

Retirement planning is all about deciding how much of today's income you want to allocate to your life after you stop working.

# Saving for Retirement

## ...it's your future

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### So how much should I save now for my retirement?

This depends on a number of factors, such as:

- Your age now
- When you'd like to retire
- What kind of lifestyle you'd like to have in retirement
- Any pension arrangements you already have in place (from previous or current employers)
- How much you can afford (bearing in mind that current tax relief can effectively cut the cost of your monthly savings by almost half)\*



### The Half-Your-Age rule

Generally, you should be saving about half of your current age as a percentage of your income. In other words, if you're 30 years old, you should be saving 15% of your annual income. For someone earning €40,000 that's about €500 a month but could actually only cost you €295 after tax relief\*.

If this seems like a lot now, don't put it off until another day. You can start small and gradually increase your savings when you can afford to. Every little bit adds up, especially when you consider it has a good chance to grow, for 30 years or more.



### Did you know:

Depending on your particular pension product you can usually start and stop pension contributions in line with your affordability. Don't be afraid to start a pension because it seems like a life long commitment. If your financial circumstances should subsequently change you can talk to your broker about adjusting or suspending your pension contributions accordingly.



## Last Chance For PRSI & Health Levy Relief ...

This year is the last chance for employees who make additional voluntary contributions to their pension to claim tax relief and additional PRSI and Health Levy relief on their pension savings – 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 self-assessment tax deadline of 31st October this year and backdated against unused relief for 2010.†

\* Assuming higher rate taxpayer 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.



## Did you know . . .

Saving even a little now may make a big difference later on.

A person aged 30 who saves €145 per month into a Retirement Savings Plan until age 65, could have a pension fund value of €150,000\*.

If they delayed saving into their pension until age 45, they would have to save an estimated €392 per month into a Retirement Savings Plan until age 65 to potentially achieve the same pension fund value of €150,000\* at age 65

\* Please note that these figures are intended for illustration purposes only.

An investment growth rate of 6% per annum is assumed – this is not a forecast, as unit prices can fall as well as rise and could grow at a faster or slower rate than assumed. Contributions will remain level. This quotation assumes continuation of current expense charges, 5% premium charge and 1% annual management charge.

**WARNING: THESE FIGURES ARE ESTIMATES ONLY. THEY ARE NOT A RELIABLE GUIDE TO THE FUTURE PERFORMANCE OF YOUR INVESTMENT.**



## 41% tax relief may soon be only 20% Make the most of your contributions now ...

Currently one of the best things about saving for your retirement is the generous tax relief available, up to 41% for a higher rate tax payer\*. However, as part of the National Recovery Plan, the Government intends to reduce the tax relief available from 41% to 20% on a phased basis over the next three years. 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.

\* Assuming higher rate taxpayer 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.



## The State Pension Age is going up to 68 . . .

The age at which we qualify for the State Pension is set to increase 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. By putting plans in place now, you can bridge this financial gap.



## Company directors ...

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 immediately taxed in the hands of the director.

### 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) (Corporation 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.

## 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.



## Approaching Retirement ...

Retirement is a new and potentially long chapter of your life. Why not take the time to figure out how you want to live it? Meet with your Broker or Financial Adviser to start getting a clearer idea of what your financial circumstances are likely to be when you retire.

## Review your pension investment fund ...

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

When you have a long way to go to your retirement you can benefit from investing your pension in higher risk funds, as you have time on your side before you retire. As you get closer to retirement it can make sense to secure your pension fund and not expose it to any unnecessary market volatility. Now is the time to think about protecting that pension 'pot'. At this stage it's good to talk to your broker to review where your pension is currently invested.

### 5 Questions to ask

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



**WARNING: THE VALUE OF YOUR INVESTMENT MAY GO DOWN AS WELL AS UP.  
WARNING: PAST PERFORMANCE IS NOT A RELIABLE GUIDE TO FUTURE PERFORMANCE.  
WARNING: YOUR INVESTMENT MAY BE AFFECTED BY CHANGES IN CURRENCY EXCHANGE RATES.**

Revenue limits, terms and conditions apply. It is important to note that tax relief is not automatically granted, you must apply to and satisfy the Revenue requirements. Your benefits at retirement may be subject to tax.

While great care has been taken in its preparation, this newsletter is of a general nature and should not be relied on in relation to a specific issue without taking appropriate financial, insurance or other professional advice. The information contained in this newsletter is based on our understanding of current and intended legislation and Revenue practice as at September 2011.

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