National Federation of Voluntary Service Providers'

Pension & Life Assurance Scheme

Approaching Retirement Booklet

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This booklet is based on tax and pension law applying at September 2019, which is subject to change in the future.

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APPROACHING RETIREMENT

Introduction

As your retirement approaches, now is an ideal time to review your financial position and to see what your likely retirement benefits and options will be.

Depending on your particular circumstances the options available to you at retirement may include one or more of the following:

- A tax free lump sum
- A pension for you and your dependants
- An Approved Retirement Fund (ARF)/ Approved Minimum Retirement Fund (AMRF)
- Taxable cash

This booklet provides you with detailed information on the different options currently available which will hopefully help you plan for your retirement.

INFORMATION AND ADVICE

Please note that your New Ireland Pension Consultant can advise you on technical pension matters and on products available from New Ireland. They are not in a position to advise you on products from other insurance companies. Making decisions regarding your pension benefits and options are important and we recommend that you consider engaging an independent financial advisor. The contact details of independent financial advisors in your area can be found by logging on to the Brokers Ireland website - brokersireland.ie

In all cases you should make sure that you are aware of and happy with the charges that will apply to the product that you are interested in.

ARE YOU READY FOR RETIREMENT?

In order to plan now for your retirement you should consider a number of factors including the following:

- What will be the estimated value of my pension fund by the time I retire?
- How much of my pension fund will I be able to take as a tax free lump sum?
- Will I qualify for the State Pension and if so from what age?
- Would I like a secure income in retirement?
- Would I like to take part of my pension fund as a taxable lump sum?
- Would I like to have an Approved Retirement Fund (ARF) that I could draw on for non routine expenses when I retire e.g. holidays, changing car.
- Do I need to review where my pension fund is invested?
- Should I be paying more into my pension fund?

OTHER PENSION BENEFITS

When you retire there are limits on the maximum benefits that you can receive. In calculating these maximum figures, all your pension benefits - not just the benefits that you will receive from the National Federation of Voluntary Service Providers' Pension & Life Assurance Scheme - must be taken into account. These are sometimes referred to as 'preserved' or 'retained' benefits and it is vital when discussing your options either with a New Ireland Consultant or an independent financial advisor that you tell them about any other pension benefits that you have already received or are entitled to receive in the future.

ADDITIONAL VOLUNTARY CONTRIBUTIONS

Additional Voluntary Contributions (AVCs) allow you to add significant contributions to your pension fund. Depending on your personal circumstances it may make sense to contribute more to your pension fund to provide yourself with increased benefits at retirement.

The maximum pension contributions that you will be entitled to claim income tax relief on, in any tax year, are based on your age and total earnings. An earnings cap of €115,000 applies to pension contributions for tax relief purposes.

Age	Maximum Pension Tax Deductible Limits. (% of Earnings that you can contribute to your pension and obtain tax relief)*
Under 30 years	15%
30 to 39 years	20%
40 to 49 years	25%
50 to 54 years	30%
55 to 59 years	35%
60 and over	40%

*limits are inclusive of your employee contribution of 5% of salary but exclusive of the employer contribution

Each year, you also have the opportunity of maximising your AVC payment for the previous tax year. Before the end of October you can make a once off AVC payment and claim tax relief for the previous year (up to the maximum allowable for that year) provided you are still in the same employment.

It is important to note that tax relief is not automatically granted, you must satisfy Revenue requirements. It may also be necessary to restrict your contributions so as to ensure your total benefits remain within the limits specified by the Revenue Commissioners.

INVESTMENT OPTIONS

Investment decisions

A very important part of your retirement planning process is to review your own circumstances now to establish how you are likely to take your pension fund when you retire.

The options available to you at retirement may include one or more of the following:

- A tax free lump sum
- A pension for you and your dependants
- An Approved Retirement Fund (ARF)/ Approved Minimum Retirement Fund (AMRF)
- Taxable cash

Depending on how you plan to take your pension fund, how long you have left to retire and your attitude to risk, you should also review your investment strategy and “match” this with the most suitable investment fund or funds between now and your retirement.

FUND CHOICE

The following is a list of the different investment funds into which pension contributions can be invested. The future performance of any of the funds will depend on the particular market conditions and the underlying value of each investment fund can fall as well as rise.

Lifestyling Funds:

- Passive IRIS Fund – Default Fund[1]

Very Low Risk Funds

- Pension Cash Fund[2]

Low to Medium Risk Funds

- Elements Fund[3]

Medium Risk Funds

- LGIM Diversified Fund[4]

Medium to High Risk Funds

- Pension Ethical Managed Fund[4]

High Risk Funds

- PRIME Equities[4]

[1] A fund related charge of 0.525% per annum applies to this fund.
[2] A fund related charge of 0.15% per annum applies to this fund.
[3] A fund related charge of 0.725% per annum applies to this fund.
[4] A fund related charge of 0.625% per annum applies to this fund.

FURTHER INFORMATION

Details of each fund are outlined in a separate Investment Choice Members Booklet available on www.fedvol.ie.

IMPORTANT

The Trustees have no liability in respect of the pension funds in which the contributions are invested or the performance of those funds.

Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.
Warning: If you invest in these funds you may lose some or all of the money you invest.

OPTIONS AT RETIREMENT

When you retire, there will be a number of options available to you, both in relation to the lump sum that you can take and also what you can do with the balance of your pension fund.

	Option A
Lump Sum	If you have completed at least 20 years service with your employer by the time you reach your Normal Retirement Date, you can take a lump sum of up to 1.5 times your Final Salary.* A reduced lump sum will be payable if you: • retire early, or • have less than 20 years' service completed by your Normal Retirement Date, or • have received or are entitled to a lump sum from another pension scheme.
Balance of Fund	The balance of your pension fund (except any AVCs you have paid) must be used to purchase a pension (income for life)† for you and your dependants. The value of any AVC you have built up can be invested in an Approved Retirement Fund (ARF†) or taken as taxable cash†.

	Option B
Lump Sum	25% of the pension fund at the date you retire*
Balance of Fund	Subject to certain conditions being met, you can invest the balance of the fund in an Approved Retirement Fund (ARF)† or take the balance as taxable cash†.

*The maximum lump sum you can take tax-free is subject to a lifetime limit of €200,000. Any amounts between €200,000 and €500,000 will be subject to income tax at the standard rate (currently 20%). Any amounts in excess of €500,000 will be taxed at your marginal rate and will also be subject to PRSI and Universal Social Charge.

†On the following pages, we provide more information regarding these options.

PENSION OPTIONS

If you have taken a lump sum of up to 1.5 times your final salary (Option A on page 7) then the balance of your pension fund (excluding AVCs) must be used to purchase a pension (income for life).

There are a number of options available to you. The type of pension you decide to buy and the annuity rates (cost of buying a pension) applicable when you retire will determine the level of income you can receive in retirement. For example, you may decide to use your pension fund to purchase a pension with one or more of the following options:

Level Pension

Your pension is fixed at the outset and does not increase each year.

Escalating (Increasing) Pension

Your pension increases annually by a fixed amount, for example 2% per year. An escalating pension will provide a lower level of income at the outset compared to a level pension.

Guarantee Period

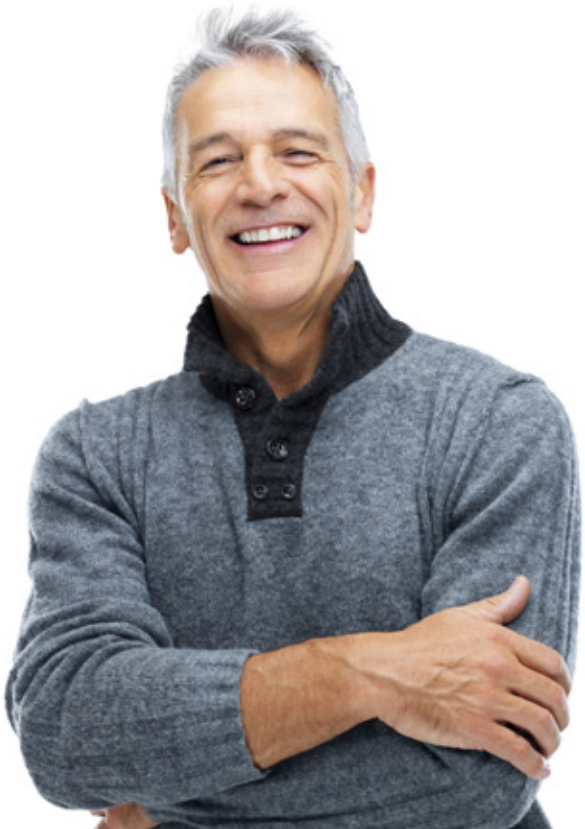
Your pension can be guaranteed to be paid for either 5 or 10 years. If for example you die during a 5 year guarantee period, then the remaining income payments (within the guarantee period) will be paid to your estate as a lump sum.

Example:

Mr. Smyth retires at age 65 and purchases an income for life of €5,000 p.a. with a 5 year guarantee period. He dies on his 66th birthday. The remaining pension payments of €20,000 due for the balance of the guarantee period (4 years) will be paid to his estate as a lump sum.

Spouse's Pension:

If you are married or in a civil partnership, you may want to consider purchasing a pension with an attaching spouse's/civil partner's pension. This means that following your death in retirement a pension will be paid to your spouse/civil partner for the remainder of their lifetime. However, should your spouse/civil partner predecease you then no spouse's/civil partner's pension will be paid.



Advantages of purchasing a Pension

Purchasing a pension provides you with security of income during your retirement years.
In particular, purchasing a pension is a good decision if:

- your major priority in retirement is to secure a pension rather than accumulating assets to pass on to your dependants/next of kin.
- you are relatively cautious about the risks of stock market investments.

Disadvantages of purchasing a Pension

- Once you purchase a pension, you are tied into it and cannot cash it in or swap out of it. Your pension income is not flexible.
- If you die in retirement after the guaranteed period your pension will cease and will not pass on to your dependants, unless you selected that option at the outset.

Will my Pension be taxed?

Your pension will be subject to income tax and USC under the PAYE system. These taxes will be deducted at source based on your personal taxation position. There is no liability to PRSI.

What happens to my Pension on my death?

This will depend on the type of pension you purchase at retirement, whether you purchased a pension with a guaranteed period or with an attaching spouse's pension.

Sample Illustrations

Male Life, Age 65 with a Pension Fund of €100,000		
Annual Pension	**50% Annual Spouse's Pension**	**Level /Escalating**
€4,125	No	Level
€3,095	No	Escalating at 2% p.a.
€3,535	Yes	Level
€2,535	Yes	Escalating at 2% p.a.

A 5 year guarantee period is assumed. Where a spouse's pension is included, she is assumed to be aged 62.

Female Life, Age 65 with a Pension Fund of €100,000		
Annual Pension	**50% Annual Spouse's Pension**	**Level /Escalating**
€3,794	No	Level
€2,804	No	Escalating at 2% p.a.
€3,574	Yes	Level
€2,624	Yes	Escalating at 2% p.a.

A 5 year guarantee period is assumed. Where a spouse's pension is included, he is assumed to be aged 68.

These figures are for illustration only and are based on annuity rates as at July 2019.

APPROVED RETIREMENT FUND (ARF) OPTION

If you have taken a lump sum of 25% of your pension fund (Option B on page 7) then provided you meet certain conditions you can invest the balance of your pension fund in an Approved Retirement Fund (ARF) or take the remainder of your fund as Taxable Cash. These options (ARF/Taxable Cash) also apply to the value of any AVCs you have built up.

What is an Approved Retirement Fund?

An Approved Retirement Fund (ARF) is a personal retirement fund that allows you to keep your money invested after retirement, as a lump sum. You can make withdrawals from it regularly to give yourself an income on which you pay income tax and Universal Social Charge (USC). PRSI is payable up to age 66. Any money left in the ARF after your death can be left to your next of kin.

Minimum Withdrawal Requirements
Please note once you are aged 60 years or over for the full tax year it is a Revenue requirement that you either:

- **Take a minimum withdrawal from your ARF**

Or

- **Pay tax as if you had made an actual withdrawal (known as Deemed Distribution)**

Where the total ARF value is €2 million or less, the minimum withdrawal / deemed distribution is 4% p.a. if you are aged between 60 and 70 years, or 5% p.a. if you are aged 70 years or over for the full tax year. The minimum withdrawal / deemed distribution is 6% p.a. if the total ARF value exceeds €2 million.

Advantages of investing in an ARF:

- your ARF invests in funds that benefit from tax free growth under current legislation.
- you can pass the value of your ARF at the date of death to your dependants/next of kin.
- an ARF offers you a wide range of investment funds to choose from. Under each of these funds, you will have differing levels of potential growth versus risk.
- you can take out taxable lump sums from your ARF fund whenever you need to.

Disadvantages of an ARF:

- an ARF can run out during your lifetime if you make large, frequent withdrawals from it, investment returns are less than expected or you live longer than expected. An ARF may not suit you if you want a secure income for the rest of your life.
- an ARF will invest, at least in part, in assets such as equities and property. These assets can fall as well as rise, therefore you need to be prepared for some short term volatility.

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.

Taxable Cash

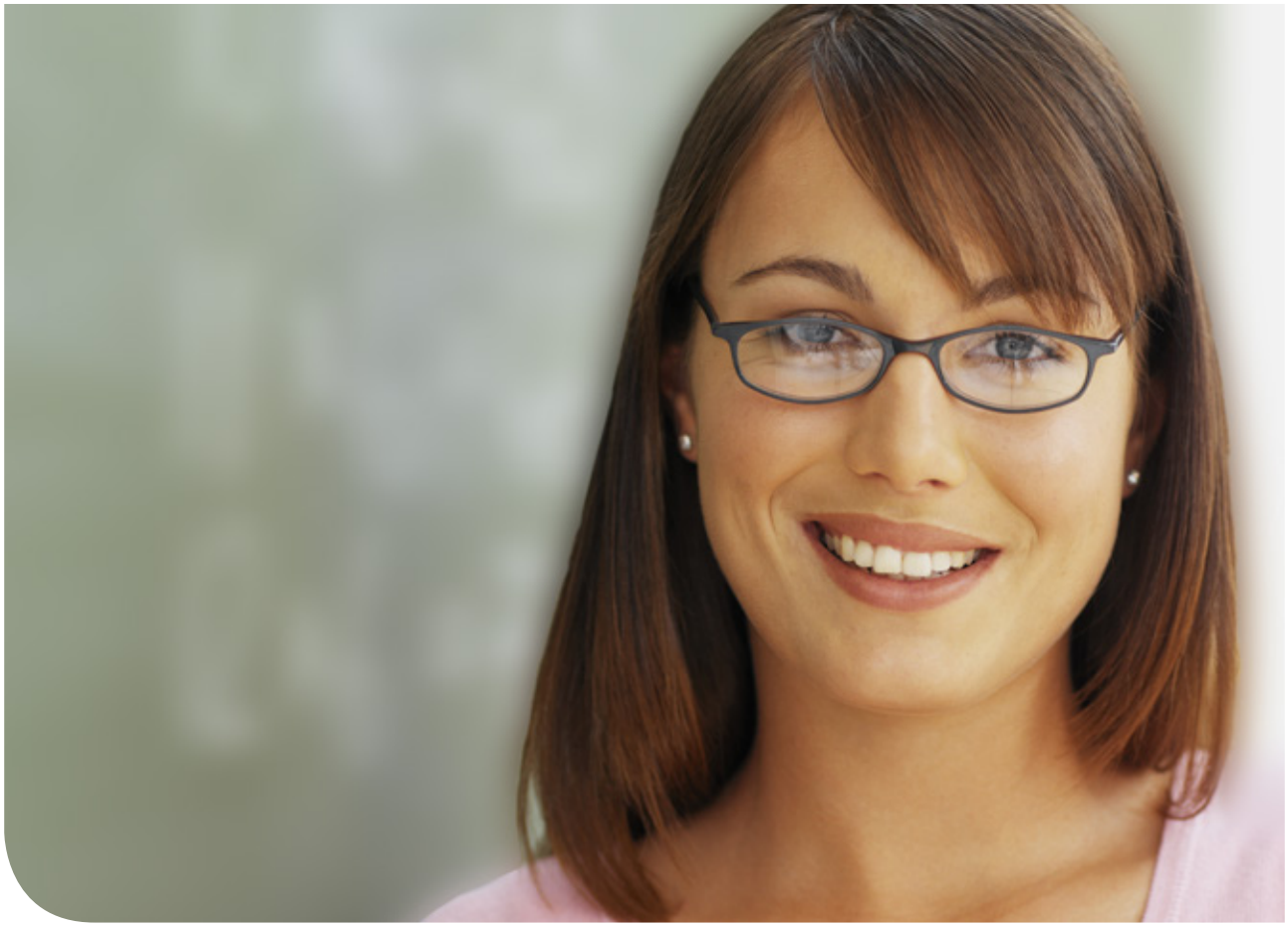
Another option you may have in relation to your pension fund is to withdraw the balance of the fund less income tax, and PRSI and USC levies where applicable.

Are there any restrictions to investing in an ARF or taking Taxable Cash?

In order to invest in an ARF or take Taxable Cash, you must have a guaranteed income for life of at least €12,700 p.a. (2019). This can include your State Pension (single person rate only) – if you qualify for it. A pension from a previous pension arrangement would also count. You can use all or part of your pension fund to purchase a pension to bring your guaranteed income up to €12,700 p.a.

If you do not have a guaranteed pension of at least €12,700 a year before taking out an ARF, you must use €63,500 (2019) of your pension fund to invest in either an Approved Minimum Retirement Fund (AMRF) or to purchase a pension. If your retirement fund is less than €63,500, then the whole amount must be used in this way. See page 12 for further information.

A guaranteed income for life does not include income from sources such as investments, businesses, rents or employment.



APPROVED MINIMUM RETIREMENT FUND (AMRF)

What is an AMRF?

An Approved Minimum Retirement Fund (AMRF) essentially operates in the same way as an ARF other than when it comes to making withdrawals:

1. Deemed withdrawals do not apply to an AMRF
2. You can only make one withdrawal of up to 4% of the AMRF value as a lump sum in each tax year
3. There is no option to set up a regular income from an AMRF

Withdrawals from an AMRF will be subject to income tax, USC and PRSI (up to age 66) under the PAYE system.

An AMRF becomes an ARF:

- **When you reach age 75**

  OR

- **You qualify for a guaranteed income for life of at least €12,700 (2019)**

  OR

- **You die before age 75**

whichever event occurs first.

Please note that if your AMRF becomes an ARF then the annual minimum withdrawal requirement (see page 10) will then apply. All withdrawals and income payments are subject to income tax and USC. PRSI is payable up to age 66. Your ARF provider will make the appropriate deduction and remit it to the Revenue Commissioners on your behalf provided that you notify your ARF provider in time. It is therefore important that you inform your ARF provider immediately should your AMRF subsequently become an ARF.

What happens to the value of your ARF and/or AMRF when you die?

When you die your AMRF becomes an ARF and this together with the remaining value of your ARF is available and can be left in your will as part of your estate. Your surviving spouse/civil partner can elect to transfer your ARF into an ARF in their own name without the payment of any tax. However, subsequent withdrawals by your spouse/civil partner would be subject to income tax, USC and PRSI where applicable.

If your ARF is transferred (under your will or under intestacy rules) to someone other than your spouse/civil partner in the event of your death, then income tax and/or Capital Acquisitions Tax may apply.

If you are in any doubt as to the tax treatment of any particular situation, please contact your New Ireland Pensions Consultant dedicated to your scheme as shown overleaf or engage with an independent financial advisor.

NEXT STEPS

This booklet is designed to help you to start thinking about and planning for your retirement.

New Ireland have appointed dedicated pension consultants who are available to assist you in your retirement planning and with any other queries you may have in relation to your pension fund. Contact details for the pension consultant dedicated to your scheme are outlined below and on the next page.

Please note that your New Ireland Pension Consultant can advise you on technical pension matters and on products available from New Ireland. They are not in a position to advise you on products from other insurance companies. Making decisions regarding your pension benefits and options are important and we recommend that you consider engaging an independent financial advisor. The contact details of independent financial advisors in your area can be found by logging on to the Brokers Ireland website - **brokersireland.ie**
In all cases you should make sure that you are aware of and happy with the charges that will apply to the product that you are interested in.

NEW IRELAND PENSION CONSULTANTS

YOUR DEDICATED NEW IRELAND PENSION CONSULTANT IS:

BRIAN DEEGAN

01 617 2611 Mobile: 086 3851516
brian.deegan@newireland.ie

- CoAction West Cork
- Malta Services Drogheda
- St Joseph's Foundation
- Kerry Parents & Friends Association
- Prosper Meath
- St. Christopher's Services

CUSHLA O'NEILL

01 617 2758 Mobile: 086 684 6747
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- Ability West
- St. Hilda's Services
- Peacehaven Trust
- Blue Teapot Theatre Company
- Ard Aoibhinn
- Cumas New Ross
- St. Catherine's Association
- Sunbeam House Services
- Western Care
- Secretariat / Head Office
- Northwest Parents & Friends

CLAIRE PARSONS

01 617 2880 Mobile: 086 9039223

claire.parsons@newireland.ie

- SOS Kilkenny
- Waterford Intellectual Disability Association
- St. Cronan's Services
- Muiriosa Foundation
- KARE
- Moorehaven
- Children's Sunshine Home / LauraLynn

Warning: The value of your investment may go down as well as up.
Warning: These funds may be affected by changes in currency exchange rates.
Warning: If you invest in these funds you may lose some or all of the money you invest.
Warning: Past performance is not a reliable guide to future performance.
Warning: If you invest in this product you will not have any access to your money until your retirement date.

This brochure is based on our understanding of current legislation and Revenue practice as at September 2019.
Terms & Conditions apply.

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