Why do women face more challenges when planning for retirement?

Begin with the end in mind

3 steps to a better retirement

As retirement is getting closer – what you need to know

Find out more:
- Self-employed
- Company Director
- Employers or Employee

Talking Pensions

boi.com/pensions

Bank of Ireland

I'm delighted to welcome you to this edition of Talking Pensions

Welcome to our latest Talking Pensions magazine. By any standards, it has been a tumultuous time since our last publication. Every family in this country has been touched by the COVID-19 crisis. It has already had a profound effect on our lives but also on the way we think about life.

In recent weeks, we have reached out to people across the country and asked them questions about how they see their future and what is important to them. Maybe it is because people have more time on their hands or maybe lockdown has given them a sense of what retirement could be like but we know that now more then ever we are thinking about the future and what is really important to us. Many of us are working in a very different way, with less commuting and a less defined working day. The idea of what work means to us seems to be changing and we hear that other aspects of people's lives are moving up their priority ladder. Enjoying a comfortable lifestyle when people stop working is a real ambition for many. This cannot be achieved by accident, you need a plan and it needs to be made easy for you to implement.

We suggest focusing on three steps: one: know what you have, two: know what you want and three: know what you need to do to get there. Three steps, three "whats", maybe three home truths. What do you get from this – some real clarity, a direction and a plan. We find that the feeling people get when they have a plan in place is quite incredible. You take away that doubt, you can answer that question "what if?" It really gives you a great lift.

At times of chaos and uncertainty, we often see stock market turbulence and we saw plenty of that earlier this year. What often goes unreported is how well investment markets rebounded and rewarded those who remained true to their plans. There are so many ways to help your money to grow and investment growth is an essential ingredient in helping you on your journey. The key messages are making sure that you don't put all your eggs in one basket and ensuring that your money is invested to reflect you, your needs and your goals and not someone else's.

In this guide, we introduce you to a number of characters who have started their journeys to achieving a comfortable lifestyle in retirement. They come from different backgrounds, have different work situations but have so much in common too – they have spent time to understand what they have, what they really want, and how to go about getting there. A vital part of the mix is getting good advice from our advisors.

Bernard Walsh

Bernard Walsh
Head of Pensions

Contents

Where to start?

It's as simple as 1, 2, 3….

1. Know what you have

Knowing what you have is a great starting point. It's good to review your existing savings and any existing pension policies you may have contributed to over the years – especially if you have changed jobs during that time.

2. Know what you want

Knowing what you want from life when you do retire is key. Consider what kind of lifestyle you see for yourself. Do you plan to travel every year? Enjoy big occasions and celebrations? Spoil the grandkids with trips and adventures to the zoo or the panto?

You may need an income for up to 30 years once you retire so setting realistic expectations of the lifestyle you want and knowing how much you will need to have saved for your retirement years is vital.

3. Know how to get there

Getting expert advice is critical to having a good understanding of what you need to do in order to have a comfortable retirement. Many think the whole area of pensions is too complicated but when it comes to pensions, our team of advisors have a wealth of experience. They can explain everything and guide you through the process of getting a plan in place that's right for you.

We hear from a lot of people that when it comes to saving for retirement, a big challenge for them is where to start. There are a number of initial steps. If you are an employee of a company, find out if they offer a staff pension scheme and does the employer make a contribution. If so, this can be a fantastic way to get on your saving journey with your employer as well as you contributing to your future. However, some companies while having a pension scheme, do not contribute to it.

If you don't have a company pension scheme option or if you are self-employed or if you just want to set up a private arrangement, you need to work out what you can afford. What is really helpful is if you gather together details of any money held in bank accounts or any existing investments you might hold. We can take you through a process where we assess what you have and what you owe, what is coming in and what is going out to allow us to identify what you can afford to set aside. We can then get into the process of how your pension savings should be invested.

If you are married or a long term relationship, it is always useful to have a conversation with your spouse/partner on what retirement savings they have in place. When getting advice on saving for the future, it is always best to look at the family unit as a whole to ensure that you get real broad-based advice.

The main thing is that if you want to start, do something about it now. Our advisors are available over the phone or in branch to help you get started today!

"I'm self-employed"

Three reasons you need a pension

1. You may need an income for up to 30 years or more after you retire

People are living longer which means you may be retired for up to a third of your life. That's why it's so important to have a savings plan that ensures that the money you earn during your working life lasts in retirement.

Your pension plan is one of the most important savings plans you will ever save into. It can provide you with an ongoing income to ensure you have the money you need to enjoy your retirement years.

2. Your income could drop by almost 70% in retirement

When you retire, you'll probably assume that you will have the same standard of living. However, unless you put a pension plan in place, your income could drop by almost 70% in retirement.

The State Pension (Contributory) is currently €12,912 a year (€248.30 a week), but the average wage is 41,695**.

You need to start saving for your retirement to help avoid a big drop in income, and the impact this would have on your lifestyle.

** Source: CSO, Average earnings in Q1 2020, Earning and Labour Costs June 2020

3. If you qualify for the State Pension, you could be 68 before you receive it

There are proposals to extend the qualifying age to 67 in January 2021.

If you were born on or after 1 January 1961 the minimum qualifying State Pension age may be 68. That's potentially a three year gap in retirement income.

€38,735

Estimated shortfall in retirement income over three years due to the proposed change in the minimum qualifying age for the State Pension (Contributory).

How do I work out how much I should be saving?

As a general rule of thumb **you should be aiming for an income of between 50% and 66%** of your final salary. However, everyone's situation is different and it really depends on the type of lifestyle that you want for yourself in retirement, as well as on your own specific circumstances. An Advisor in your Bank of Ireland branch can meet with you to discuss your retirement needs and help you put a plan in place designed to achieve your financial goals based on:

- your current age
- when you would like to retire
- the kind of lifestyle you want
- what you can afford to save

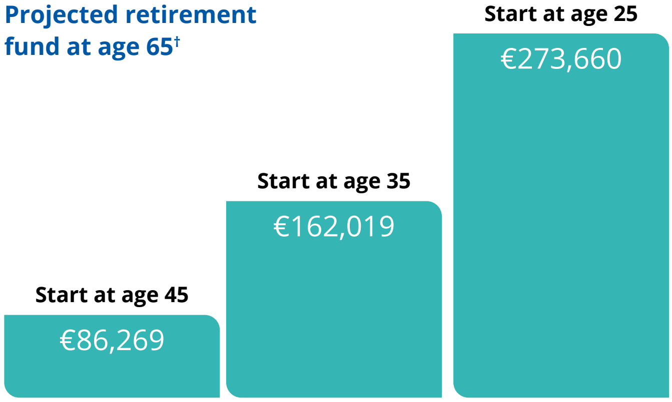
Find out more

To meet an Advisor call 01 511 9202*

†Calls may be recorded for service, training, verification and analysis purposes.

When should I take out a pension?

It is important to start planning for tomorrow, today. The sooner you start your pension, the longer it has to potentially grow which could make a big difference to the size of your savings at retirement.



†The figures are based on level monthly contributions of €250. This illustration assumes a gross investment return of 5% per annum, a 5% premium charge and 1% annual fund management charge. This rate is for illustration purposes only and is not guaranteed. Actual investment growth will depend on the performance of the underlying investments and may be more or less than illustrated.

I'm not sure if I can commit to long term savings

A personal pension is very flexible. You can usually stop and start when you need to, and increase or decrease your contributions at any time. It is better to start saving into your pension plan now, even if you put in less than you would like to. Remember you can usually change how much you save to suit your changing circumstances.

Mick, in his 40's, self-employed, no pension

I'm Mick, I'm in my 40's and self-employed.

I went out on my own as an auctioneer 3 years ago. My business is pretty established now and I'm getting a lot of support locally. We have a strong community spirit in the town and my family involvement in the GAA club didn't do any harm!

The COVID crisis was the first big shock to my business but I have adapted and virtual home tours is becoming quite acceptable to most. It actually allows me to show to a lot more people each day. The crisis has taught me that I am not "bullet-proof" and that I need a plan for the future.

We bought our own house 5 years ago and we have 2 kids. We have some control on our bills now and this helps us to plan a little better.

Before I went out on my own, I was an employee with a big firm and one of the great perks of the job was the company pension plan. I really miss that now – particularly the ease of watching it go from my payslip every month without me having to do anything. Even better, my employer matched what I was putting in.

Now I need to set up my own pension plan. It has to be right for me and has to be what I can afford at this stage. My Dad explained how the tax relief bit works – great to have an accountant in the family! If I pay €100 into my pension pot, the net cost after tax relief is €60 as I'm paying the higher rate of tax.

My wife Aine is a schoolteacher so she has been building up a retirement plan for years.

I need to get some advice on what type of plan is right for me - I want someone to simplify it for me. It must be more than just a plan for me, it has to be right for my family unit too. The big thing is that I know that nobody is going to do this for me and I have to look into it myself

"I'm an employee"

Contributing to a workplace pension is a convenient, tax efficient and flexible way to plan for your retirement.

Your employer is required to provide you with a facility to make pension contributions and there are two options available when an employer sets up a pension arrangement for employees – **an Occupational Pension Scheme or a Group Personal Retirement Savings Account (PRSA)**. A real advantage for employees whose employer offers an Occupational Pension Scheme is that the employer must make a 'meaningful' contribution which is effectively free money! Employers are not required to contribute to a PRSA arrangement but many do.

With both options, your employer must deduct your contributions from your pay which is not only convenient but also means you don't have to make a separate tax claim as your tax relief is automatically applied directly at source.

You should talk to your employer for more information on the options available to you. Remember, if you pay into a PRSA you don't have to go with the provider that your employer has chosen - you can pick your own PRSA provider and pay your contributions directly to that PRSA provider from your own bank account. If you do this you can apply direct to the revenue for tax relief on your contributions.

How do I know if I'm on track?

You can get a projection of your expected income in retirement from your pension provider. You can then compare this against the income you think you will need in your retirement and take action if there's a shortfall.

How much should I be saving?

As a general rule of thumb you should be aiming for an income of between 50% and 66% of your final salary. However, everyone's situation is different and it really depends on the type of lifestyle that you want in retirement, as well as on your own specific circumstances.

See HOW MUCH YOU COULD BE SAVING

Putting €100 into you pension may actually only cost you €60, assuming you are a higher rate tax payer*.

*It is important to note that tax relief is not automatically granted. You must apply to and satisfy Revenue requirements. Revenue terms and conditions apply.

Am I saving enough into my pension for a comfortable retirement?

It's great that you have a pension plan in place, but do you know what income it will provide you with in retirement? Taking out a pension plan is the first step on your journey to financial independence in retirement. However it doesn't necessarily mean that your financial future is taken care of.

It is important to have a clear understanding of what income your current level of pension savings is likely to provide you with. You should then compare this against the income you think you will need to support the lifestyle you want after you stop working.

Have your circumstances changed?

If your circumstances have changed since you took out your pension plan or last reviewed it then you should review your plan in light of those changes.

- Have you changed jobs?
- Has your income increased?
- Do you have dependants?
- Did you start your pension with a low contribution with the aim of increasing it?
- Have you stopped paying into your pension plan?
- Are you happy with your current pension provider?

Find out more

To meet an Advisor call 01 511 9202*

†Calls may be recorded for service, training, verification and analysis purposes.

Mary, in her 30's, an employee, started a pension

I'm Mary, I'm 36. I am only 8 months in this role and it has changed so much already. My day has moved from a one hour commute each way to a walk from the kitchen table to my new home office. Not having to travel from work has "bought" me some additional time in the evening to enjoy extra family time.

With less commuting, my trips to the petrol station are now rare events and those expensive lunches have been replaced by the homemade version. I have been surprised to see our bank account getting a bit healthier by the week. My husband Harry and I have taken a fresh look at our finances. One of the big plusses of my new job is the company pension scheme. I got to join it when I was there six months. It is great to know that not only am I saving for our future every month but my employer is contributing the same amount again. It really helps when two are paying in, not just one.

It was fantastic to get to sit down with the financial advisor to get a better understanding of what I wanted to do and more importantly, what I needed to do. I never really understood pensions before, but the explanation was quite simple. She took me through a couple of steps starting with a really important one which was to understand what I already had. This is my fourth job so I had three other company pensions already. I had a file with all the communications from previous pension providers but it was an alphabet soup of PRSA's and PRB's. I thought they were all pretty small but she was able to illustrate a better picture than I had expected. Because I had taken a few years out when the kids were born, I had left a few gaps in my pensions.

The hard bit was trying to answer the second step – what did I want? One of the insights I have got from this crisis is that money isn't everything. I just want to have a decent lifestyle for Harry and I when we finish working. For the first time, we sat down with the advisor and looked at our finances as a whole, including his pension plan and savings. We agreed a few financial goals and a plan to get there.

With some goals in mind, our advisor set out a plan to help us get there, we wanted it to be affordable and realistic. One feature that surprised me was the flexibility of the plan – we can increase it or decrease it as we need to. We can pause it and re-start when we choose. This really took the fear of over committing for the next 25 years out of the equation. We discussed how our funds should be invested. We are young enough so agreed a plan that aimed at maximising growth for the next few years but moves into lower risk in later years.

"I'm a Company Director"

With an Executive Pension you can extract wealth from your business and potentially save tax

When it comes to looking further into the future, company directors and business owners often view their business as their primary nest egg. As a business owner you may believe that you will never retire from the business or will sell it and use the lump sum to fund your retirement years.

However, what some business owners don't realise is that **you have a unique opportunity to transfer profits out of the business today into a savings pot of your own tomorrow.** Doing so can make real sense, in that your retirement income isn't entirely dependent on the future success of the business. What's more, you can actually offset payments into this savings pot against the company's Corporate Tax bill.

Contributions can normally be offset against Corporation Tax reducing your company's tax bill and don't attract any tax liability in your hands at the time of payment as they are not treated as a Benefit in Kind. Tax may be payable at retirement when benefits are finally taken and this will depend on the options chosen at that time.**

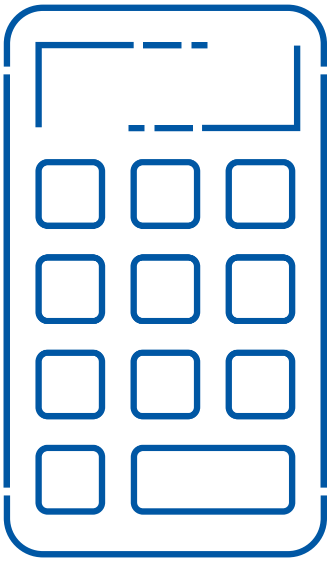
Some key benefits of an Executive Pension plan

- Contributions can be varied year to year to suit both the finances of the company and your own personal finances
- The company can usually make much higher contributions to a pension plan than an individual in their own right - subject to Revenue maximum funding limits
- Company contributions can normally be fully offset against Corporation Tax
- No Benefit in Kind tax applies to contributions made by the company to your Executive Pension*
- Any growth on the money within your Executive Pension is tax-free (under current legislation)
- Possibility of early retirement from age 50 – you will need to surrender shareholding and sever all links with the business
- When you retire, part of the accumulated fund within your Executive Pension can be taken as a tax free retirement lump sum (subject to Revenue rules)

An Executive Pension Plan offers you flexibility

- **Contribution options**
  You have flexibility at the outset to choose the amount you and your company contribute.
- **Investment options**
  You can tailor your investments to suit your individual attitude to risk.
- **Retirement options that suit your circumstances**
  When you retire, there is flexibility as to how the benefits can be taken. This will depend on rules that are in place at the time you take your retirement.

As a business owner you work hard today in order to provide yourself and those that depend on you with a better tomorrow. Through an Executive Pension plan you can provide yourself with an income in retirement that's independent from your business, allowing you to choose whether you want to continue running your business, pass it on to the next generation or sell it to top up your income.



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*Subject to the plan having Revenue approval, Revenue limits apply

**Subject to Revenue rules

Eve, in her 40's, Company Director, putting a retirement plan in place

I'm Eve, founder of my own digital marketing company in 2010. Generally, it is not considered a great idea to start a new business in the middle of a recession. Like most self-starters though, there was no talking to me. Ten years on, our "empire" has grown to six amazing workers and we have moved to a bigger premises. The last few months have been the most challenging for us on many levels. We have been working from home as have most of our clients. Many of them have been forced to reinvent their business and we've had to really up our game to bring our clients into a new online arena. Digital adoption is one of the phrases of the crisis.

Every now and again, I get letters regarding my pension savings from previous jobs. It reminds me of when someone else was looking after my future for me. That has to be part of my responsibilities now. I was lucky that when I was setting up the business, my accountant told me in no uncertain terms to get advice on saving for the future. I'm glad I listened to him because it makes perfect sense. I pay myself what I can afford and what I need. I don't want to be paying lots of income tax if I don't need to. But what I learned is that I can also pay myself for what I need to spend in the future in a really tax-efficient manner. I was amazed at how much my company could contribute for me and not just that – we could claim corporation tax relief on that amount too. The tax breaks really made it attractive and affordable. The advice I got helped me to work out how much I needed to pay myself, how much I could put in and what was the best way to get my pension pot growing. I paid in on a monthly basis what I felt the business could afford and usually topped it up at the end of the year just before we signed off on our accounts to maximise my tax savings. It sounded complicated at first but when you get a plan in place, it made perfect sense.

One feature that was very important to me was flexibility. When we moved to the new building in 2018, it was a year with a lot of additional expenses and we knew we needed the business to expand to pay for it. It was comforting to know that I could pause my plan for six months to allow the cash reserves to build up again. I am hoping to do a bit more this year to catch up.

I always had an interest in the stock markets and I have enjoyed keeping an eye on the investing side of my pension pot. It is my saving and I wanted it managed in a way that reflects what I want. I am in my late 40's so I have plenty of years ahead before I retire. Growing my money over time was paramount. I have seen plenty of ups and downs in the stock market, but as I won't need the money for another 20 something years, I'm not concerned by them.

Many Company Directors are also employers

As an employer you are legally required to provide employees with access to some form of pension arrangement. While this will help your employees to plan for the future, a good pension plan can also form an important part of any remuneration package. In effect, you are actively encouraging employees to consider a long term future with your company.

A good idea for you and your employees

There are two options available to you when setting up a pension arrangement for employees:

- An Occupational Pension Scheme
- A Group Personal Retirement Savings Account (PRSA).

Both are tax efficient, flexible and accessible ways to provide financial security for your employees in retirement. There are a number of differences between how they operate and it is important to set up a pension arrangement that takes your employees' particular circumstances and requirements into account.

There's lots to consider when setting up a pension arrangement for your employees

There are many factors to consider, we've covered three of these below:

- **Employer contributions**

You don't have to make contributions to a Group PRSA arrangement so this option is suitable if you are providing your employees with access to pension provision but don't plan to make a contribution yourself. There is a Revenue requirement to make a meaningful contribution towards your employee's benefits under an Occupational Pension Scheme whereas under a Group PRSA arrangement you must deduct and remit any contributions made.

- **Trustee requirements**

A Group PRSA arrangement is a simpler arrangement to establish as it does not have to be set up under trust and trustees do not have to be appointed – each PRSA policy is individually owned by each employee.

Under an Occupational Pension Scheme you need to appoint Trustees.

- **Additional Protection Benefits**

You may have the option of adding protection benefits for example life cover, income protection cover or premium protection cover. Depending on the age profile of your workforce, it may be relatively inexpensive to add these benefits and they will be highly valued by your employees.

One of the key advantages of a pension is the generous tax relief available

Tax advantages for you

As an employer you benefit from Corporation tax relief on any contributions that you make to your employees' pension plan. The net cost of a company contribution of €1,000 is effectively €875.*

* Based on 12.5% Corporation Tax rate

Tax advantages for your employees

Employees can normally avail of generous tax relief on their contributions of up to 40%** (subject to Revenue maximum limits) so that if they paid €100 into their pension each month the actual cost to them could be only €60.

Under current Revenue rules employees may also benefit from tax free growth (if any) on their investment, and a tax free lump sum at retirement.

** Based on tax relief at the higher rate of 40%.

Did you know?

The Government recently carried our an extensive consultation process regarding the introduction of a new auto enrolment pension system. It is set to be launched no later than 2022.

When it is introduced it will mean that employees will be automatically included in a pension scheme and will be required to make some level of contributions (the exact amounts are to be confirmed).

It is expected that Employers and Employers and the Government will also pay into the scheme.

Taking the next step

We have a team of dedicated pension advisors who can meet with you to discuss the differences between each arrangement and help you decide on the best option based on your circumstances and requirements. They can guide you through the setting up process, helping you decide the contribution level that best suits you, and assist your employees in selecting appropriate investment funds.

If you don't already have a pension arrangement in place, **at the very least you must appoint a designated PRSA provider.** As a first step, you could fulfil your compliance responsibilities by appointing Bank of Ireland Life as your designated PRSA provider.

Brendan, in his 50's, farmer, needs a flexible pensions option with the seasonal work he does

I'm Brendan and I'm 52. Farming has been in my family for generations and it didn't surprise anyone when I took over from my father when he decided he'd had enough of the daily grind. While he handed over the reins, he would never admit that he has retired. One of the biggest lessons I learned from him at an early stage was that farming is a marathon, not a sprint. To finish a marathon, you need to focus on the long game, and plan out your steps as best you can, remembering that you are at the mercy of so much that is outside your control. My father had a phrase "you can't turn the wind, so turn the sail." It is a line that has kept me grounded plenty of times.

A key part of my plans is to make sure that I can step back from farming when I am young enough and fit enough to enjoy retirement. I won't do that without a plan and that is what I worked out with my accountant and my financial advisor. The message that they gave me was simple enough – some of what you earn this year is to be spent this year; some needs to be put aside for what may be needed next year or the year after and then a portion is for the future when I stop working and saving and start spending and relaxing.

I don't work nine to five, five days a week with a salary paid into my account on the same day every month. I also know that weather can change my fortunes as can the prices I can achieve for my produce. That is why I put aside what I can every month and take a closer look at what I can do when I'm dealing with my tax in November. My "team" work out what is best, it is made up of my accountant, my advisor, me and my wife. The decisions are about what is right for us as a family and as a farming unit. I do like to hear how saving for our future also allows me to cut down my tax bill.

I know I need my money to grow and this means some ups and downs along the way. That goes with business and with life but my aim is to build up a healthy pot for when it comes to retirement. This means that sometimes, we have to "cut our cloth" and drop back on the pension savings for a few months but we like to get back on track as soon as we can. In the better years, it is good to put aside a little extra.

The key thing is that we have a plan that gives us real comfort that we are on the right track. Saving some tax along the way is a real bonus. My retirement plan allows me to put aside what I can, when I can.

Did you know?

Pensions can be very flexible. You can stop and start when you want, increase or decrease your savings at any time – so any change in your circumstances can be catered for.

Women and Pensions: What you should know

It's important for everyone to have a plan in place so that their standard of living doesn't fall when they retire. While women generally live longer than men, they are less likely to have adequate income in retirement.

Women generally end up with smaller pensions than men

One of the reasons for this is because women often face challenges during their working lives not experienced by men.

Their career paths are more likely to alter course to allow for temporary or permanent leave to mind children, take care of loved ones or even take a career break. And while this pattern is changing with more men taking on the role of carer, the vast majority of women still undertake this role.

If you take time away from work, this can have a significant impact on your pension savings and ultimately on the type of lifestyle you will be able to afford in retirement.

Things to consider...

- Will your employer still contribute to your pension if you are on **maternity leave?**
- If you take extended leave or reduce your working hours, there could be a knock on effect of **losing out on employer contributions towards your pension.**
- If your income is reduced, **saving for your retirement may become less of a priority.**
- If you take extended leave or reduce your working hours **will you have enough contributions** to qualify for the full State Pension (Contributory) when you retire?
- If you have a pension from a previous employer **do you know how much it is worth?**
- If you are married or have a civil partner do you know **how much income** their pension will provide in retirement?

If you don't have a pension plan

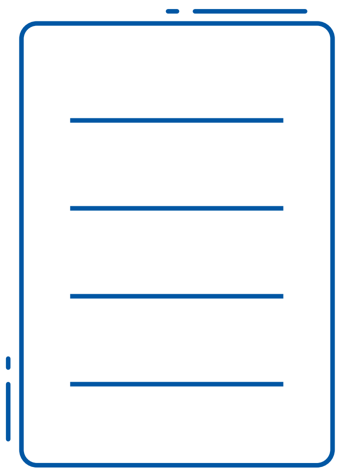
- Start one now to help ensure that you have a comfortable retirement.
- If there are any gaps in your earnings as a result of taking extended leave or reduced working hours, you can factor this into your pension savings.

If you already have a pension plan in place

- You should review it to ensure you're on track for the retirement you want.
- It's important to ensure that it factors in the impact that any extended leave or reduced working hours could have on your pension savings, if this applies to you.

If you are approaching retirement

- Find out how much income your pension is likely to provide you with in retirement. If there is a shortfall you still have time to increase the amount you are saving into your pension.
- Find out if you are eligible for the full State Pension (Contributory) and at what age it will become payable.



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Begin with the end in mind

When we plan for the future, we start by considering what outcome we want and work our way back. When we talk about "the end," we do not mean death, we mean when your pension savings finish and you begin drawing down your benefits.

When you decide to save, it is important that you understand how you might want to access your money at retirement. In the past, you would have had very little choice on this matter. The traditional approach was that you took one amount as tax free cash and the remainder was used to buy an annuity. An annuity is a guaranteed income for the rest of your life. This worked for a lot of people because annuity rates were higher. As people are living longer and longer, annuity rates have fallen sharply, making them less attractive.

The alternative is to again draw down tax free cash but alternatively to put your money into an Approved Retirement Fund or ARF. By doing so, you are effectively continuing your investment. However through the ARF, you can draw down from your funds as you wish. As your money is invested, its value will rise and fall.

In certain circumstances, you may be able to draw down the entire pension pot as tax free cash.

Your pension savings need to be invested with these drawdown options in mind. As you get near retirement, you may look to de-risk your funds. How you do this should reflect which draw down option you choose.

Pension Transfers

In the past, many people left school, started working and stayed in the same job until they retired. Now, those entering the workforce might end up having nine or ten jobs during their working lives. This means they could end up accumulating nine or ten different pension pots.

We often are asked the question, "should people combine them all into one single pot?" This has a number of advantages.

- It allows you to have a single view of what you have.
- You might be able to avail of lower fees through economies of scale.
- It might just be a bit more convenient to have one single pot.

In general you should be able to bring all of your pension savings together into one plan. However, there are conditions around moving your pension and it can depend on the type of pension arrangement you have versus what you want to transfer it into.

Generally, on leaving employment you have three main options depending on the circumstances:

1. **Leave your benefits in your existing pension arrangement.**
2. **Transfer your benefits to your new pension arrangement.**
3. **Take a refund of contributions, in limited circumstances.**

However, you need to be careful when transferring pensions. There may be some very attractive additional benefits that you would lose if you transfer.

- You might be already availing of lower fees in some of your pension pots.
- There may be exit charges on transferring out. You might lose out on diversification by having all of your money in one fund.

This is an area where we recommend that you get advice before you transfer.

AVC's – Additional Voluntary Contributions

I'm already in a pension scheme but is it enough?

If you are lucky enough to be a member of a company pension scheme through your employment, this is a good start. However, do you know if the retirement income from your employer's pension scheme will be enough for the lifestyle you want in retirement? Depending on the answer to that question and, if you can afford it, you might want to consider paying a little bit more.

One way to do this is through Additional Voluntary Contributions or AVCs. They can be paid in a number of different ways depending on the pension scheme you are in. Based on your circumstances, it may even be possible to get tax relief on your AVCs and then get some, or all, of your AVC fund tax-free when you retire.

One option available to everybody is an AVC PRSA. This allows you pick your own pension provider and invest in the funds best suited to your attitude to risk. An advisor in your Bank of Ireland branch would be happy to talk you through the options open to you.

Find out more

To meet an Advisor call 01 511 9202*

[†]Calls may be recorded for service, training, verification and analysis purposes.

Save tax while saving for retirement

with a range of tax incentives that you simply won't get with any other savings product

TAX RELIEF

Tax relief on your pension contributions

You are entitled to claim generous tax relief on payments into your pension plan. If you are a higher rate taxpayer, for every €1 you save, you can claim back up to 40% in tax relief[1].
If you make an overall monthly contribution of €100, this means it will actually only cost you €60 after tax relief. If you pay tax at the standard rate, you can benefit from 20% tax relief.

TAX FREE

Tax free growth

Unlike other savings plans, any growth on the investment of your pension contributions is not subject to tax.
You pay DIRT of 41% on any interest earned on bank accounts and exit tax of 41% on any gains made on most investments. You pay 0% tax on any growth within your retirement fund.

TAX FREE

Up to €200,000 as a tax free retirement lump sum

On reaching retirement, you may be able to take part of your retirement fund tax free, subject to a limit of €200,000[2].
Even where the retirement lump sum is greater than €200,000, the next €300,000 is only taxed at the standard rate (currently 20%). This very attractive benefit is not available on any other savings plan!

Note: There is a limit on the maximum fund that can be built up on retirement. This is currently €2,000,000. This figure includes all of your pension funds, including the capital value of any retirement benefits drawn down since 7th December 2005. Where the relevant limit is exceeded, the excess in your pension funds at retirement will be liable to a once off Income Tax charge.

1 Assuming higher rate tax payer (40%). It is important to note that tax relief is not automatically granted. You must apply to and satisfy Revenue requirements.

2 Under current Revenue rules the first €200,000 of any retirement lump sum is tax free with any balance up to €500,000 subject to Income Tax at the standard rate. Any amount paid out in excess of €500,000 will be taxed at your marginal rate and will also be subject to PRSI and the Universal Social Charge. Any retirement lump sums taken on or after the 7th of December 2005 will count towards these limits.

Investment markets

The effect on pensions

If you want to save for your retirement, it can be a tough journey if you are to do it on your own. It can be made much easier if other parties can help you along the way. The Government can play an important role by making saving easier for you through those very generous tax breaks. An employer or company contribution definitely helps with an explicit addition to your pension pot. A probably less visible but critically important one is investment growth. How many of us understand how our pension money is invested? In many cases, other than your family home, this could be your biggest financial asset and it is important that it is invested as you would wish.

The investment markets have been by no means immune from the effects of the COVID 19 virus. The media extensively covered the sharp sell-off in stock markets in February and March. You might have heard reference to how much was “wiped off” markets and peoples’ pension savings. We heard a lot about the “melt down” but very little about the “melt up” that followed as quickly.

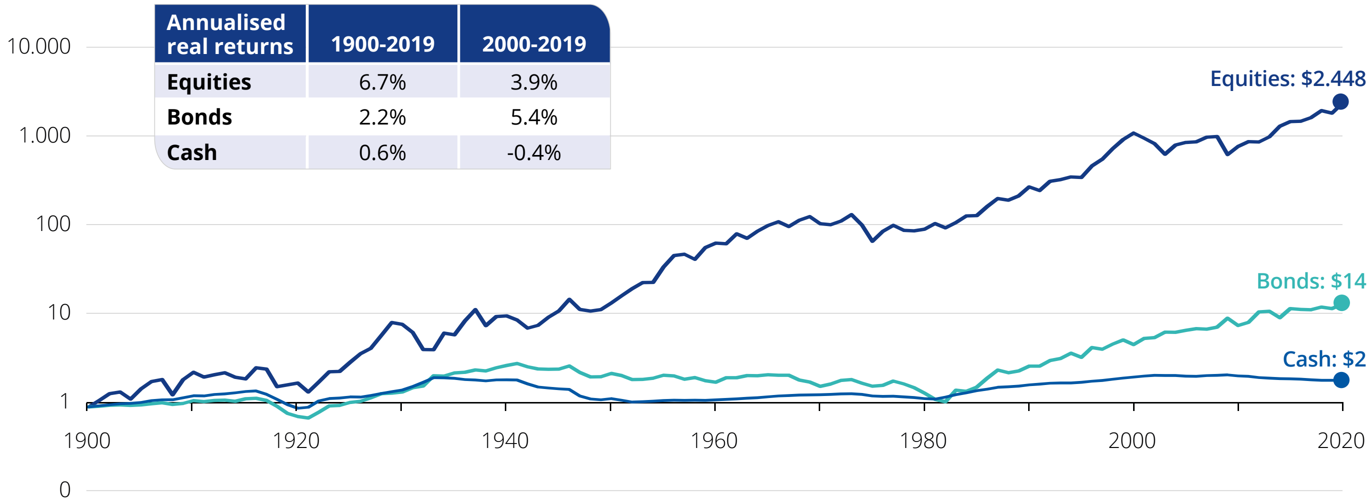
What is sometimes forgotten in this coverage is that pension investors typically can benefit from having a critical ingredient in the investment mix – that is time. As long term investors, most pension savers can smooth out the ups and downs along the way. It’s recommend that you hold a well-diversified mix of shares, bonds, property and cash and the mix should be adjusted over time and to reflect how you might draw down benefits at retirement. Shares play an important role as the main growth engine, with again the important addition – time.

As this chart shows, investing $1 in equities (another name for shares) substantially outperforms cash and bonds, but with some setbacks along the way. Importantly, these figures are what we call real returns i.e. after we subtract the effects of inflation.

Total return of $1 in real terms

USD, log scale, total returns

Annualised real returns	1900-2019	2000-2019
Equities	6.7%	3.9%
Bonds	2.2%	5.4%
Cash	0.6%	-0.4%



Source: Bloomberg, Bloomberg Barclays, FactSet, Shiller, Siegel, Standard & Poor’s, J.P. Morgan Asset Management. Pre 2010 returns: Shiller, Siegel; from 2010. Equities: S&P 500; Bonds: Bloomberg Barclays US Treasury 20+ year Total Return Index; Cash: Bloomberg Barclays US Treasury Bills Total Return Index. Latest point as of end of 2019. Past performance is not a reliable indicator of current and future results. Guide to the Markets - Europe. Data as of 30 June 2020.

WARNING: Past performance is not a reliable guide to future performance.

One of the other factors worth considering is the way in which we save for the future. Some put away a one-off lump sum. Others decide once a year what they can afford – this coincide with their company accounting year end or it may be driven by the tax assessment deadline date. More common is the monthly saver who contributes a set amount from their earnings every month. Many find after a few months of using this approach that the outgoing becomes part of their ongoing budget as opposed to a substantial once a year burden.

This way of saving also brings a different dynamic to their investment journey. Instead of trying to pick the "right" time to buy into the market, they are instead taking multiple entry points, in effect smoothing their buying price and eliminating the fear of mis-timing market movements. The chart below shows the performance of a typical pension strategy from January of last year to the end of July this year. When you put money into a fund, you buy "units" in a fund at their price on the day. The price reflects the latest value of the assets it holds i.e. the shares, bonds etc.

Fund Performance from 01-01-2019 to 31-07-2020

Source: Longboat Analytics

WARNING: Past performance is not a reliable guide to future performance.

If we look at how this investor fared, they have seen some wild fluctuations in the performance of their fund this year. Let's assume they put in €500 per month around their 23rd of the month payday. The table below shows a number of entry points, the price they bought in at and how those contributions were valued at the date of the last one on July 23rd this year.

Date	Point	Price (€)	Premium (€)	No. Units	Value at 23/7/20
23/01/2019	A	1.486	500	336	575
23/05/2019	B	1.583	500	316	540
24/02/2020	C	1.764	500	283	484
24/03/2020	D	1.323	500	378	646
23/07/2020	E	1.709	500	293	500

As you can see, the first contribution at A bought in relatively cheaply and even with the February/March sell-off is still well ahead. Point B was a bit more expensive but is still in the black. Point C was close to the top before the market downturn and is still below what the investor paid for it. Point D has done very well, buying in at a real low. Overall, the key message is that regular contributing allows you to spread out when you buy. There will be times when you are getting a real bargain and others when markets may be more expensive. In the industry, this is referred to as "Euro cost averaging."

In summary, while how markets perform may be outside your control, how you invest your money is something that you can decide on. There are many ways to do this and it is essential that you are taking the steps to optimise the return on your money. We say optimise and not maximise here. Optimise is all about getting the best possible return, but crucially with the comfort factor that it is achieved while only taking the level of risk that you are comfortable with. Getting good quality advice will really help you to make the right decision in this regard.

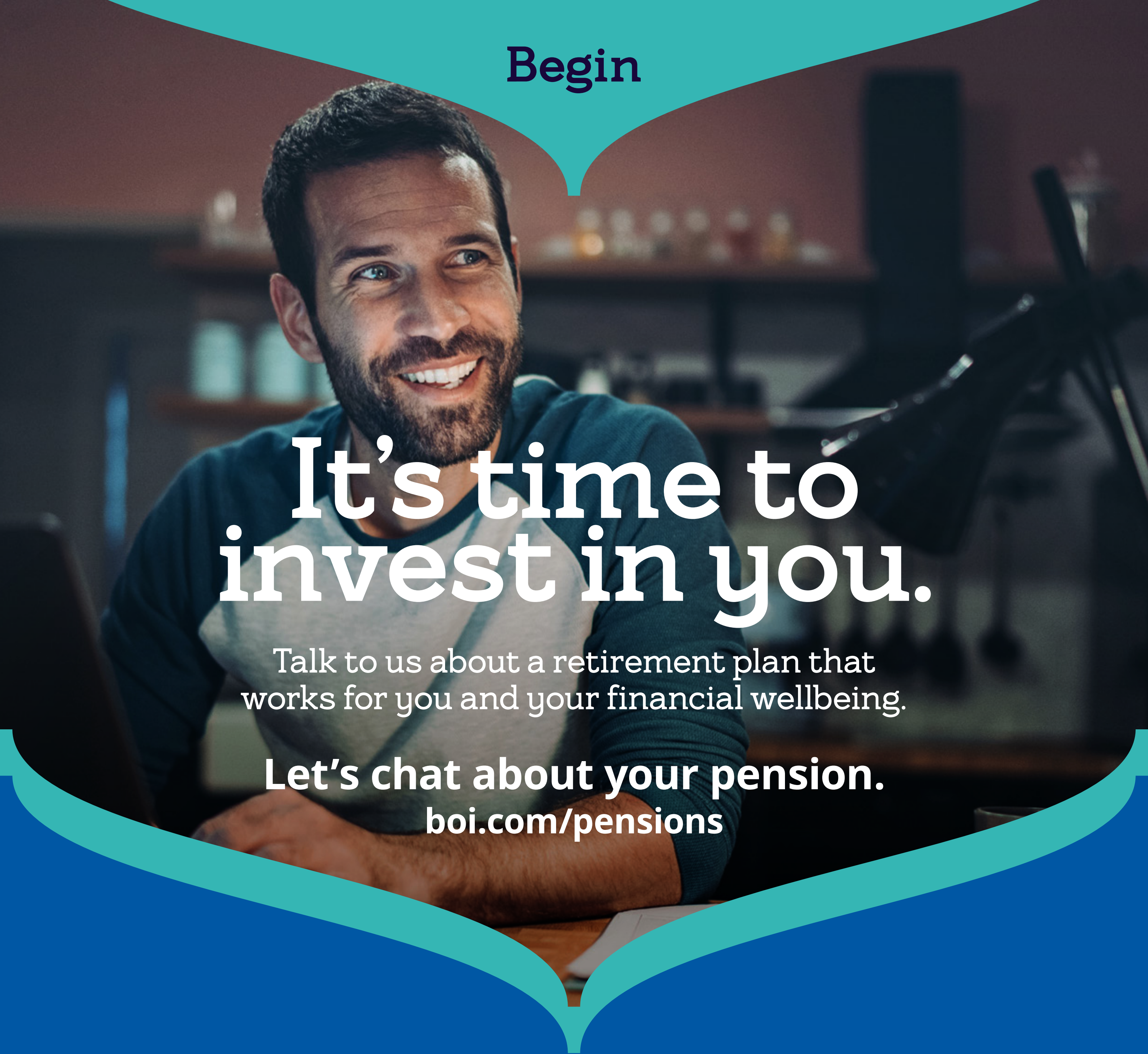
What to expect when you meet an Advisor

You can have a meeting with us over the phone using the latest screen sharing technology or in your local branch.

- The Advisor's first priority will be to find out about you. They will discuss what's important to you and get a sense of where you are financially.
- Together you can work out where you are on your pension journey - whether you are just starting out or a good bit down the road.

- They can run calculations to help you identify the right balance between the lifestyle you want in retirement and what you can afford to save towards it today.
- Your Advisor can also talk to you about the generous tax incentives that are only available though a pension plan.
- They will work with you to agree the fund(s) to invest your pension contributions into based on your goals, your term to retirement and your attitude to risk.

- Throughout the meeting you can ask your Advisor any other questions you may have about pensions or retirement planning.
- If you do decide to put a pension plan in place, they will set you up on Life online through 365 online so you can keep track of your pension plan today and into the future.



Bank of Ireland

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WARNING: The value of your investment may go down as well as up.
WARNING: If you invest in a pension you may lose some or all of the money you invest.
WARNING: If you invest in a pension you will not have access to your money until your retirement date.
WARNING: Past performance is not a reliable guide to future performance.