

HOUSE OF FINANCE

PENSIONS INVESTMENTS PROTECTION

A GUIDE TO PERSONAL PENSIONS

Contents

Why should I plan for my retirement?	03
What is a Personal Pension Plan?	04
How much should I invest in my Personal Pension Plan?	05
What is a Financial Broker?	06
Why would I need to use a Financial Broker?	06
What are the tax advantages of a Personal Pension Plan?	07
How do I decide where to invest my Personal Pension Plan?	08
How your Financial Broker can help you with your investment	09
How can I take benefits from my Personal Pension Plan?	10

Why should I plan for my retirement?

Your retirement may seem like a long way off, but it is never too early to start planning. Smart planning for your retirement will ensure that when you do retire you can maintain the standard of living you have become used to.

While you may be entitled to a State Pension at retirement, the age at which you can access this pension has been increased: it will not be paid until age 68 for people who were born on or after the 1st of January 1961.

And even if you do get the full State Pension, at €230 per week currently, it's designed to cover the basic necessities of life only and will be a sharp drop from your annual salary. Bearing this in mind you will need a plan to supplement the State Pension payment. In particular, if you are self-employed or working for an employer who does not include you in a pension scheme for retirement benefits, it's up to you to make additional financial provision for your retirement.

There are a number of options available to you, one of the most straightforward is to set up a Personal Pension Plan.

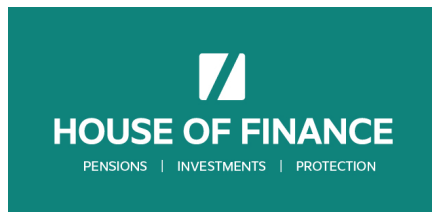
PENSION

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What is a Personal Pension Plan?

A personal pension plan is a long-term investment aimed at helping you set aside money for your retirement. The ultimate value of your pension plan will depend on the contributions you have made over the years and the investment return the funds have achieved in your personal pension plan.

Personal pension plans are designed for people who don't have a pension scheme through work and who want to set aside money themselves. In particular, a personal pension plan would suit people who are either self-employed or have no pension through their employment.



How much should I invest in my Personal Pension Plan?

Before you decide how much you are going to invest in your Personal Pension Plan there are a number of things you need to think about: what age you'd like to retire at, your current age, your existing income and how much you can afford to set aside each month as a pension contribution.

General consensus suggests you should aim to retire on two thirds of your current income (this figure will include the State Pension). A Personal Pension Plan gives you the flexibility to make contributions either monthly, quarterly, every six months or every year. You can also boost your Personal Pension Plan with a lump sum payment at any stage.

You are able to decrease or increase your contributions at any stage, which is useful if you begin to earn more money, or on the other hand, if you are having financial difficulties.

Your Financial Broker will talk to you about your expectations for retirement and your personal circumstances. In understanding what you hope to achieve they can offer you helpful advice in deciding on your contribution amount.

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BROKER**

Ultimately, your Financial Broker will ensure you choose the option and product best suited to your needs

What is a Financial Broker?

A Financial Broker is an expert in financial and pension matters who works with you to understand your financial goals and helps you create a plan to meet those goals. In helping you to make a decision about saving for retirement, your Financial Broker will research your options.

If your Financial Broker recommends a Personal Pension Plan as the most suitable option for you, they will research what's on offer from the range of pension providers they deal with, providing you with a "fair analysis" of the market.

Why would I need to use a Financial Broker?

Choosing the right way to save for retirement and how to take your retirement benefits when the time comes, can be a daunting task. Your Financial Broker will be able to explain the choices available to you in simple language allowing you to make an informed decision.

Your Financial Broker will get to know you, your personal and financial circumstances, retirement plans and your attitude to and capacity for risk – products like Personal Pension Plans for example, contain a certain level of risk that you need to be aware of.

Your Financial Broker will guide you through the process of setting up your Personal Pension Plan and help you to make sense of charges, tax reliefs and benefit options. They will help you develop a well-researched and structured investment strategy for your Personal Pension Plan compatible with your attitude to and capacity for risk and designed to achieve your goals as far as possible. Ultimately, your Financial Broker will ensure you choose the option and product best suited to your needs.

What are the tax advantages of a Personal Pension Plan?

A Personal Pension Plan is a tax-efficient way for you to save for your retirement. Your monthly contribution to your Personal Pension Plan qualifies for income tax relief at your marginal tax rate: for example, if you pay tax at the 40% rate, for each €1 you contribute to your Personal Pension Plan you can claim 40 cent back in tax relief. To give you an idea how much this will save you annually: if you invest €1,000 in your Personal Pension Plan per year, it will actually only cost you €600, after income tax relief (from the 1st January 2015).

There are limits to the income tax relief you can get from the Government. The maximum contributions which you can get income tax relief on in a year vary by your age in that year:

Age in year	Maximum tax deductible contributions as a % of your earnings (max €115,000 earnings)
29 or younger	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 or more	40%

In addition, the growth achieved by your PPP is not subject to tax. This means that you gain from any investment growth and income your PPP earns.

Remember: Make sure you understand the tax benefits of a Personal Pension Plan and that you apply to the Revenue Commissioners for these benefits. This is something your Financial Broker can help you with.

How do I decide where to invest my Personal Pension Plan?

You may be relying on your Personal Pension Plan to provide an important source of income in retirement, so it's vital that you invest it wisely. There are many options available to you, from low and high risk funds investing in particular types of assets to managed or mixed funds investing in a spread of assets and self-directed funds where you choose the funds or assets in which you invest.

The Personal Pension Plan you decide to invest in should offer you a diversified range of investment options that can meet your changing circumstances over time.

Any choice you make should be based on the level of investment risk you are comfortable with and should take into account your financial circumstances and goals. It is important to understand that the value of your Personal Pension Plan can fall as well as rise, depending on which funds or assets you invest in.

Remember: If you make no decision on how to invest your Personal Pension Plan it may be automatically invested in a default fund, which may or may not be suitable for your circumstances.

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Your Financial Broker will be able to talk you through your options and guide you in choosing the best option for you

How your Financial Broker can help you with your investment choice?

Your Financial Broker will get to know you, your financial needs, attitudes to and capacity for investment risk and your ultimate goals. They will guide you through the basic elements of investing – risk and return, diversification and your own attitude to risk – and ensure you understand what's at stake.

With help from your Financial Broker you can create a diversified range of investments within your Personal Pension Plan. This means you can spread your money in a way that suits your needs and is in line with your risk and return expectations and how you expect to take your benefits at retirement.

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How can I take benefits from my Personal Pension Plan?

From the age of 60 onwards you can access your Personal Pension Plan. You can also access your Personal Pension Plan on ill health retirement at any age. The value of your Personal Pension Plan is payable in full to your estate if you die before drawing on your benefits.

You will have a number of options when it comes to taking your retirement benefits from your Personal Pension. You can take a lump sum of up to 25% of your fund subject to the following limits:

Lump sum amount (25% of fund)	Rate of tax
Up to €200,000	Tax free
Next €300,000	Standard rate (currently 20%)
€500,001 and over	Marginal rate (currently 40%) plus PRSI and USC

With the balance of your Personal Pension Plan you can choose to:

- Buy an annuity
- Transfer to an Approved Retirement Fund (ARF) and/or Approved Minimum Retirement Fund (AMRF) to be held in your name
- Take the balance as a taxable lump sum subject to putting €63,500 in an AMRF (or annuity) or having a guaranteed income of €12,700 or on reaching age 75.

Your Financial Broker will be able to talk you through your options and guide you in choosing the best option for you when the time comes.