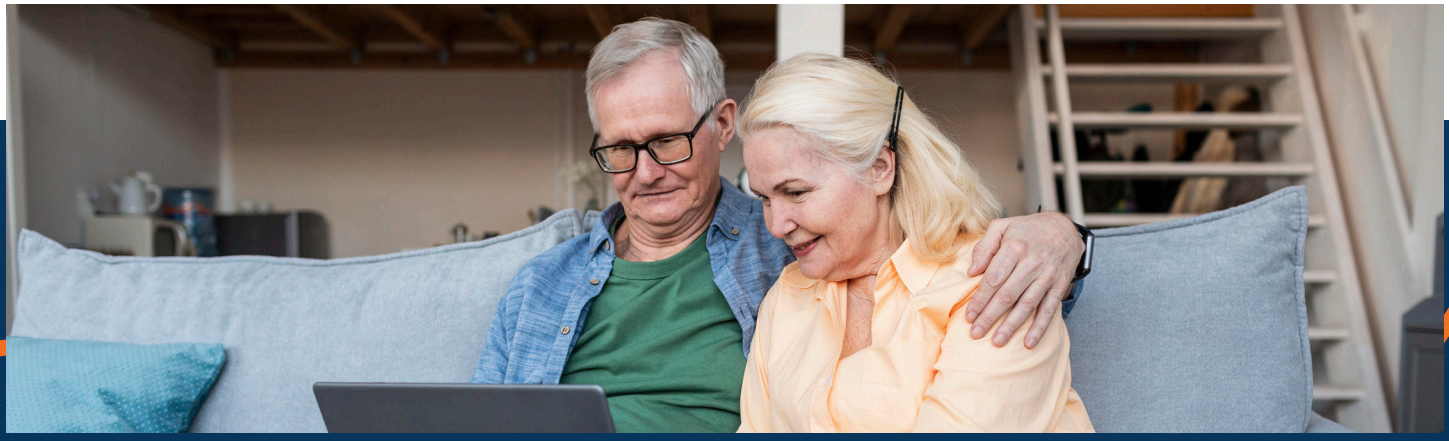
You can take an additional taxable lump sum. You will pay income tax, PRSI [before age 66] and USC on the amount you withdraw from your fund.

Step: 3 (cont'd)

An ARF allows you to:

- Make withdrawals when you want (though the frequency and size of your withdrawals will impact the length of time your ARF can provide you with an income in retirement)
- Set it up to receive a regular income from your ARF
- Pass on the remaining value of your fund to your dependents or other beneficiaries on your death

Please note: An early encashment charge may apply on an ARF if you withdraw all of the value within the first five years.



Additional Voluntary Contributions (AVCs)
Including AVC PRSAs

Your AVCs are in general linked to your employer's occupational pension scheme and should be accessed at the same time as the retirement benefits of your main scheme in most scenarios.

Do you want to take a Retirement Lump Sum?

Step: 1

In most cases, AVC pensions allow an option to take a lump sum at retirement, some or all of which can be tax- free.

You can use this money in any way you wish. You can also re-invest this lump sum.

The amount (if any) of retirement lump sum that you can take from your AVCs is subject to Revenue maximum limits and must consider any lump sum received from your main scheme.

If you received less than the maximum allowable lump sum from your main scheme, you may be able to take some or all of your AVC fund as a lump sum.

Do you want to buy an Annuity?

Step: 2

You may have the option to use your AVC fund to purchase an annuity when you retire depending on the rules and how you take benefits from your main scheme.

An annuity, commonly known as a pension for life, provides you with security of guaranteed income during your retirement years. An annuity may be an attractive option particularly if:

- Your retirement fund will be your main source of income in retirement.
- You are risk adverse post-retirement.

You may be able to avail of an open market option which means that at retirement you can choose to buy a pension from a different life company to the one you saved for your retirement with.

Additional Voluntary Contributions

Step: 2 (cont'd)

- Your main priority in retirement is a secure regular guaranteed income rather than passing on your fund to your dependents.

Purchasing an annuity involves using some or all of your pension fund to secure a regular income for the rest of your life. The amount of income you receive depends on the annuity rates available when you are considering purchasing your annuity.

If you decide to choose the annuity option, then you should review if you could avail of an enhanced annuity. Depending on your health status and lifestyle health risks (such as if you are a smoker) you may be entitled to a higher regular rate / income than you would under a standard annuity.

Additional Voluntary Contributions (AVCs)
Including AVC PRSAs (cont'd)

Your choice of annuity/enhanced annuity can include:

01

(a) Level Payments: Where your payments stay the same each year, or
(b) Increasing Payments: Where your payments increase each year by a fixed amount, e.g. 3% each year.

02

A Guarantee Period: You can choose that your payments are secured for a fixed period of up to 10 years, so that if you die during this time, your annuity payments will be paid to your dependents for the remainder of the guaranteed period.

03

A Dependent's Pension/Dependent Child's Pension: You can specify a percentage of your pension that is to be paid, when you die in retirement, to your spouse/civil partner or dependent child.

04

Overlap: If you die during any guaranteed period the dependent's pension will be paid immediately and the guaranteed pension will also continue to be paid. For occupational pension schemes, if the guarantee period is longer than 5 years, the dependent's pension will not commence until the end of the guaranteed period (i.e. no overlap).

Annuity/enhanced annuity payments are subject to income tax at your marginal rate and Universal Social Charge (USC) deductions under the PAYE system. The annuity provider will generally make these deductions at source and remit them to the Revenue Commissioners on your behalf. Full details of the types of annuity benefits that you may purchase can be discussed with Pension Advice.ie

Step: 2 (cont'd)

Annuity rates vary depending on:

- Your age: you will generally secure a larger income the older you are
- Your health status and lifestyle health risks
- Interest rates
- The options you choose for your annuity

Do you wish to invest in an ARF or take taxable cash?

1. If you choose the 25% retirement lump sum you have the option to invest in an ARF or withdraw the balance of your fund subject to tax. [this is unlikely to be tax effective] If you have AVCs, these options are also available for your AVC fund.

2. Invest in an ARF

An Approved Retirement Fund (ARF) is a flexible arrangement that allows you to remain invested in funds, receive growth after retirement and withdraw money as and when you need it. For example this could allow you take higher income earlier in retirement and less later in life, so very flexible. Any investment growth within the fund is currently tax free, however withdrawals are taxed as set out below.

Deemed withdrawal

Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you make a deemed withdrawal of a certain amount each year from your ARF and pay tax as if you had made an actual withdrawal. Where the total ARF/Vested PRSA value is €2 million or less, the deemed withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The deemed withdrawal is 6% p.a. if the total ARF/ Vested PRSA value exceeds €2 million.

Any actual withdrawals taken during the year can count towards the deemed withdrawal amount.

Step: 3

An ARF allows you to:

- Make withdrawals when you want (though the frequency and size of your withdrawals will affect the length of time your ARF can provide you with an income in etirement)
- Set it up to receive a regular ongoing income from your ARF.
- Pass on the remaining value of your fund to your spouse / dependents or other beneficiaries

It is important to note that: if a high level of withdrawals are made relative to any growth achieved there is a risk that your ARF fund could run out.

All withdrawals and income payments are subject to income tax, USC and PRSI. PRSI ceases at the age of 66.

Like annuity your ARF provider will make the appropriate tax deductions and remit it to the Revenue Commissioners on your behalf.

Money in an ARF can be used to buy an annuity at any time before age 75. This might be attractive if annuity rates increase in retirement

Please note:
An early encashment charge may apply on an ARF if you withdraw all of the value within the first five years.

Step: 3 (cont'd)

3. Take taxable cash

You can take an additional taxable lump sum. You will pay income tax and USC on the amount you withdraw from your AVC fund.

Step: 4 (for AVC PRSA only)

Do you want to leave the balance of your fund in your AVC PRSA?

If your AVCs have been made to an AVC PRSA you may have the option of keeping the balance of your fund in your AVC PRSA. This means you can remain invested without availing of the ARF option. Like an ARF, you may be required to take a withdrawal of a certain amount from your vested PRSA each year.

Warning

- The value of your investment may go down as well as up.
- If you invest in this product, you may lose some or all of the money you invest.

Retirement Bonds

Step: 1

The options available for your Retirement Bond fund at retirement are tied to the rules of the scheme / previous employment you have transferred from and therefore are dependent on your specific policy. Below are the general steps you should take in evaluating your options.

Do you want to take a Retirement Lump Sum?

In most cases, pensions allow an option to take a lump sum at retirement, some or all of which can be tax- free.

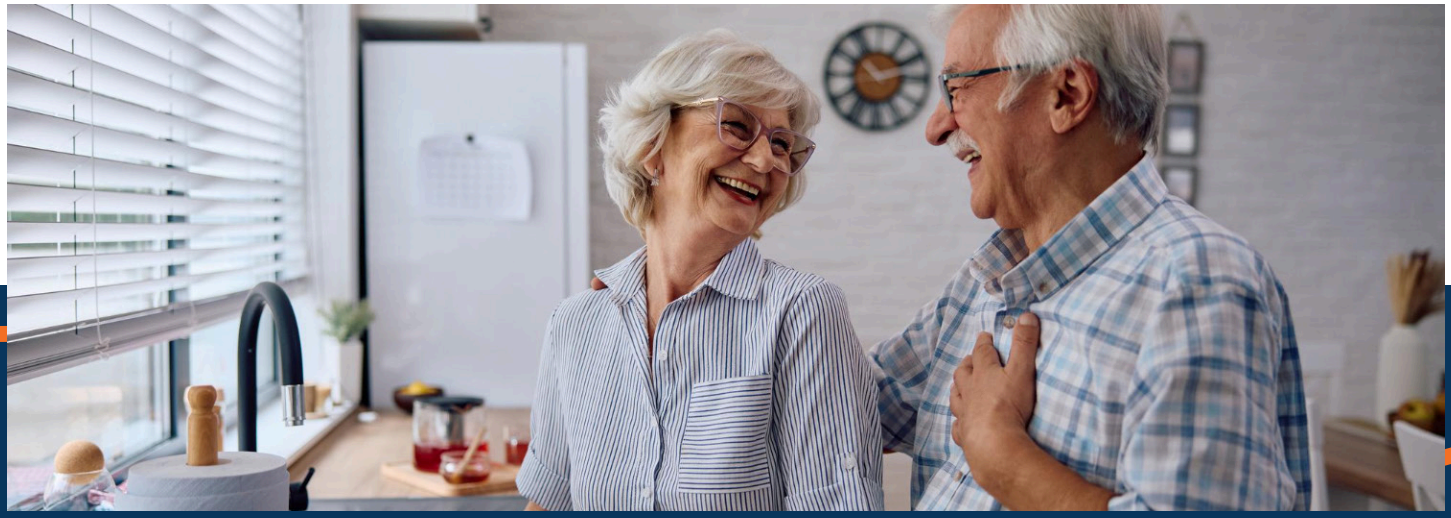
[unless you waived you right to tax free cash through a redundancy process]

You can use this money in any way you wish. You can also re-invest this lump sum.

You have a choice in how you take your retirement lump sum but the option you choose will then determine the options available for the balance of your fund (if any).

You can take up to 25% of your fund as a retirement lump sum or an amount calculated based on your salary and service with your employer up to a maximum of up to 1.5 times your salary. You will only be able to take the 1.5 times salary if you have 20 years' service with the previous employer you transferred from.

A sliding scale applies where you have less than 20 years' service. **This is based on the uplifted scale**



Do you want to buy an Annuity?

Step: 3

If you choose the retirement lump sum based on salary and service, you have to use the balance of your fund to buy an annuity. However, if you have paid Additional Voluntary Contributions (AVCs) to the scheme, you don't have to use your AVC fund to buy an annuity. An annuity, commonly known as a pension, provides you with security of income during your retirement years.

- Your retirement fund will be your main source of income in retirement.
- You are risk adverse, post-retirement.
- Your main priority in retirement is a secure regular guaranteed income rather than passing on your fund to your dependents.

Purchasing an annuity involves using some or all of your pension fund to secure a regular income for the rest of your life. The amount of income you receive depends on the annuity rates available when you are considering purchasing your annuity.

If you decide to choose the annuity option, then you should review if you could avail of an enhanced annuity. Depending on your health status and lifestyle health risks (such as if you are a smoker) you may be entitled to a higher regular rate / income than you would under a standard annuity.

You may be able to avail of an open market option which means that at retirement you can choose to buy a pension from a different life company to the one you saved for your retirement with.

Retirement Bonds (cont'd)

Your choice of annuity/enhanced annuity can include:

01

(a) Level Payments: Where your payments stay the same each year, or
(b) Increasing Payments: Where your payments increase each year by a fixed amount, e.g. 3% each year.

02

A Guarantee Period: You can choose that your payments are secured for a fixed period of up to 10 years, so that if you die during this time, your annuity payments will be paid to your dependents for the remainder of the guaranteed period.

03

A Dependent's Pension/Dependent Child's Pension: You can specify a percentage of your pension that is to be paid, when you die in retirement, to your spouse/civil partner or dependent child.

04

Overlap: If you die during any guaranteed period the dependent's pension will be paid immediately and the guaranteed pension will also continue to be paid. For occupational pension schemes, if the guarantee period is longer than 5 years, the dependent's pension will not commence until the end of the guaranteed period (i.e. no overlap).

Step: 2 (cont'd)

Annuity rates vary depending on:

- Your age: you will generally secure a larger income the older you are
- Your health status and lifestyle health risks
- Interest rates
- The options you choose for your annuity

Annuity/enhanced annuity payments are subject to income tax at your marginal rate and Universal Social Charge (USC) deductions under the PAYE system. The annuity provider will generally make these deductions at source and remit them to the Revenue Commissioners on your behalf.

Retirement Bonds (cont'd)

Do you wish to invest in an ARF or take taxable cash?

If you choose the 25% retirement lump sum you have the option to invest in an ARF or withdraw the balance of your fund subject to tax. [this is unlikely to be tax effective] If you have AVCs, these options are also available for your AVC fund.

1. Invest in an ARF

An Approved Retirement Fund (ARF) is a flexible arrangement that allows you to remain invested in funds, receive growth after retirement and withdraw money as and when you need it. For example, this could allow you take higher income earlier in retirement and less later in life, so very flexible. Any investment growth within the fund is currently tax free, however withdrawals are taxed as set out below.

Deemed withdrawal

Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you make a deemed withdrawal of a certain amount each year from your ARF and pay tax as if you had made an actual withdrawal. Where the total ARF/Vested PRSA value is €2 million or less, the deemed withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The deemed withdrawal is 6% p.a. if the total ARF/ Vested PRSA value exceeds €2 million.

Any actual withdrawals taken during the year can count towards the deemed withdrawal amount.

Step: 3

An ARF allows you to:

- Make withdrawals when you want (though the frequency and size of your withdrawals will affect the length of time your ARF can provide you with an income in etirement)
- Set it up to receive a regular ongoing income from your ARF.
- Pass on the remaining value of your fund to your spouse / dependents or other beneficiaries

Please note:
An early encashment charge may apply on an ARF if you withdraw all of the value within the first five years.

Retirement Bonds (cont'd)

It is important to note that if a high level of withdrawals are made relative to any growth achieved there is a risk that your ARF fund could run out [Bomb out risk].

> **Talk to us about our 3 pot ARF strategy that mitigates against many of the associated risks with an ARF**

All withdrawals and income payments are subject to income tax, USC and PRSI. The ARF provider will make the appropriate deduction and remit it to the Revenue Commissioners on your behalf. Funds in an ARF can be used to buy an annuity at any time before age 75.

2. Take taxable cash

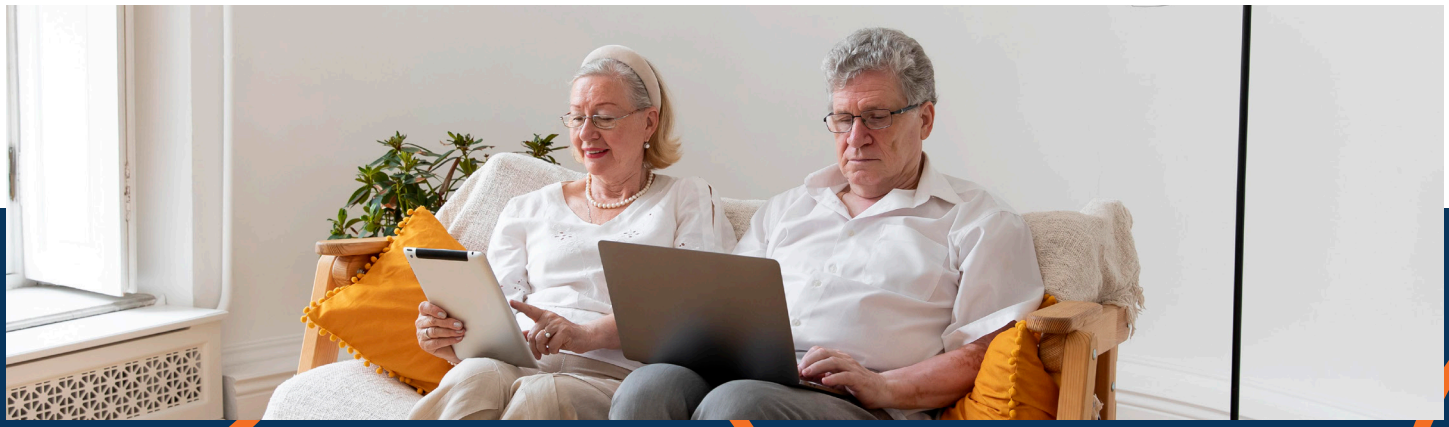
You can take an additional taxable lump sum. You will pay income tax, PRSI [before age 66] and USC on the amount you withdraw from your fund.

Warning

- The value of your investment may go down as well as up.
- If you invest in this product, you may lose some or all of the money you invest.

An ARF allows you to:

- Make withdrawals when you want (though the frequency and size of your withdrawals will impact the length of time your ARF can provide you with an income in etirement)
- Set it up to receive a regular income from your ARF
- Pass on the remaining value of your fund to your dependents or other beneficiaries on your death



Tax Treatment of Retirement Options

Important to note :

If you want to pass on some of your pension benefits to your spouse / dependents or other beneficiaries in the event of your premature death in retirement, you need to consider this when choosing from your retirement options.

If your pension benefits are part of your succession planning, you need to consider this as part of your retirement plan.

Annuity/Enhanced Annuity

You can select a guarantee period when taking out the annuity, which means your pension will be paid for a fixed guaranteed period of up to 10 years, even if you die in that period. You can also select a dependent's pension. These options allow security for your spouse and dependents following your death in retirement. This is normally 50% but can be 100%. This does impact on the income / rate you receive initially significantly.

ARF/Vested PRSA

The balance of your ARF/Vested PRSA (if any) becomes payable to your estate when you die.

The tax treatment of the transfer of your ARF/Vested PRSA to your spouse /dependents / others on your death will depend on the relationship between you and the beneficiary:

See table:

Proceeds of ARF/Vested PRSA Inherited by:	Rate of Income Tax Deducted by Qualifying Fund Manager (QFM)/ PRSA Provider	Capital Acquisitions Tax (CAT)
Spouse or civil partner	**If encashed:** Treated as income of the deceased in the year of death and subject to tax under the PAYE system at the deceased's marginal rate of income tax plus PRSI and USC as appropriate. **If transferred to an ARF in name of spouse/civil partner of deceased:** Transfer is exempt from income tax. Subsequent withdrawals by spouse/civil partner will be subject to tax under PAYE system at their marginal rate of income tax plus PRSI and USC as appropriate.	None (exemption applies)
Child (under 21) of deceased, or of civil partner of the deceased	None (exemption applies)	May be liable, normal rules and thresholds apply
Child (21 or over) of deceased, or of civil partner of the deceased	Taxed at 30%*	None (exemption applies)
Any other individual	Treated as income of the deceased in the year of death and subject to tax under the PAYE system at the deceased's marginal rate of income tax, PRSI and USC as appropriate.	May be liable, normal rules and thresholds apply

* The 30% rate of income tax is applied under schedule D Case IV. No reliefs, deductions or tax credits can be set off against this tax and the income tax exception limits and marginal relief do not apply.

Taxation & Revenue Limits

Maximum Fund / Standard Fund Threshold [SFT]

The Maximum Fund or SFT is a limit on the amount of pension benefits an individual can accumulate from Irish pension arrangements. The current limit is set at €2 million and has been in place since 2014.

In his statement, the Minister for Finance announced the following provisions:

- The SFT is to be increased in increments of €200,000 between 2026 and 2029. This will see the level of the SFT increase to €2.8 million by 2029. The limit will then be increased by an applicable growth rate each year going forward. These changes will be reflected in the Finance Bill 2024.
- Where the relevant limit is exceeded, the excess in your pension funds at retirement will be liable to a once off Income Tax charge.

Taxation on Retirement Lump Sums

Under current Revenue rulesthe first €200,000 of any retirement lump sum istaxfree with any balance between €200,001 - €500,000 subject to Income Tax at the standard rate currently 20%. Chargeable excess over €500,000 will be taxed at your marginal rate and will also be subject to PRSI and the Universal Social Charge. Any retirement lump sunstaken on or after the 7th of December 2005 will count towards these limits.

Taxation on other Retirement Income

Annuity payments are subject to income tax at your marginal rate and USC deductions underthe PAYE system. The annuity provider will normally make these deductions atsource and remit them to the Revenue Commissioners on your behalf.

Any withdrawals from an Approved Retirement Fund (ARF) or Vested PRSA are subject to income tax, USC and PRSI [until age 66]. The ARF provider will normally also make the appropriate deduction and remit it to the Revenue Commissioners on your behalf.

How your Annuity Options Impact your Payment Amount

The table below shows the differences in payments you can expect depending on the annuity options you choose using purchase money (fund) of €150,000.

Level Payments	Increasing Payments at 2% p.a.	Spouse/ Civil Partner/ Dependent Pension	10-year Guaranteed Period	5-year Guaranteed Period	Annual Payments
✓				✓	€7,720
✓			✓		€7,615
✓		✓		✓	€7,045
✓		✓	✓		€7,015
	✓			✓	€5,980
	✓		✓		€5,905
	✓	✓		✓	€5,320
	✓	✓	✓		€5,290

Source: New Ireland Assurance

Note: This table is for illustration purposes only. All figures are based on a retiree with purchase money of €150,000 at age 65. The Dependant's Pension is assumed to be 50% of the main pension, dependant is assumed to be age 63 and commission is 2%. Figures correct as at 10 December 2024 using gender neutral rates.

These figures are before tax.

Note:

If you have a lifestyle factor or suffer from a medical condition which entitles you to an enhanced annuity rate the basic annual payments quoted above would be higher.

Warning

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

ARF Versus Annuity as Retirement Income

The table below shows the difference between an ARF and an annuity as a source of retirement income based on a purchase money (fund) of €150,000. Figures are correct as at 10 December 2024 using gender neutral rates.

Age	Pension bought at: Annuity rate of 4.00% and payments increasing by 2% p.a.		ARF growing at 2.65% p.a.		ARF growing at 6% p.a.	
	Annual Income Before Tax E	Remaining Cash Value Before Tax €	Annual Income Before Tax E	Remaining Cash Value Before Tax €	Annual Income Before Tax E	Remaining Cash Value Before Tax €
65	5,995	0	7,500	144,294	7,500	149,024
66	6,115	0	7,650	138,183	7,650	147,653
67	6,237	0	7,803	131,848	7,803	146,062
68	6,362	0	7,959	125,285	7,959	144,238
69	6,489	0	8,118	118,488	8,118	142,168
70	6,619	0	8,281	111,450	8,281	139,837
71	6,751	0	8,446	104,166	8,446	137,231
72	6,886	0	8,615	96,630	8,615	134,335
73	7,024	0	8,787	88,836	8,787	131,131
74	7,165	0	8,963	80,776	8,963	127,602
75	7,308	0	9,142	72,445	9,142	123,731
76	7,454	0	9,325	63,836	9,325	119,498
77	7,603	0	9,512	54,942	9,512	114,885
78	7,755	0	9,702	45,756	9,702	109,869
79	7,910	0	9,896	36,271	9,896	104,430
80	8,068	0	10,094	26,480	10,094	98,544
81	8,230	0	10,296	16,375	10,296	92,188
82	8,394	0	10,502	5,949	10,502	85,337
83	8,562	0	5,942	13	10,712	77,965
84	8,734	0	13	0	10,926	70,043
85	8,904	0	0	0	11,145	61,544
86	9,086	0	0	0	11,367	52,438
87	9,268	0	0	0	11,595	42,692
88	9,454	0	0	0	11,827	32,275
89	9,643	0	0	0	12,063	21,150
90	9,835	0	0	0	12,305	9,283
91	10,032	0	0	0	9,271	47
92	10,233	0	0	0	47	0

Source: New Ireland Assurance

Warning

- These figures are estimates only. They are not a reliable guide to the future performance of your investment.
- If you invest in an ARF you may lose some or all ofthe money you invest.
- The value of your investment may go down as well as up.

ARF Versus Annuity as Retirement Income (cont'd)

The annuity figures assume a retirement age of 65. The annuity figures are based on payments increasing by 2% each year, **no dependent pension, no guarantee period and 2% commission is payable.**

The ARF illustrations above assume that an initial **5% withdrawal is taken, and subsequent withdrawalsincrease at a rate of 2% p.a. and that 1.5% fund management charge is deducted monthly.**

The growth rates are for illustration purposes only and are not guaranteed. Unit prices can fall as well as rise. Actual investment growth depends on the performance of the underlying assets and may be more or less than illustrated. Withdrawals from your ARF will be subject to income tax, USC and PRSI. The illustration does not include any early encashment charges which may apply.

Please note, once you are aged 60 years or over for the full tax year, you are required to take a withdrawal of a certain amount each year from your ARF. Where the total ARF/Vested PRSA value is €2 million or less, the required withdrawal is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The required withdrawal is 6% p.a. if the total ARF/Vested PRSA value exceeds €2 million.

Warning

The value of yourinvestment may go down as well as up.
This product may be affected by changes in currency exchange rates.
If you invest in this product, you may lose some or all of the money you invest.

Revenue limits, terms and conditions apply. Tax relief is not automatically granted; you must apply to and satisfy Revenue requirements.

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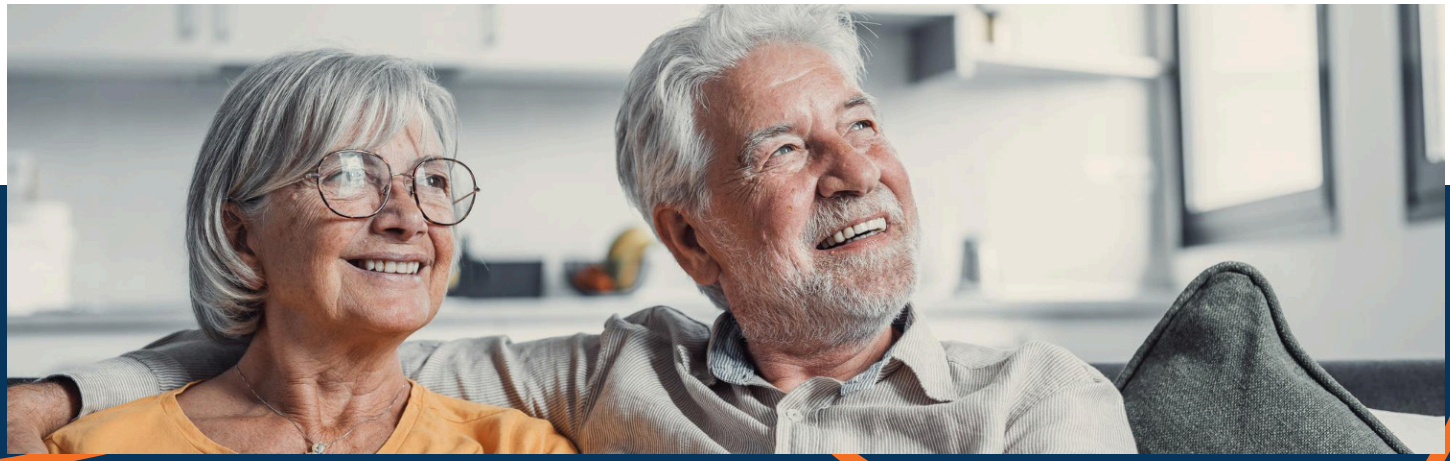

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