At Retirement

A Guide to your choices

It takes Aviva

Aviva has been helping clients look to the future with confidence for over 300 years. Today, we continue that legacy by providing you with the products you need to take control of your financial future. Whatever retirement you want, we will be there to help you achieve it.

Source: Aviva April 2020.

What will I get from reading this guide?

Who should read this guide?

Anyone who has a pension fund and wants to know what options they will have at retirement. Anyone who is retired and wants to understand more about their options.

What will this guide tell me?

It will explain all about the retirement options available to you in clear and simple terms. Most of the rules and options at retirement are set in law, or by the Revenue Commissioners (Revenue). This guide outlines those rules and options.

What will this guide not tell me?

This guide only gives general information on retirement options. It will not explain product specific charges or options. For specific information on your retirement options, please talk to your financial broker.

This brochure is based on Aviva's understanding of current law, tax and Revenue practice, November 2021.

What does this guide cover?

When can I retire?

The answer to this question depends on the type of pension you have.

- If you took out a pension when you were self employed or were working for a company which did not contribute to your pension, you have a Personal Pension.
- If you were working for a company and joined a pension to which your employer was contributing, you have a Company Pension. This is either a Defined Contribution (DC) pension, a Defined Benefit (DB) pension or an Executive Pension Plan.
- If you decided to top up your company pension with extra voluntary payments, you have an additional voluntary contribution (AVC) pension.
- Alternatively you may have a Personal Retirement Savings Account (PRSA). This is a pension plan available to employees, self-employed, homemakers, unemployed or any other category of person.
- If you left an employer and transferred your pension fund to a standalone pension, you have a Retirement Bond.

Personal Pensions

You can retire from a personal pension at any time between age 60 and 75. You may be able to retire early for reasons of serious ill health. Revenue may allow retirement before age 60 if you are permanently unable to work. People in some occupations are allowed to retire early without having to be in ill health. These are mostly sporting occupations such as jockeys, cyclists and footballers.

Company Pensions

Your normal retirement age is generally set by your company and can be between 60 and 70. From age 50 you can take early retirement if your employer and the Trustees of your pension agree. You can also retire early if you are seriously ill. Revenue and Trustees can allow retirement at any age if you are permanently unable to work.

Additional Voluntary Contribution Pension

Since your additional voluntary contributions are linked to your company pension you must use the proceeds from both at the same time.

Personal Retirement Savings Accounts (PRSAs)

You can draw on your PRSA at anytime between age 60 and 75. In some circumstances it may be possible to take benefits from age 50 onwards.

Retirement Bonds

Your normal retirement age is set in your company pension and does not change when you transfer to a Retirement Bond. It can be between 60 and 70. You can choose to retire early from age 50. You could also retire early if you are seriously ill and Revenue give their permission.

What are my options?

You will have a number of options at retirement and, within certain Revenue rules, you can combine options. The number of options available to you at retirement depends on the type of pension you have.

There are four main options available to you:

1 take a **tax-free Retirement Lump Sum** (subject to a lifetime limit of €200,000).

2 invest in an **Approved Retirement Fund (ARF)**.

3 buy an **Annuity**.

4 take a **taxed Retirement Lump** Sum.

Your financial broker can assist you with selecting the option(s) to best suit your needs in retirement.

Tax-free cash

Am I eligible to take tax-free cash?

Yes. Everyone has the option of taking tax-free cash at retirement. Although you do not have to take tax-free cash, most people take the maximum amount allowed.

How much can I have tax-free?

This depends on what kind of pension you have. There are two different maximum levels which apply. Some people can choose between them but others are limited to one or the other. Both options below are subject to a lifetime limit of €200,000.

25% of the fund

If you have a Personal Pension, a DC Company Pension, an Executive Pension or a Retirement Bond (which was set up with the proceeds of a DC company pension), then you can elect to take 25% of your retirement fund tax-free, subject to Revenue regulations.

The scheme rules of a DC company pension may need to be amended to allow for the payment of this tax-free lump sum option. This rule also applies where the proceeds of the DC Company Pension have been used to set up a Retirement Bond.

1.5 times salary

If you are in a Company Pension (DC or DB), AVC or a Retirement Bond, you can take tax-free cash equal to a maximum of one and a half times your final salary. The actual amount of tax-free cash you can take at retirement varies depending on how long you have worked for the company and your salary at retirement.

The maximum tax-free cash of one and a half times your final salary is available if you have worked in the company for at least 20 years at normal retirement age.

Note:
All tax-free cash is subject to a maximum lifetime limit of €200,000. Should you withdraw a lump sum which exceeds this maximum, the excess will be subject to a once-off deduction of income tax (currently 20% on a lump sum in excess of €200,000 but less than €500,000) and currently 40% on a lump sum in excess of €500,000 plus the Universal Social Charge (USC) of up to 8% (depending on your income and age) and 4% PRSI (if applicable). Note that all tax-free lump sums taken from pension arrangements since 7 December 2005 count towards the €200,000 and €500,000 limits. In the event of death, the proceeds of the pension fund may be liable to tax.

Tax-free cash options

	25% of fund	or	1.5 x salary
Personal Pension	✓		✗
PRSA	✓		✗
Company Pension – DB Pension	✗		✓
Company Pension – DC Pension	✓*		✓
Executive Pension	✓*		✓
AVC – Employee DC Pension	✓*		✓
AVC – Employee DB Pension	✗		✓
AVC – 5% Director	✓*		✓
Retirement Bond – DC Pension	✓*		✓
Retirement Bond – DB Pension	✗		✓
Retirement Bond – AVC	✓*		✓

** To avail of this option, you must invest the balance in an ARF or take the balance as taxable cash, subject to you meeting the requirements stated on page 12 (ARFs) or page 18 (taxable cash).*

If you choose to take one and a half times final salary as tax-free cash, your options on how you use the balance of the fund are limited to buying an annuity.

Advantages of taking maximum tax-free cash

- Any other option would require the money to be taxed at some stage.
- Gives you the opportunity to buy something you've always wanted, or to clear a debt like your mortgage.
- Can be used as part of your post retirement income or invested to meet future financial needs.

Disadvantages of tax-free cash

- The fund that's left will provide less of a retirement income for you.

Annuities

Is an Annuity right for you?

An annuity might suit you if:

- ✓ You require the certainty of a guaranteed pension income for the rest of your life after you retire.
- ✓ You wish to provide a guaranteed level of pension income for your spouse or civil partner in the event of your death.
- ✓ You do not wish to, or are unable (due to being unable to meet Revenue conditions) to invest the balance of your pension fund in an Approved Retirement Fund after you have taken your tax-free cash lump sum.

An annuity might not suit you if:

- ✗ You are happy to select the level of income you receive each year (subject to Revenue minimums) and are aware this may move up or down.
- ✗ You are not required to provide a future income for a spouse or civil partner.
- ✗ You wish to, and are able to invest the balance of your pension fund in an Approved Retirement Fund after you have taken your tax-free cash lump sum.

After you take your tax-free cash you can, subject to the rules mentioned on page 8, use the balance of your fund to buy an annuity. An annuity provides you with a guaranteed pension income for the rest of your life.

When you buy an annuity you will have several options including:

- A guarantee of payment for up to 10 years. This means that if you die before the 10 years has passed, your pension will continue to be paid to your dependant for the outstanding period.
- Increasing your pension each year to take account of inflation.
- Adding a spouse's / civil partner's pension so that if you die before them, then they will receive a pension income.

The options you choose to include will affect the amount of pension income your fund can provide. You may use your fund to buy an annuity from any insurance company you choose.

Whether you have a Personal Pension, a PRSA, an Additional Voluntary Contribution Pension, an Executive Pension Plan or a Retirement Bond, you may have additional options. You can choose to buy an annuity with all or some of your fund, but you also may have the option of investing in an Approved Retirement Fund or of taking taxable cash (see pages 12-17 for more details).

What happens to my annuity when I die?

When you die your pension income stops unless you have bought an annuity with a guaranteed payment period or a spouse's / civil partner's pension.

If I choose an annuity now, can I switch to an ARF later?

No, once you buy an annuity you no longer have access to your fund. It has been paid to an insurance company in return for a guaranteed pension income for the rest of your life.

How is an annuity taxed?

Any income that you receive from an annuity is subject to income tax at your highest rate (currently 20% or 40%) and may also be subject to the Universal Social Charge (USC) up to 8% depending on your income and your age.

If your retirement fund will provide your only or main source of income after you retire, you may want to consider investing some or all of it in an annuity to secure a pension income for the rest of your life.

Approved Retirement Funds

Is an ARF right for you?

An ARF might suit you if:

- ✓ You have taken a tax-free lump sum of up to 25% of the pension fund value and now wish to invest the remaining balance.
- ✓ You can accept that the value of your fund could fall as well as rise.
- ✓ You would like to take a regular withdrawal each year.
- ✓ You are happy with the choice of funds on the ARF.
- ✓ You want to pass on the money in your ARF to your family when you die.

An ARF might not suit you if:

- ✗ You have taken a tax-free lump sum of up to 1.5 times your final salary.
- ✗ You are not comfortable with the fact that your fund could fall as well as rise.
- ✗ You want a regular guaranteed pension income to last you for life.
- ✗ You are not happy with the choice of funds on the ARF.
- ✗ You want to take out an annuity when you retire.

Investing in Approved Retirement Funds

Approved Retirement Funds (ARFs) are funds managed by qualifying fund managers in which you can invest the proceeds of your pension fund when it matures.

The tax treatment of how the ARF is treated on your death is dealt with on pages 16-17.

How is my ARF invested?

Your ARF is invested in funds of your choice. These funds grow tax-free.

Can I take a regular income from my ARF?

Yes, you can take a regular income and this is taxed at your highest rate of income tax (currently 20% or 40%). PRSI of 4% and the Universal Social (USC) of up to 8% may also be applied depending on your income and age.* This income is not guaranteed and depends heavily on how your investment performs.

Taking a regular income will reduce the total value of your ARF, especially if investment returns are poor and/or you choose a high rate of income.

The higher the level of regular income you choose, the higher the chances that your ARF will be fully used up in your lifetime. If your ARF is used up, no further income will be paid.

Can I take lump sums out of my ARF?

Yes, you can take money out whenever you want to. All withdrawals will be taxed as income at your highest rate of income tax (currently 20% or 40%). PRSI of 4% and the Universal Social (USC) of up to 8% may also be applied depending on your income and age.*

** Please consult with your financial broker or the Revenue for details on the tax treatment of ARF withdrawals.*

Approved Retirement Funds (cont.)

Imputed Distributions on an ARF

You don't have to make withdrawals from your ARF however, under Revenue rules we have to deduct a minimum amount of tax each year as if you had taken a withdrawal. This is commonly referred to as an "imputed distribution". The minimum tax we have to deduct is the amount you would have paid if you had withdrawn a certain percentage of the total fund value from your Aviva ARFs and Aviva vested PRSAs as at 30 November. Vested PRSAs are PRSAs from which retirement benefits have commenced to be taken, usually in the form of a tax-free retirement lump sum with the remaining balance staying invested in the PRSA.

The imputed distribution percentages which currently apply are:

- 4%, if you're 60 years of age or over for the full tax year
- 5%, if you're 70 years of age or over for the full tax year, or
- 6%, if you have combined ARF and vested PRSA assets of €2 million or more, and are aged 60 or over for the full tax year.

Because of this requirement your ARF will be set up to automatically pay you a withdrawal, known as an automatic mandatory income payment, in December each year.

This amount will be calculated by us making sure you meet the imputed distribution obligation and taking into account any withdrawal you've made from your relevant Aviva policies during the year. If applicable we'll make a withdrawal from your ARF policy, deduct the required taxes and pay the net proceeds directly to you.

What happens to my ARF when I die?

The value of your ARF is passed to your estate when you die. Depending on who inherits the money, different levels of tax will apply.

How your ARF is taxed on death

If your ARF is transferred to an ARF in your husband's or wife's name, there currently is no income or capital acquisitions tax (CAT) due. If you leave your ARF to anyone else, they may have to pay income tax or CAT depending on who they are and their circumstances. If any income tax is payable, we must take this before paying the proceeds of your fund to your estate.

Table 1: Summary of the tax rules after your death

ARF inherited by	Income tax due	Capital acquisitions tax due
Surviving husband or wife	None, if transferred into an ARF in the husband's or wife's name* If not transferred to an ARF in the husband's or wife's name, the full amount is treated as income of the deceased spouse and taxed accordingly under PAYE	No
Your children, if under 21	None	Yes. They can inherit up to €335,000 each without paying CAT provided they have received no other benefits. They will pay CAT at 33% on any amounts over this.
Your children, if over 21	Yes, at a rate of 30%	No
Anyone else	Yes, at marginal rate of the deceased	Yes. They can inherit up to a tax-free threshold amount depending on their relationship to the ARF holder provided they have received no other benefits. Then they must pay CAT at 33% on any amount over this threshold.

** Any subsequent withdrawals will be subject to income tax at the surviving spouse's highest rate of income tax (currently 20% or 40%). PRSI of 4% and the Universal Social (USC) of up to 8% may also be applied depending on their income and age.*

A Comparison of Your Retirement Options

Choosing how you will support yourself financially in retirement is a very important decision

Feature	Annuity	Approved Retirement Fund (ARF)	Retirement Lump Sum
Tax	Any income that you receive from your annuity is subject to income tax and may also be subject to Universal Social Charge depending on your income and age.	Any income that you withdraw from your ARF is subject to income tax and may also be subject to Universal Social Charge depending on your income and age.	There are two different options which apply; 25% of your fund or 1.5 times your final salary. Some people can choose between them, but others are limited to one or the other. Both options are subject to a lifetime tax-free limit of €200,000. Should you withdraw a lump sum which exceeds this limit, the excess will be subject to a once-off deduction of income tax, Universal Social Charge (USC) of up to 8% and 4% PRSI (if applicable).
Changing your mind	You have 30 days after you purchase an annuity to change your mind before you are locked into this option.	You can use the funds in your ARF to buy an annuity at any time. There is also a first 30-days cooling off period on ARFs.	You've taken your retirement lump sum - now go enjoy it!
Income for Life	Your annuity is a guaranteed regular income for the rest of your life, no matter how long you live.	While your funds still have the opportunity to grow in an ARF, it is possible to withdraw all your money and run out during your lifetime.	It is possible to spend all of your retirement lump sum, there is no guarantee it will last for the rest of your lifetime.
Early Death	If you select the added cost options at purchase, your annuity can be passed on to your spouse/ civil partner/children in the event of your death.	The value of your ARF is passed to your estate when you die. Depending on who inherits the money, different levels of tax will apply.	This will be part of your estate when you die. Depending on who inherits the money, different levels of tax will apply.
Control over Investment	You receive a guaranteed income for the rest of your life and have control over how you spend your annuity income.	You have full control over where your retirement savings are invested. These funds can continue to grow tax-free.	Your retirement savings are no longer invested. You have the option to reinvest them, but you may then be subject to additional tax.
Fixed Income	The income you receive from your annuity will be at a fixed value, unless you select the added cost option at purchase that increases your annuity value every year to adjust for inflation.	The income you choose to receive from your ARF can increase and decrease in value as it is up to you how much you want to withdraw.	You have complete freedom over how you spend or invest your retirement lump sum, but it is not a form of fixed income.
Lump Sum Withdrawals	You are not able to make any lump sum withdrawals after you have purchased the annuity.	You can take money out of your ARF whenever you want to.	You can only take tax-free retirement lump sums up to your lifetime tax-free limit of €200,000.

Note:

Tables is based on our understanding of current Revenue rules as at November 2021.

Taxable cash

After you take your tax-free cash, you can take all or part of the balance of your fund as cash and pay tax on it.

Any money that you withdraw in this way will be taxed at your highest rate of income tax (currently 20% or 40%). PRSI of 4% and the Universal Social (USC) of up to 8% may also be applied depending on your income and age.

Getting advice

Who should I talk to about my retirement plans?

Your financial broker will be able to assess your personal situation and guide you through the complexities of retirement and tax planning.

Planning your retirement is a very important part of providing for your future and should be looked at in the context of your overall financial plans and goals.

This guide only gives general information on retirement options. It will not explain product specific charges or options. For specific information on your product choices and your options at retirement, please talk to your financial broker.

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.
Warning: The income you get from this Approved Retirement Fund (ARF) may go down as well as up.
Warning: These products may be affected by changes in currency exchange rates.

Useful addresses

Any enquiries or complaints regarding your policy should be in the first instance directed to our Pensions Department. We will endeavour to ensure that all matters in relation to your policy are dealt with in a satisfactory manner. In the event that you are dissatisfied on any matter, you may refer your complaint to one or more of these offices.

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Full details of the remit of the Financial Services and Pensions Ombudsman and the Pensions Authority can be obtained directly from their respective offices.

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