Fund Your Future

Talking Pensions

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Bank of Ireland

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Welcome to the latest edition of our annual Talking Pensions magazine. "Fund Your Future" is a term we coined when talking about planning for your long term financial future. For many, that can mean different things at different stages of life but for everyone regardless of your age or employment status, it should in part, entail a plan for your future retirement, goals and ambitions. Pension planning isn't something to be put on the long finger just because it doesn't affect you in the short term or possibly many years to come. However, starting early and contributing small but often to a pension plan can make for a sizeable financial security blanket whenever you do choose to retire. After all, pension saving is just putting some money aside for when you stop working to allow you to have an enjoyable retirement and having the means to spend on what is important to you.

Pension provision for Irish citizens is something that has never been more topical. There have been a number of landmark changes to pension legislation recently from changes to the rules of existing structures to the introduction of a new Government led initiative - Auto-Enrolment, which will be a positive step change in supporting more people to have a pension provision in their future. We're all living longer and with continuous medical advances we're also surviving illnesses now more than ever so making sure you have a sound pension plan in place for your retirement is paramount. It all starts with advice so you can make an informed decision on what you want for your future self and here in Bank of Ireland we're here to help. Talk to us today.

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. Some of the statements and documentation can be hard to understand, but we’re here to help.

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?

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 professional advice is critical to having a good understanding of what you need to put aside during your working life in order to have a comfortable retirement. Many think the whole area of pensions is too complex but when it comes to pensions, our team of advisors have a wealth of experience. In as little as 60 minutes, they can explain everything and guide you through the process of getting a plan in place that’s right for you.

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!

Find out more

To meet an Advisor call 01 511 9202†

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

Who am I?

"I'm self-employed"

Patricia, in her 40s, self-employed farmer who needs flexibility, starting a pension

Tell us a bit about yourself

I'm Patricia, I'm 42 and I'm married to my husband Lorcan and we have two children, aged 9 and 6. We're living in Kilkenny on my family farm.

Farming is in my blood so I couldn't see myself doing anything else. As always, it has its ups and downs but thankfully we're having a few good years now with barley and wheat.

What plans do you have around retirement?

With a young family, over the years our priorities have been more short term focused but now is the time to start planning properly for our future. We recently put a savings plan in place for the children's future college education but one piece of advice my father gave me when taking over the farm was to get a pension started and so I did! It wasn't much at the time but it has got me into a good savings habit.

Putting a plan in place now for the future is a smart move. I won't be prepared to retire when I want to if I don't, so getting professional advice was paramount to me. When I spoke to the advisor in my local Bank of Ireland branch, the message they gave me was simple – 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 and then a portion is for the future when I stop working.

What decisions do you need to make?

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 all too well that the weather can change my fortunes as can the prices that I can achieve for my crops. So that's why I put aside what I can every month and take a closer look at it when I'm dealing with my tax return in November.

My pension plan allows me to put aside what I can, when I can, and that's exactly the flexibility I need!

Priorities for Patricia & Lorcan

- Agree an amount per month to be put into pension that they can afford
- Patricia is young enough to take a long-term view so it may be time to make the most of growth through allocating more to stock market investments
- Make sure the plan has flexibility to allow for years when farm activities may not be as fruitful

Some key questions Patricia may ask...

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 over 70% in retirement**

   When you retire, you 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 just under €14,475 a year (€277.30 a week), but the average wage is €50,395**. 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 2024, Earning and Labour Costs May 2024

3. **If you qualify for the State Pension, you will be 66 before you receive it**

   Currently the earliest qualifying age for the State Pension is 66. For people born after 1 January 1958, they have the option of choosing a date between age 66 and 70 to access the State Pension. The later you access it the higher the rate that you will receive.
   If you choose to retire before aged 66, you could have a gap in your retirement income.

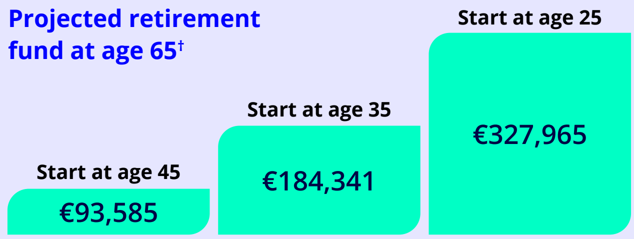
How do I work out how much I should be saving?

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

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 5.75% 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 performance of your investment.

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.

We know that when you are self-employed you don't turn to your finance team with your accounts and you don't turn to your HR department for help with your pension plans. To help you with your personal finances, we always advise you to "pay yourself first" – in other words, make sure that you allocate for you and your family. It is also important that you ask yourself a few questions that only you can answer:

- How long is it realistic for you to continue to work?
- What would happen if you were sick for an extended period of time? How would you replace your earnings?
- When you plan to stop working, will you be able to sell your business?
- If you died unexpectedly, would your family have the means to meet their ongoing financial requirements?

Some other interesting reading for you...

Women and Pensions | **Save tax while saving for retirement**

Retirement options | **What to expect when meeting an advisor**

Who am I?

“I’m a Company Director”

Saoirse, in her mid 50s, Company Director, enhancing her pension

Can you tell us a little about yourself?

I’m Saoirse, I’m 55 and I live in Dublin. I was recently given the opportunity to become a Director of the business I’m working in so that’s been a big change. I wouldn’t have thought I’d ever become a Director of a business but I took the opportunity from some of the inheritance my parents left me.

Since my parents passed away, I’ve thought a lot about my finances and it dawned on me, it’s up to me to look after myself into the future. Having met with my financial advisor a couple of times recently, I feel there’s a weight lifted off my shoulders, having put a plan in place for critical illness. And I know it’s time to focus on putting a plan in place for the type of lifestyle I want when I retire.

What decisions do you need to make around planning for the future?

I met with my financial advisor, giving them a clear picture of what I have and “where I am” with my finances. It really was time well spent. I hadn’t put much thought into the different pension pots I had been saving into over the years with different employers and nor had I considered what the buying into the business would mean for me in terms of pension options. Our accountant spoke to us about the benefits of pensions in terms of reducing our income tax bill and we think we have a plan that is flexible and adaptable for each of our needs.

I’m amazed at how much the company could contribute for me and not just that – we could claim corporate tax relief on it too. The tax breaks really make it affordable and attractive. The advice I got really helped me to work out how much I could put in and what was the best way to get my pension pot growing. Paying in on a monthly basis what you can afford and then topping it up at the end of the year to maximise tax savings is great. It sounded complicated at first but when you have a plan in place, it all made perfect sense.

I now know what my advisor means when she says “It’s all about the future you!”

Priorities for Saoirse

- Assess whether to amalgamate pension pots or leave as is
- Use the pension system to extract wealth from the business in a tax efficient manner.
- Come up with a pension investment strategy that meets the twin goals of achieving growth while ensuring that her money is managed in a manner that factors in sustainability and avoiding harming the environment.

Some key questions Saoirse may ask...

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.

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).

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

There are many factors to consider, including:

- **Auto-Enrolment**

If you have employees, you may need to consider what your options are with the introduction of Auto-Enrolment or what the alternative options are.

- **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.

- **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.

As a company director, 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 Corporation 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.*

As a business owner you work hard today in order to provide yourself and those that depend on you with a better tomorrow. A pension plan can provide you 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.

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.

Find out more

To meet an Advisor call 01 511 9202†

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

Some other interesting reading for you...

PRSAs | Women and Pensions | Auto-Enrolment | Golden Rules | What to expect when meeting an advisor

*Subject to Revenue rules.

Who am I?

“I’m an employee”

Brian, in his 60s, an employee, approaching retirement, making the most of his pension

Can you tell us a little about yourself?

I’m Brian and I’m 63. I’ve worked in hospitality for the last 36 years as a hotel manager. I started out at the bottom and worked my way up to where I am today so I think it’s safe to say I’ve seen it all.

What plans have you around retirement?

My wife Aileen has retired already. She was the secretary at our local secondary school so she’s already receiving a modest pension along with the State Pension.

I never really gave my pension or what I was saving into it much consideration until recently but having worked for nearly the last forty years, I can now see the benefit of both myself and my employer putting in small regular contributions and having it build up over time. When I got a promotion about ten years ago, a friend at the time advised me to do some AVCs (Additional Voluntary Contributions). This has really bumped up the overall pot. What money I’ll have to spend every week will look very different because of the little extra I put in over time.

I’m ready for retirement, so we’re planning on making the most of saving into my pension for the next few years while I’m working and then to enjoy life once I retire.

What decisions do Brian & Aileen need to make?

Making a plan is key! Having recently sat down with my Bank of Ireland advisor, I now have a clear picture of what my incomings and outgoings are, allowing us to clearly see what is realistic to save towards my pension for the next few years. Secondly, having that discussion about the options available to me when I do retire gave me a sense of what my “retirement income” will be. I’ve always looked at my pension pot as one big number but never before considered what that actually gave me annually to live off in retirement. I know I’ve a big decision but getting advice on the options now before retiring is something that I’m glad I’ve done sooner rather than later. The plan gives us clarity for the future.

With a few years before I finish at the hotel, I know I still have some time to add to my pension pot while taking every advantage of the tax breaks. Getting the right amount of growth without taking on too much risk is important for us at this stage.

Priorities for Brian & Aileen

- Careful management of pension investments in glidepath to retirement
- Agree how to draw down benefits
- Maximise last minute funding opportunities and tax saving initiatives

Some key questions Brian may ask...

Will Auto-Enrolment affect my pension plans?

If you are an employee that is already contributing to a pension either privately or through employment, Auto-Enrolment may not affect you once its introduced. As the pending Auto-Enrolment start date draws nearer employers are now exploring all the options available to them including Group PRSAs, Occupational Pension Schemes and the new Auto-Enrolment scheme. Each employer will need to make a choice as to what option is best for them and their employees going forward. Any changes to existing arrangements should be discussed with you at the time by your employer. Read more on Auto-Enrolment on page 11.

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.

Putting €100 into your 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.

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.

When you start saving can have a real impact on how much you should be saving. The earlier you start the better, even if that is in smaller amounts to begin and you build on your contributions over your working life.

Find out more

To meet an Advisor call 01 511 9202⁺

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

Some other interesting reading for you...

AVCs
Retirement Options
Auto-Enrolment
Save Tax
What to expect when meeting an advisor

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 33% 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.

The Golden Rules of Pension Investing

1. **Do as much as you can for as long as you can**
   The trick is to start early.
2. **Get growth to beat inflation**
   Inflation is the "silent thief" that steals from your pension pot – unless your money grows.
3. **Don't forget those eggs and baskets – we call it diversification**
   Achieving effective diversification across and within asset classes, regions and currencies can be difficult. For this reason, some people choose to invest in professionally managed funds that package up several assets, rather than building their own portfolio of individual investments.
4. **Get Advice**
   Advice is key to making the right decision for your retirement plan no matter what your circumstances.

Warning: The value of your investment may go down as well as up.
Warning: Past performance is not a reliable guide to future performance.

State Pension

The State Pension was typically referred to as "the Old Age Pension" and is a fundamental pillar of the retirement planning system. What most people ask is how much do I get and when do I get it. The Contributory Pension is paid to those who qualify from age 66 at a rate of €277.30 per week (as at July 2024). The Non-Contributory Pension equivalent is means tested.

If you want to find out more details on these schemes, the Citizens Advice website is a useful resource - State Pension (Contributory) (citizensinformation.ie). These schemes are unfunded i.e. they are paid from current State resources. In recent years, they have come under scrutiny, particularly regarding their sustainability.

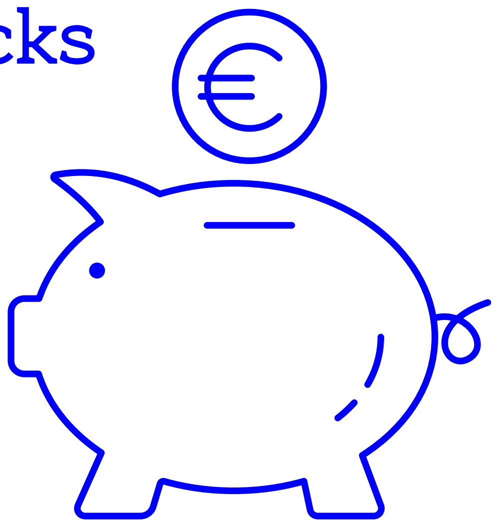
More recently, the Government has announced some changes to the State Pension:

- From January 2024, people will have the option to continue working up until the age of 70 in return for a higher pension.
- The system will use a 'Total Contributions Approach' for calculation of individual pensions entitlements on a phased basis over 10 years starting in January 2024.
- There were enhanced State Pension provision for long-term carers introduced from January 2024. This will mean, for the first time, people who have to give up work over a long duration to look after a loved one will have their time spent caring recognised in the pension system.
- The long-term sustainability of the State Pension system is to be addressed through gradual, incremental increases in social insurance rates over time.
- The level and rate of increase in social insurance rates will be determined on a structured basis every 5 years informed by the outcome of a statutory actuarial review.

You can request a copy of your contribution statement through MyWelfare.ie once you have your MyGov ID.

The key is to find out what you are entitled to and what steps you need to take between now and your retirement age.

Auto-Enrolment is coming down the tracks



While there are many good reasons to have retirement savings, we know that pension coverage remains poor. This could lead to a huge reliance on the State Pension. To encourage greater private pension take up, Auto-enrolment is proposed as the new retirement savings system for employees. The Government intends to introduce it in early 2025.

Employees who are not already members of a pension scheme, who earn more than €20,000 per year and are aged between 23 and 60 will be automatically enrolled into the new system. Employees will be able to leave the system or pause their contributions under certain circumstances, but will be automatically re-enrolled after two years if they are still eligible. An Oireachtas Committee has suggested that the lower age and income limits should be removed.

So how is it proposed that the scheme will work?
It is intended that both employees and their employers, as well as the State will also contribute – for every €3 that an employee puts in, the employer will also put in €3 and the State will top up by €1. This means that for every €3 contributed by the employee, €7 will be put into the employee's account. The intention is that contribution levels will be phased in, over time, to avoid a sudden drop in income.

Employees will have a choice of investment strategies which will be predominantly passive in nature and structured as relatively low risk solutions with low charges applying. A new public body, the National Automatic Enrolment Retirement Savings Authority, will be set up to administer the Auto-enrolment scheme. The scheme will be supervised by the Pensions Authority.

Any plans that could lead to improved pension coverage have to be welcomed. Employers should consider how this will impact on their business and it may be timely to get some advice on structuring employee benefits, factoring in the State's new scheme.

Women and Pensions: What you should know

Bank of Ireland is a leading organisation in communicating how our customers can improve their financial wellbeing. It is also a clear desire of our efforts to improve financial inclusion and particularly in addressing gender inequality in finance, most noticeably in pensions.

We know that women have poorer pension coverage than men and are less likely to have adequate retirement plans in place. Overall, women earn less and are more likely to alter course to allow for temporary or permanent leave to mind children, take care of loved ones or take a career break. With extended time away from the paid workforce, women can miss out on years of their own contributions but also those of their employers, as well as the tax breaks that make saving affordable.

Our research* shows the following:

- Women are less confident about their retirement savings plans (24% male v 13% female confident)
- Women are less likely to have a pension (54% male v 39% female from the people surveyed)
- Investing is a key part of achieving pensions outcomes. Men "claim" to understand investing far more than women (56% male v 37% female)
- Women tend to be more cautious in how their money is invested

*RedC Research and Behaviour & Attitudes Surveys in conjunction with BOI 2022 and 2023

Some considerations for some women:

- Will your employer still contribute your pension if you are on maternity leave?
- If you take extended leave, will you qualify for the full State Pension (Contributory) when you retire?
- If you are married or have a civil partner, do you know what their pension will provide in retirement?
- Are there ways in which you could increase contributions when you are in paid employment, to allow for times when you may not be able to pay into your pension fund?
- Do you need to take a less cautious approach to how your pension fund is invested to achieve more potential growth?

This imbalance is and will be a difficult challenge to solve. Good advice can certainly give you clarity on what you have and what steps are within your control.

With extended time from the paid workforce, women can miss out on years of their own contributions but also those of their employers, as well as the tax breaks that make saving affordable.

Find out more

To meet an Advisor call 01 511 9202†

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

AVCs – Additional Voluntary Contributions

For Employees – who want to get more

If you are a member of an Occupational Pension Scheme with an employer contribution, you are lucky enough to have a number of parties helping you to save for your future.

A typical contribution structure that we see is one whereby an employer will match your payments, usually to a predefined amount or percentage of salary. A common example matches up to 5% of salary. This should deliver a decent outcome for you, but is it adequate to provide you with the level of income you desire in retirement?

Every year, you should get a letter from your pension provider, known as an Annual Benefit Statement – if you haven't read it, it is full of valuable information and well worth that read, once a year. You should see an illustration that shows you what you are likely to get at retirement, if you continue to contribute at current rates.

If you want a better outcome, you could consider doing a little more – the way to do this is usually through Additional Voluntary Contributions (AVCs). Here are the main reasons we use AVCs:

- To have more in your pension pot when you retire
- Some people use AVCs to fund the tax-free element they plan to draw down at retirement – leaving more for buying a guaranteed income (Annuity) or for investment in an ARF.

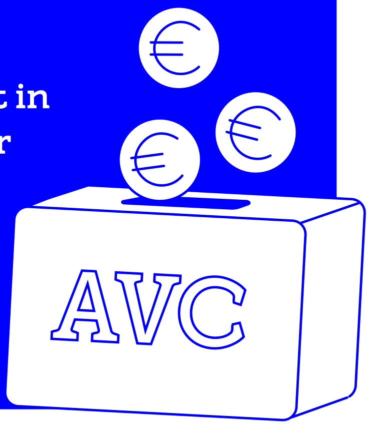
- Your main scheme may use a definition of salary that excludes bonuses or overtime and you may wish to fund for a higher amount.
- If you are a late starter in retirement saving, you may want to catch up for lost time by contributing some more.

In certain schemes, particularly in the state and semi-state sectors, you may be able to buy pension benefits for service you missed. This is often referred to as buying either “back years” or “notional service.” Your employer should have more details, if this is an option they make available.

Some important features:

- Flexibility – usually you can stop, start, increase or decrease as you wish
- Investment – you can usually choose from a range of investment solutions to meet your attitude to risk and personal preferences
- Tax breaks – this is the big one – subject to Revenue rules always, you can get a tax refund for the amount you contribute to AVCs at your highest rate of income tax. This makes saving more affordable

AVC’s can really help you to build your pension pot in a flexible manner and with the huge advantage of tax breaks.



Find out more

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PRSAs - Personal Retirement Savings Accounts

Up to recently, employees could take out a PRSA and have their employer contribute to it. It was intended to be a portable solution that you could take from one employment to the next. However, it carried a number of restrictions that put off entrants: contributions from an employer were treated as Benefit-in-Kind and the maximum amount of combined employer and employee contributions was restricted to age-related limits for tax relief.

The Finance Act 2022 introduced some important changes for PRSA holders, essentially removing the Benefit-in-Kind (BIK) charge that could arise when an employer makes a contribution to a PRSA for an employee. Please note that for a contribution to a PRSA to be allowable, there is a requirement for a bona fide employment and remuneration for the employee.

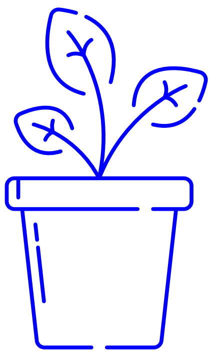
Unlike an occupational pension scheme, contributions to a PRSA do not have Revenue maximum funding limits based on salary and service. The €2 million lifetime limit will still apply to the sum of all pensions held.

The usual 15% - 40% personal contribution limits continue to apply for income tax relief purposes.

It is never a pleasant subject but one we have to factor in to decisions – death of the pension holder. Should a PRSA holder pass away before accessing their benefits, the value of the PRSA fund is paid to their estate and distributed in accordance with their will. Alternatively, if your money is in a company scheme (also known as an Occupational Pension Scheme (“OPS”)), on death while still in service with the company the fund in an OPS is paid out subject to a maximum lump sum of 4 times salary plus the value of any personal contributions, with any balance being used to purchase an annuity (guaranteed income) or invest in an Approved Retirement Fund, both of which are subject to tax.

If you retire from an OPS, all benefits have to be taken at the same time. A PRSA is much more flexible when it comes to retirement planning. On the other hand, if you have a PRSA, you can split your fund across a number of policies, allowing you to manage accessing them more effectively, by encashing some of the PRSAs or drawing the tax free lump sum as you need to, up to age 75.

The only real negative that a PRSA has when compared to an OPS is the lump sum at retirement where the only option is to access up to 25% of the accumulated fund. Under an OPS, you could access up to 1.5 times your final salary, which may be more advantageous.



Please note that Revenue rules and limits apply to all of the above and please seek advice before making any decisions on which approach best meets your needs. Note that the information above is based on the current position for PRSAs and Budget 2025 may change this.

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.

Retirement Options

When we plan for the future, we start by considering what outcome we want and work our way back - begin with the end in mind. When we talk about "the end," we do not mean death, we mean when you finish saving for your pension 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 (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 over time.

Your pension savings need to be invested with your preferred 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. Depending on your preferred type of pensions there is lots of choice. The table below outlines the options depending on your specific pension arrangement.

		Step 1 Retirement Lump Sum	Step 2 Buy an Annuity/ Enhanced Annuity	Step 3 Invest in an ARF or Take Taxable Cash	Step 4 PRSA & AVC PRSA
Personal Pension Plan		Up to 25%	Can use some or all of the remainder of your fund to buy an annuity/ enhanced annuity	Invest in an Approved Retirement Fund (ARF)† / Take Taxable Cash	Not Applicable
PRSA		Up to 25%	Can use some or all of the remainder of your fund to buy an annuity/ enhanced annuity	Invest in an Approved Retirement Fund (ARF)† / Take Taxable Cash	Leave the balance of your fund in your PRSA after taking your retirement lump sum
Defined Contribution Company Pension Scheme & Retirement Bonds	**Option 1***	Up to 25%	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	Invest in an Approved Retirement Fund (ARF) Take Taxable Cash	Not Applicable
	Option 2	Take an amount based on your salary and service with the employer up to a maximum of 1.5 times your salary	You have to buy an annuity if you take the retire-ment lump sum option based on salary and service (except if you have AVCs)	The Approved Retirement Fund (ARF) option/Taxable Cash option is not available (except in relation to AVCs)	Not Applicable
Additional Voluntary Contributions		Amount (if any) will depend on the rules and retirement lump sum entitlement of your main scheme	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	Invest in an Approved Retirement Fund (ARF)† Take Taxable Cash	Leave the balance of your fund in your AVC PRSA after taking your retirement lump sum

* This option does not apply if the proceeds of a Retirement Bond are from a Defined Benefit Company Pension Scheme.
Source: Bank of Ireland, Your Guide To Retirement Options brochure. Terms & Conditions apply.

What to expect when you meet an Advisor

In as little as 60 minutes, you could have your retirement plan sorted, from the comfort of your own home or a place that suits you. Isn't that worth giving your time to!

Meet us in a way that suits you

- 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 through 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, our online banking platform so you can keep track of your pension plan today and into the future.

Pension Pot podcast series

Many think talk of pensions is very complicated. But with a little help and some good advice, planning for your future may be the difference between you living your best life in retirement and regretting not taking action sooner.

Think of it like this... you've worked hard throughout your working life to enjoy the things that interest you. Are you going to stop them when you retire? We're all living longer which means we may spend up to a third of our life in retirement. Sounds good doesn't it, but will you have put aside enough to replace your income for those 30 years?

Pension Pot podcast series

Listen back to our latest Pension Pot podcast series to find out more about the world of pensions, wherever you listen to yours.

bankofireland.com/pensions