Boost your retirement savings

Take full advantage of pension tax incentives



Planning for retirement is one of the most important financial steps you can take. The good news is that the Irish pension system provides generous tax incentives designed to help your savings grow more efficiently over time. By making the most of these supports you can significantly enhance your financial security in retirement.

Outlined below are the key tax benefits available with practical examples to illustrate how increasing your pension contributions can work to your advantage.

Tax relief on personal contributions

One of the most valuable incentives is income tax relief on pension contributions. Contributions to an approved pension arrangement qualify for tax relief at your highest rate of income tax - currently up to 40%.

Contribution limits by age

You can contribute a percentage of your earnings each year and receive tax relief, subject to age-related limits:

Age	Maximum Contribution (as % of salary)
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60+	40%

(Subject to the earnings cap - currently €115,000)

What this means in practice

If you contribute €1,000 to your pension:

- A higher-rate taxpayer (40%) effectively pays just €600
- A standard-rate taxpayer (20%) pays €800

This makes pension saving one of the most tax-efficient ways to invest for the future.

Tax-free investment growth

Once invested in your pension, your fund grows free of income tax and capital gains tax.

This allows your savings to benefit fully from compound growth over time, compared to other investment vehicles.

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Employer contributions - free money for your future

Many employers contribute to pension schemes on behalf of employees. These contributions:

- Are not treated as a benefit-in-kind (BIK) (subject to limits)
- Do not count towards your personal contribution limits
- Grow tax-free within the scheme

Case study: employer matching

John earns €60,000 and contributes 5% of his salary (€3,000) to his pension.

- His employer matches this with another €3,000.
- John receives 40% tax relief, so his net cost is €1,800.
- Total invested annually: €6,000.

Outcome: John doubles his savings at a reduced cost, significantly accelerating his pension growth.

Additional voluntary contributions (AVCs)

If you wish to boost your retirement savings further. AVCs allow you to contribute additional amounts and benefit from tax relief (within age-related limits).

AVCs are particularly useful if you:

- Started saving later in your career
- Have gaps in your pension contribution record
- Want to increase your retirement lump sum or income.

Tax-free lump sum at retirement

At retirement, you may be eligible to take part of your pension fund as a tax-free lump sum:

- Up to €200,000 can be taken completely tax-free
- The next €300,000 is taxed at 20%

This can provide a valuable cash buffer at retirement - for example, to clear debts, support children, or reinvest.

Maximising your contributions - key considerations

To make the most of pension tax incentives:

Start early - or increase contributions now

- Even small increases in contributions can have a large long-term effect due to compound growth.

Review your contribution rate

- As your salary rises or financial commitments change, consider increasing your contribution percentage.

Use AVCs strategically

- AVCs are particularly powerful in your 40s and 50s when contribution limits are higher.

Final thoughts

Pension tax incentives are designed to reward long-term savings, and they are most effective when actively utilised. Whether you are early in your career or approaching retirement, reviewing and potentially increasing your contributions can make a meaningful difference.

If you would like to:

- review your current contribution levels
- understand your projected retirement benefits
- explore AVC options.

Please contact your Financial Broker.

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