TALKING **PENSIONS**

Do you know if your pension is on track?

The reasons you should be saving for retirement

What you need to know for retirement

Why women face **more** challenges in retirement

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The image is for illustrative purposes only.

Welcome to the latest edition of **Talking Pensions.**

Our aim with this magazine is to give you an easy-to-read guide to the world of saving for retirement. At this time of year you will see, hear and read a lot about pensions. Whether you are just starting out or already have a pension, it's a great time to take stock of where you are and to think about what you want in the future. We hope that there is something for everyone in this edition, no matter where you are on your savings journey.

If you don't have a pension plan, our feature on page 2 covers why you should make taking out a pension a priority and answers some questions you may have.

If you already have a pension plan in place, it's important to regularly review it to ensure that it's on track to help you have the retirement you want, see page 6 for more. Pensions savings can be impacted by breaks from work, which can particularly impact women. We cover this on page 10.

If you're lucky enough to be retiring in the coming years it's time for you to look at your pension plan in more detail. You'll want to make sure that you're properly informed and prepared as you start to make key decisions up to and beyond your retirement, see pages 12 - 16.

Now is a great time to find out more about saving for your future and to gather information to make informed decisions. Our advisors in Bank of Ireland would love to talk to you in a time and way that is convenient to you. Phone, click or call into your local Bank of Ireland and one of our advisors can help you to get your pension plan on track.

I hope you find this magazine interesting and informative. Please feel free to take this copy with you.

Bernard Walsh
Head of Pensions

Contents




I *don't* have a Pension

Make retirement planning a priority so you won't outlive your money...

For many people, retirement seems like a long way off so they tend to put it to the back of their minds.

You're probably not planning on reducing your standard of living when you retire, but have you thought about how you're going to pay for it when you're no longer working? Developments in relation to pensions in recent times make it clear that ***the responsibility for funding your retirement ultimately lies with you***.

The good news is that the Government has put a range of incentives in place giving you even more reasons to save into your pension plan – ***see the tax incentives section on page 5***.

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 your whole life.

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 over 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 over 70% in retirement.

The State Pension (Contributory) is currently €12,391 a year (€238.30 a week), but the average salary in Ireland is €45,611*. ***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 annual earnings for full-time employees in 2016, Earning and Labour Costs 2016.

3

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

The age of eligibility for the State Pension (Contributory) has changed and no longer starts at age 65.

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

€37,173
Estimated shortfall in retirement income over three years due to change in minimum qualifying age for the State Pension (Contributory)

I don't have a pension

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

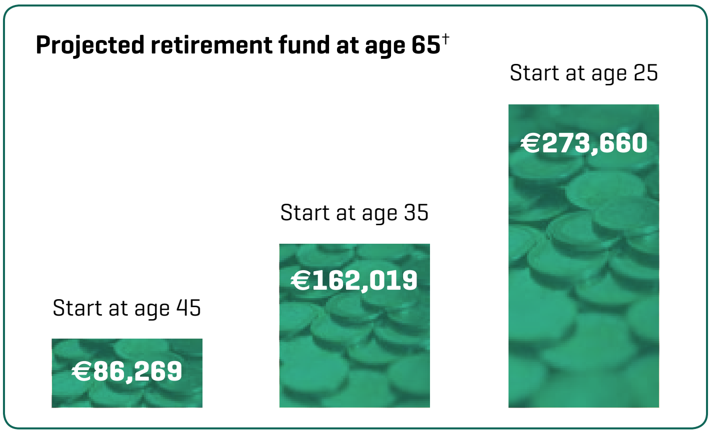
As a general rule of thumb **you should be aiming for an income of between 50% and 66% of your final salary**. However, everyone's situation is different and it really depends on the type of lifestyle that you want for yourself in retirement, as well as on your own specific circumstances.

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'd like
- what you can afford to save

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.



Am I too old to start a pension?

It's never too late to start saving for your future. The amount of income that you can save into your pension and get tax relief on actually increases as you get older. Depending on your age, you can save up to 40% of your income into your pension and claim back tax relief at your marginal rate. **So even if you're starting your pension late, there's still time to catch up**.

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

A pension plan 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'd like to. **Remember you can usually change how much you save to suit your changing circumstances**.

For as little as €5 a day...

If you are aged 25 contributing until you are 65, you could have a retirement fund of **€244,075** for your retirement.

These figures are for illustration purposes only and based on an assumed growth rate of 5% p.a. premium increases at 2.5% p.a., a 5% premium charge and 1% annual fund management charge.

The value of the fund can fall as well as rise and growth rates may be lower or higher than assumed.

Take the **first** step

To meet an Advisor call **1890 313 315**

†The figures are based on level monthly contributions of €250. This illustration assumes an 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.

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

Save tax while saving for retirement

As a pension saver you can avail of a range of tax incentives that you simply won't get with any other savings product.

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 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.

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!

Possibility of a tax free regular income in retirement

You may be able to take a regular income in retirement, without paying income tax. This exemption from income tax is subject to a maximum drawdown of €18,000 a year for a single person or €36,000 for a married couple under current income tax rules.

An Advisor in your Bank of Ireland branch can help you put a plan in place that helps you make the most of the tax advantages available to you. Please note other levies and charges may apply.

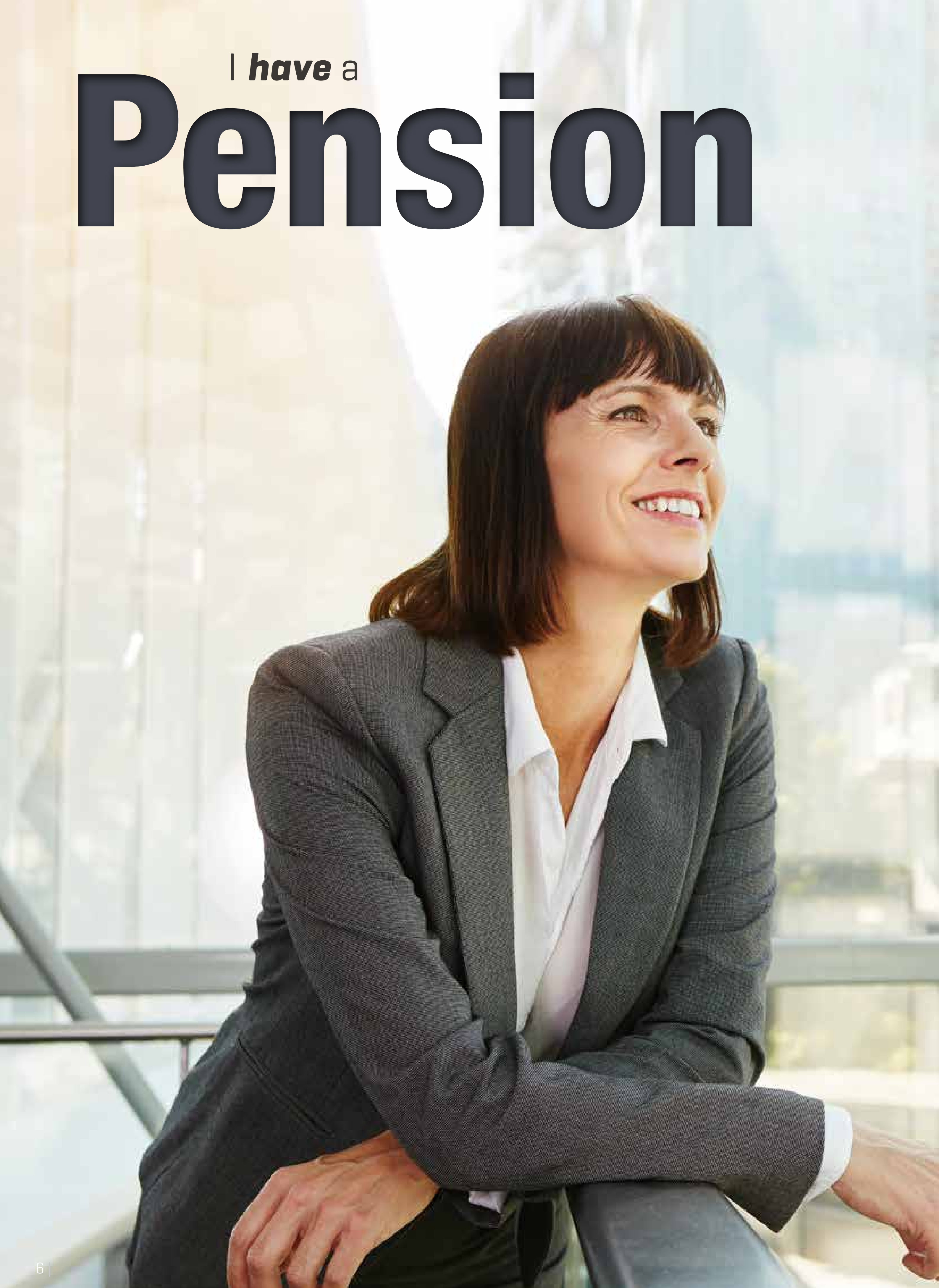
Warning: The value of your investment may go down as well as up.
Warning: If you invest in this product you may lose some or all of the money you invest.

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.

I *have* a Pension



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.

Reviewing your pension plan with an Advisor in your Bank of Ireland branch every year or two will allow you to assess your progress and give you the opportunity to adjust the amount you're saving, your expectations, or both so that there are no surprises as retirement approaches.

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?***

Do you know the impact of changes outside of your control?

The age of eligibility for the State Pension (Contributory) has changed meaning State Pension payments are no longer paid from age 65. ***If you were born on or after 1 January 1961 and are eligible to claim the State Pension (Contributory), you will be 68 before you receive it.***

That's potentially a three year gap in retirement income which could mean a ***shortfall of almost €75,000 for a married couple***. Does your retirement plan take the delay in this payment into account?

I have a pension

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.**

Depending on the type of pension plan that you have, you may be able to pay more into your plan by increasing your contributions into that plan, or by taking out a separate Additional Voluntary Contributions (AVC) plan. If you are a member of a pension scheme through work, you should check if your employer will match your increased payments.

An Advisor in your Bank of Ireland branch can advise on possible next steps.

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.

One approach is to use your current income and outgoings as a starting point. Using a monthly bank statement plus any known annual outgoings you can add and remove costs that will be associated with your retirement years. For example, when you retire you may no longer have monthly mortgage repayments or have to pay for children's education, but you may take more holidays or have higher medical expenses. This will give you a rough idea of the income you might need in retirement.

An Advisor in your Bank of Ireland branch can work with you to explore the amount you should be saving each month to meet your income needs in retirement.

I stopped saving into my pension plan, should I start saving again?

Many people who stopped paying into their pension plan during the recession have restarted their pension contributions. The reality is that **the longer you leave it, the greater the impact will be** as you will need to increase your pension contributions or lower your income expectations.

An Advisor in your Bank of Ireland branch can meet with you and help you get back on track towards saving for a comfortable lifestyle in retirement.

If I have worked in several companies can I move all of my pension savings into one plan?

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.

You should make sure that you are fully aware of the implications of moving your pension savings before making any decision.

Take the **next** step

To meet an Advisor

call **1890 313 315**

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.

Bank of Ireland

We help customers plan for their biggest savings goal; their retirement.

Whether you're just starting out or well on your way, we have experienced advisors who can help you plan and save for the future.

We're available:

- Phone
- Branch
- Online

Talk to us today

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Bank of Ireland

For small steps, for big steps, for life

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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.

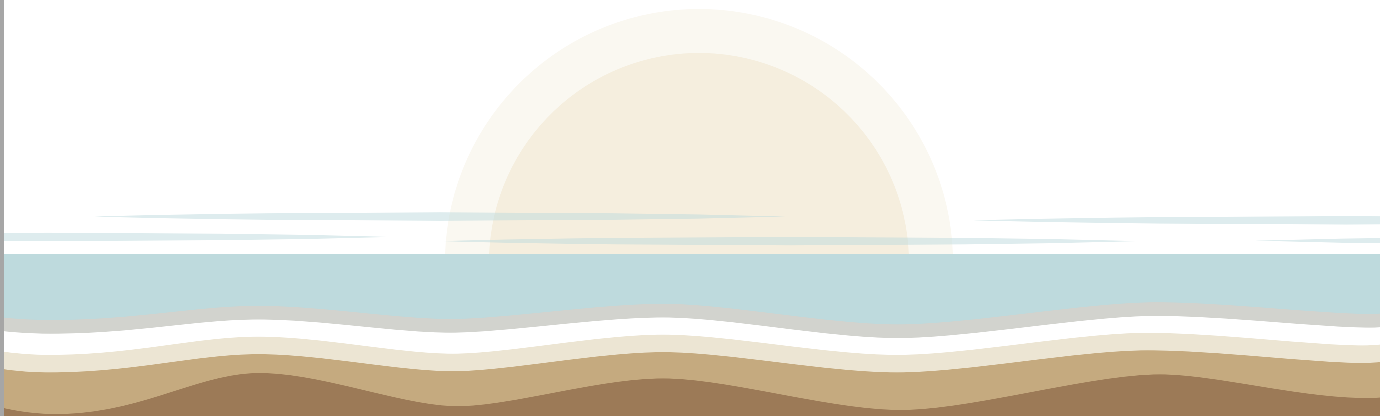
My retirement is getting ***closer***

As you get closer to retirement, there's a lot to consider

Congratulations! You've worked hard and spent years saving, and now your retirement is in sight.

In the 5 years leading up to your retirement ***it's important to have yearly reviews with an Advisor in your Bank of Ireland branch to ensure your pension plan remains on track to meet your income needs in retirement***. If it isn't, there may still be time to take action.

You may have some questions around how best to maximise your fund in the lead up to your retirement, and how to manage that pot of money once you retire. An Advisor in your Bank of Ireland branch will be happy to help you with these and many other questions as you plan your retirement.



It's important to keep a close eye on your pension plan

As your retirement gets closer, you and your Advisor will look at your pension plan and your own plans for your retirement in more detail so that you will be properly informed and prepared to make key decisions.

Key areas you need to focus on

Is your pension plan on track?

Your Advisor can check if your pension plan is on track to provide the retirement income that you are expecting, and can advise ways in which you can maximise your pension savings before you retire.

How will you draw down your savings?

You will need to decide how you are going to take your pension savings. A number of options will be available to you and it's important to understand what these are.

Your Advisor can explain the pros and cons of each option and help you decide on the best available option based on your circumstances.

Are you invested in the right fund(s)?

You will need to review the fund(s) your pension savings are currently invested in to ensure the fund(s) remains suitable in the years running up to retirement.

Your Advisor can talk you through a range of investment funds for you to consider.

My retirement is getting closer

Pensions can seem complicated and people usually have many questions as their retirement gets closer. We've included some common questions below. And remember, your Advisor in your Bank of Ireland branch is available to answer any other questions you may have.

When can I access my retirement fund?

Typically, you can access your fund in full at retirement. **In general, people can retire between age 60 and 70 but there are exceptions**. Your retirement age may depend on the rules of your pension arrangement or on your occupation.

What are my options when I retire?

The options available to you depend mainly on the type of pension plan you have and the size of your retirement fund.

You can normally take part of your retirement fund as a tax free lump sum, subject to a limit of €200,000*. Even if your retirement lump sum is greater than €200,000, the next €300,000 is only taxed at the standard rate (currently 20%).

You will then need to decide how to take the remainder of your retirement fund. Do you want a guaranteed income for life or would you prefer to continue investing in your retirement and draw income from that fund?

Your Advisor can go through the options available with you and help you make the best decision for you.

Take a **closer** look

To meet an Advisor

call **1890 313 315**

How do I decide the right option for me?

You should receive detailed information on your actual options before you retire and you should carefully study these. **Everybody's circumstances are different so it is important to discuss your options with your Advisor before making a decision.**

The option that is right for you will depend on many factors including:

- The size of your retirement fund
- The level of income you and your family will need during your retirement years
- The value of other assets, apart from your retirement fund, you have to fall back on
- Whether security or investment growth is more important to you during your retirement years
- Whether you wish to pass your retirement fund on to your dependants on your death
- Your current state of health

Is it worth putting more money into my pension plan now?

Putting more money into your pension plan as you close in on retirement can be **an effective way to help make up any shortfall that you may have identified in your pension savings**, or if you just want to take advantage of the tax benefits on offer.

The maximum percentage of your salary that you can normally save into your pension plan each year, and claim tax relief on, increases as you get older. If you are aged 60 or over, this is up to 40% of your salary†.

Picture this:

If you're 60 and earning €60,000 a year, you can put up to 40% of your salary (that is **€24,000**) into your pension plan.

After tax relief, it will only cost you **€14,400**†.

*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.

† 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.

Decisions in retirement

Retirement means different things to different people.

For many people retirement is an opportunity to **stop working** or reduce working hours to **focus on other areas of life**. It means having more time to spend as you wish. However, it can also mean a **greater reliance on using the savings you built up during your working life** to provide you with an ongoing income into the future.

Managing your money in retirement

When you retired you would have decided how best to use your retirement savings. Most likely you took a retirement lump sum tax free and then used the remainder of your savings to purchase an income for life (an annuity) or invested it through an Approved Retirement Fund (an ARF).

The amount of time and effort required to manage your pension income in retirement will depend on whether you took the annuity or the ARF route.

An income for life (An annuity)

If you decided to use some or all of your savings to purchase an annuity, you now have a secure and ongoing income for life and can budget and plan around that income. In addition, you don't have to spend time or effort making sure you are getting a good return on your savings.

Continuing to invest your retirement savings (An ARF)

If you decided to use some or all of your savings to invest in an ARF, you have the flexibility to withdraw different income amounts from your fund, as and when you need to. However, unlike an annuity your future income is dependent on the performance and value of your fund. If not managed correctly there is a risk that your fund could run out during your retirement years.

Your ARF investment requires ongoing management to ensure you secure the optimum income, whilst maintaining a healthy fund balance. Choosing the right fund(s) and monitoring it on an ongoing basis is the key to success. Many people become more risk conscious as they get older and therefore may favour investing in lower risk funds. However, investing in a lower risk fund may actually increase the chances of your fund running out of money during your retirement years. The returns generated by your fund(s) will also influence the level of income you should take. For example it may make sense to take less income in the early years and in years where your fund underperforms.

An Advisor in your Bank of Ireland branch can meet with you to discuss how best to manage your ARF investment both this year and into the future.

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.

One meeting – a lifetime of value

What to expect when you meet an Advisor

- **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**.

To meet an Advisor
call **1890 313 315**

One meeting
A lifetime of value
9:41 AM
100%
Today
Notifications
Pension Meeting
"Meet with Pension Advisor" is next up on your calendar in 20 minutes.
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10 AM
Meet with Pension advisor
Bank of Ireland branch
11 AM
Tomorrow
Let's talk today
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For small steps, for big steps, for life