

# You're ready for retirement with the Lifestyle Options

May 2021

Every month, you and AIB put money into your pension plan to provide an income for you when you retire. Those savings don't just sit there: your money is invested with the aim of growing in value over time to provide you with even more when you retire. While some of our plan members are financial experts, we don't expect you all to be investment wizards. To make it easier for you manage your investments, and spend your time and energy focussing on what's important to you, we have developed Lifestyle Options that can manage your savings for you in line with investment best practices.

**This newsletter explains how the Lifestyle Options work and explores why they might, or might not be suitable for you.**



# What are the Lifestyle Options?

The Lifestyle Options are automated investment solutions that follow best practices to help you manage your pension savings. They are the default investment options for the plan, and unless you actively chose the **freestyle** approach to investment, your pension savings will be invested in one of the Options.

You can confirm where your savings are currently invested by visiting:  
[www.myaibpension.ie](http://www.myaibpension.ie)

Our Lifestyle Options follow the investment best practices of:

- Balancing risk and return:
  - Aiming for growth when you are early-midway through your career.
  - Reducing investment risk as you get closer to retirement.
- Aligning the underlying investments with how you are likely to use your savings at retirement.

We explain why these points are important below.

## Is there any reason why the Lifestyle Options may not suit me?

The Lifestyle Options are designed to suit the needs of the majority of plan members. However, there are circumstances in which the Lifestyle Options generally, or a specific Lifestyle Option you are currently invested in, may not suit your needs:

- You would prefer to freestyle your investment choices.
- You are not planning on retiring at the general retirement age of 65<sup>1</sup>.
- You will have other sources of retirement income such as pension from a former employer.
- You expect to take benefits different from those targeted by the Lifestyle Options.

## Balancing risk and return

Investing our savings lets us increase their value over time. €100, invested today, achieving annual growth of 2% (after inflation) would be worth €149 in 20 years' time (in terms of today's purchasing power). The more investment return you achieve, the more your money will grow: a 3% return would give you €181, and a 4% return would give you €219 – more than double the amount you originally paid in.

However, aiming for higher growth means investing in more volatile funds. You might see some short term falls in the value of your savings due to temporary dips in the markets. But, as long as you are far from retirement (seven or more years away), your savings are likely to have time to recover.

As you get closer to retirement, however, the impact of a short-term fall in the market could be more of a problem.

Think of the market collapse in 2008. The value of your savings would have fallen dramatically, but within a few years they would have bounced back to their former values. However, if you were retiring during 2008 itself and full invested in volatile growth funds at that point, there would have been no time to recover and it could have had a major and lasting impact on your retirement income.

That's why it's considered investment best practice to gradually shift to less volatile funds as you get close to retirement.

### Key Message:

The Lifestyle Options follow this investment best practice, managing the gradual step changes from growth funds to conservative funds on your behalf.

### Reflection Point:

When do you want to retire? If you plan on retiring before age 65<sup>1</sup> the Lifestyle Options may not suit your needs as your savings could still be invested in volatile funds close to your chosen retirement age.

<sup>1</sup> Please note that under current legislation you must retire from all pension plans from a specific employer at the same time. If you retain benefits built up under another AIB pension plan, such as the DB pension plan, it may not be possible to retire early from that plan.

## Aligning the underlying investments

At retirement, you will be able to use your Retirement Account to provide your choice of a range of benefits:

- **A Retirement Lump Sum** – a tax free cash lump sum, up to 25% of your Retirement Account or higher if your combination of earnings and service permit.
- **An Annuity** – a regular income payment for the rest of your life from a Life Company.
- **An Approved Retirement Fund (ARF)** – continued investment after retirement with the option to take out cash when you want it, subject to ARF rules.

To find out more about the retirement options available to you, log on to:  
[www.myaibpension.ie](http://www.myaibpension.ie)

Best practice is to invest in specific types of funds that move in line with the cost of providing each of those benefits. For example, if you want to maximise your Retirement Lump Sum, you may want to prioritise investing in cash, if you want to continue investing through an ARF, you may wish to remain in growth funds all the way to retirement.

Many organisations offer a single Lifestyle Option which targets a specific package of benefits as the default investment option to all members of their plan. We go a step further, and tailor our approach to your personal details. We use your pension details to project the mix of benefits you are likely to take at retirement and then assign you to the Lifestyle Option that aligns most closely to that mix of benefits.

We do this for you based on your personal details, but you can change to a different Lifestyle Option if you wish. We offer a choice of three Options, each aligned with a different package of benefits.

The analysis described above is based on the information we have about your AIB retirement benefits. If you have savings from another employer's pension plan our analysis cannot reflect this and may not accurately identify the benefits you are likely to take at retirement.

### Key Message:

AIB's Lifestyle Options follow the investment best practice of aligning investment approaches with benefits we expect you to take at retirement.

### Reflection Point:

Which benefits do you want to take at retirement? Do you have other pension sources that might skew the assessment of the benefits you are likely to take at retirement? Make sure your savings are invested appropriately for the benefits you want to take at retirement.



## What Lifestyle Options are available to me?

You have a choice of three Lifestyle Options which target different objectives at Normal Retirement Age:



### Lifestyle Option 1: Cash Ready

For members who want to take all of their pension savings as a Cash Lump Sum at retirement. At the point you reach retirement your fund will all be in a Cash Fund.

Revenue limits apply to how much lump sum you can take at retirement.



### Lifestyle Option 2: Cash and Annuity Ready

For members who want to take a mix of a Cash Lump Sum and Annuity (guaranteed income for life) at retirement. At the point you reach retirement your fund will have moved fully to a mix of a Cash Fund and an Annuity ready fund.

Three versions of this Lifestyle Option are available, so you can target the following mix of pension savings - Cash Lump Sum or Annuity in 75:25, 50:50 or 25:75 proportions.



### Lifestyle Option 3: Cash and ARF Ready

For members who want to take a mix of a Cash Lump Sum and ARF (continued investment after retirement) at retirement. At the point you reach retirement your fund will have moved fully to a 25% in a Cash Fund and the balance in an ARF ready fund.

## How can I find out more about Lifestyling?

To get to know the Lifestyle Options better, visit [www.myaibpension.ie](http://www.myaibpension.ie)

You can access your plan booklet and newsletters about Lifestyling.

You will also be able to access your latest Annual Benefit Statement which confirms how your savings are currently invested – which Lifestyle Option you are invested in, or which Freestyle Funds you are currently invested in.

## What if I want to change how my savings are invested?

If you want to update your investment arrangements, visit [www.myaibpension.ie](http://www.myaibpension.ie)



This document is intended for information purposes only and does not constitute investment advice. Investment in any particular fund or funds described in the document may not be suitable for all members. You may wish to obtain independent financial advice prior to choosing which funds to invest in.

Although great care has been taken in selecting the investment funds made available to members, you should be aware that you bear the risk of incurring a loss due to the performance of the funds you are invested in (whether the Trustee has followed your direction or, in the absence of such direction, you have been invested in the default option), and the Trustee will not be liable for any such loss.

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Errors and omissions excepted.