

YOU'RE GETTING CLOSER . . .

. . . to having all the time in the world!

You have worked hard over the years and now you may be thinking about the biggest holiday of your life – your retirement. While your priorities are probably very different to when you first started work, one thing hasn't changed – you're going to need a decent savings fund to draw from on the day you stop working.

If you've already started your pension, the chances are you may not have reviewed it recently.

'MAKE THE MOST OF YOUR RETIREMENT SAVINGS ...'

The good news is, under current legislation, there are plenty of tax incentives to help save for your future. What's more these get better the older you are. But hurry, not all of these benefits are set to last! Now is the time to make sure your financial plans are well matched with your plans for the future, there is still time to set yourself up for a comfortable lifestyle in retirement.

So if you haven't already, now is the crucial time to take action and meet with your Financial Adviser to discuss which options may be best suited to your personal situation and decide on any action required to maximise your benefits at retirement.

The good news is that you can do something now, to give yourself more choices later on – and we're here to help.

**Now is the time to talk to your Broker or Financial Adviser
to get the best advice possible before it's too late.**

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3 THINGS EVERYONE SHOULD KNOW ABOUT PENSIONS

1. Pension Investment Fund

Is your pension making YOU money?

Do you know how your pension is being invested? Have you discussed your pension fund performance recently? You should have this discussion as soon as possible to see if your fund(s) is meeting your expectations.

3. State Pension

The Age at which you may qualify for the State Pension has increased!

The age at which you qualify for the State Pension has increased to age 68 for all those currently in their 40s. So if you still want to retire at 65, you could have a gap of 3 years where you need to have an alternative income. Of course, this gap will be even more significant if you decide to take early retirement. That means you'll have to live off your personal savings, if any, before your State Pension becomes available - if you qualify for it e.g. have paid the required level of PRSI contributions.

2. Tax Relief

Make the most of generous tax-relief . . . while it's available.

The tax relief you can claim from your pension contribution is likely to be reduced. We have already seen this year how PRSI and Health Levy reliefs are no longer available on ordinary pension contributions.

TELL ME MORE . . .

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PENSION INVESTMENT FUND

ENSURE THAT YOUR PENSION IS INVESTED IN A FUND(S) SUITED TO THE LENGTH OF TIME YOU HAVE TO RETIREMENT AND YOUR CURRENT ATTITUDE TO RISK

It may be time to review your pension

When you have a long way to go to your retirement you can benefit from investing your pension in funds that are designed to provide you with a high opportunity for reward so that your pension has plenty of time and potential opportunity to grow before you retire. As you get closer to your retirement date depending on which option is available and you intend selecting at retirement it can make sense to secure your pension fund and not expose it to any unnecessary market volatility.

At this stage it's good to talk to your financial adviser so that they have a clearer understanding of what your current pension provisions and aspirations for retirement are.

Some people choose to invest a portion of their fund in cash in line with the lump sum they intend to take at retirement. Talk to your financial adviser for advice to suit your situation.

Did You Know? If you're aged 50-54, you can save 30% of your income into a pension and claim full tax relief! If you're aged 55-59, this tax free savings allowance will increase to 35%! And if you are 60 or over this rises to 40%!

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.

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TAX RELIEF ON CONTRIBUTIONS

CONTRIBUTIONS TO YOUR PENSION MAY NOT OFFER AS MUCH TAX RELIEF IN THE FUTURE

Keeping tabs on your pension

Once you have set up your pension, it is important to regularly review your pension plan to see how it is performing, especially to make sure you are contributing enough to give you the income you need at retirement.

One of the most attractive aspects of saving into a pension for your retirement are the great tax savings currently available on contributions. This is as much as 41% relief available on contributions for higher rate tax payers.

In practical terms - for every €100 you save to a pension today you can claim relief (money back from the government) of €41 if you are a higher rate tax payer. So in effect the €100 you invest in your pension only costs you €59* today.

There are plans in place through the Government's National Recovery Plan to reduce this 41% tax relief over a phased period of the next 3 years down to 20%. If you are a higher rate tax payer this gives you a window of opportunity this year to start or top-up your retirement savings in order to benefit from the maximum tax relief possible.

We all know it makes sense to 'Make Hay while the Sun Shines!' So over the next few years you have a window of opportunity to make the most of the tax relief you can currently claim on your pension contributions.

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PUTTING €100 INTO A PENSION COSTS YOU:

IN 2011

€59*

IN 2014

€80?*

YOU CURRENTLY HAVE A WINDOW OF
OPPORTUNITY TO MAKE THE MOST OF
THE TAX RELIEF YOU CAN CLAIM ON YOUR
PENSION CONTRIBUTIONS.

* Assuming the Government reduce the tax relief available from 41% to 20% over the next four years as proposed in the National Recovery Plan. Based on a higher rate tax payer (41%). 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.

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STATE RETIREMENT AGE

THE AGE AT WHICH YOU WILL BE ENTITLED TO RECEIVE STATE PENSION BENEFITS HAS INCREASED

The Social Welfare and Pensions Act 2011 made a number of changes to the qualifying age for State pensions. The qualifying age will rise to 66 in 2014, 67 in 2021 and 68 in 2028. So:

If you were born on or after 1 January 1948 the minimum qualifying State Pension age will be 66.

If you were born on or after 1 January 1955 the minimum qualifying State Pension age will be 67.

If you were born on or after 1 January 1961 the minimum qualifying State Pension age will be 68.

What does the increase in age for state pension benefits mean in practical terms?

The qualifying age for the State Pension is set to increase to age 68 for all those currently in their 40s. That is if you qualify for it e.g. have paid the required level of PRSI contributions.

So if you still want to retire at 65, you could have a gap of 3 years where you need to have an alternative income. Of course, this gap will be even more significant if you decide to take early retirement. That means you'll have to live off your personal savings, if any, before your State Pension payment starts – another reason to start or top-up your pension today.

By putting plans in place now, you can bridge this financial gap.

So have a chat with your financial adviser. Saving what you can afford now will give you greater control over the age at which you decide to retire.



Do keep up to date on how your pension is performing. Ask for valuations if you do not already receive them.

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ACT NOW OR REGRET IT LATER . . .

Don't assume your fund is on track to meet your pension needs. Review it regularly and increase your contributions if you need to and if you can afford it.

Last chance saloon for employees . . . 8% relief

Last chance for employees who make additional voluntary contributions to their pension to claim tax relief and additional PRSI and Healthy Levy relief on their pension savings that are backdated to 2010 on any unused tax relief – a total of up to 49%*. So the actual cost of their pension savings is almost cut in half! Payments must be made before the 31st October this year (2011).

* Assuming a higher rate tax payer (41%). 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. Payments cannot be made through payroll deduction. Reliefs must be separately claimed from the Revenue.

It's not too late if you haven't started yet

You may be approaching retirement but have not yet set aside some savings to provide you with an income for when you retire.

The good news is that it is never too late to start saving for your retirement. There are generous tax reliefs available for pension funding that you can take advantage of now.

So putting aside some savings/earnings now will ensure that you are on the right track to providing yourself with a more comfortable lifestyle in retirement.

Company directors can make up lost ground

Currently a director with no pension provision in place can start funding late for their retirement, by making a company contribution of up to a multiple of just over 4 times their salary (depending on their age) in order to provide the maximum retirement benefits allowed by Revenue at Normal Retirement Age (currently 65)*.

Company directors should consider maximising their company contributions to their pension plan now and avail of this opportunity to save at a late stage for their retirement. Unlike salary increases, bonuses or company cars, employer contributions to an executive pension plan are not normally viewed as income, so they are not taxed.

EXAMPLE:

A company director, male, aged 55, married and planning to retire at age 60, has an Executive Pension Plan. He takes €250,000 out of his company as follows:

Annual Salary

€50,000 (on which income tax would be paid)

Annual Company Pension contribution

€200,000 (income tax-free)

* Based on married male aged 55, retiring at age 60, provided he has no other pension benefits. Applies to Executive Pension Plans. Does not apply to PRSAs or personal pensions. 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.

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OPTIONS AVAILABLE AT RETIREMENT

Don't forget about pensions that you had before, for example, a work pension that you had with an old employer. Contact the pensions administrator, find out the value of your fund and see what options are available to you.

The retirement 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 spouse/civil partner/dependant will need during your retirement years;
- The amount of other assets – apart from your retirement fund – that you have to fall back on;
- Whether investment growth or security is more important to you during your retirement years;
- Whether you wish to pass your retirement fund on to your dependants; and
- Your current state of health.

What you can do with the proceeds of your pension plan depends on which employment category you fall into and the type of pension plans you currently hold.

Most people will choose to take the very attractive tax-free lump sum option from their retirement fund and then use the balance to meet their financial needs in retirement through one of three further retirement options – taking a taxable lump sum, purchasing a Pension (Annuity) or investing in an Approved Retirement Fund (ARF). Not all of the options may be automatically available and you should discuss your particular situation with your financial adviser.

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THE COUNTDOWN TO RETIREMENT

QUESTIONS TO ASK YOUR FINANCIAL ADVISOR

Meet with your Financial Adviser to obtain a clearer idea of what your financial circumstances are likely to be when you retire.





Questions to ask . . .

- ✔ Are you invested in the right pension fund for how you plan to take my benefits at retirement?
- ✔ What level of pension and tax free lump sum can you currently expect at retirement?
- ✔ People are living longer than ever. Will you have enough money to last you for up to twenty years or longer in retirement?
- ✔ Do you need to increase your pension savings over the next few years to reach your desired retirement income?
- ✔ What options are available you in relation to how you can take your retirement benefits?

Other considerations . . .

- ✔ Do you need to provide an income in retirement for my spouse too?
- ✔ What is your expected Annual Retirement Budget? Include your expected annual pension income after tax and other deductions. Estimate your expected outgoings and expenses in retirement. Factor in the potential cost of long-term health care for you or your spouse.
- ✔ If the lifestyle you want in retirement will cost more than you expect, you may need to consider continuing to work part-time, reducing your expenses, or postponing your retirement date to meet your goals.
- ✔ You should also consider having one central current account. This will make it easier for you to keep track of your flow of income.

Retirement Planning Folder

This is a good way to start gathering important information and documents that you will need when you come to retire such as:

- ✔ Your P60s for the last three years before you retire
- ✔ Details of your retirement benefits from your employer
- ✔ Copies of all Pension Plan annual benefit statements
- ✔ Evidence of any taxable, non pensionable income
- ✔ Details of any group life or health insurance plans linked to your employment.
- ✔ Consider your future health care needs - what life assurance benefits will you have when you stop working?
- ✔ Is your current health insurance plan suitable for your changing needs?
- ✔ Research what Social Welfare entitlements you will have in retirement (and those of your spouse if you are married).

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USEFUL PENSION RESOURCES

New Ireland Assurance – Pension Centre
www.newireland.ie/pensions

National Pensions Framework
www.pensionsgreenpaper.ie/downloads/NationalPensionsFramework.pdf

Department of Social Protection
www.welfare.ie

The Pensions Board
www.pensionsboard.ie

The National Consumer Agency - Consumer Site
www.itsyourmoney.ie

Revenue Commissioners
www.revenue.ie

The Pensions Ombudsman
www.pensionsombudsman.ie

Irish Association of Pension Funds (IAPF)
www.iapf.ie

Irish Institute of Pension Management (IIPM)
www.iipm.ie

Retirement Planning Council
www.rpc.ie

Association of Pension Lawyers in Ireland
www.apli.ie

Financial Services Ombudsman
www.financialombudsman.ie

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