Jargon **Buster**

Additional Voluntary Contributions (AVCs)

AVCs are additional voluntary contributions which you can pay to increase the value of your Retirement Account. You can make regular AVCs or pay a lump sum. Tax relief is allowed on pension contributions, including AVCs, up to limits based on age and earnings as shown here.

Age attained in the tax year	% of Taxable earnings (Up to €115,000)	Maximum contributions based on earnings of €115,000
Up to 30	15%	€17,250
30 - 39	20%	€23,000
40 - 49	25%	€28,750
50 - 54	30%	€34,500
55 - 59	35%	€40,250
60 and over	40%	€46,000

You can claim tax relief directly from the Revenue Commissioners in respect of the previous tax year on a lump sum AVC paid before 31 October of the current year (or later if you file your tax return online). That assumes the lump sum is within the tax relief limits for the previous year.

Annuity

An Annuity is an insurance policy that pays a guaranteed pension income for your lifetime. You can choose an Annuity for a minimum guaranteed period up to 10 years. You can also choose to have the income increase each year and to continue to pay to a dependant after you die.

Approved Retirement Fund (ARF)

An ARF is an investment option which may be available to you when you retire. It allows you to retain control of your retirement savings and it can be flexible in how you receive income during your retirement.

You can draw down income from an ARF either on a regular basis or as lump sums. Any payments you take from an ARF will be subject to income tax, Universal Social Charge, and PRSI (if you are liable for this).

By continuing to invest the remainder of your ARF, you can benefit from any future investment growth and you can determine the investment strategy for your ARF. **There is no guarantee that your investments in an ARF will rise in value.**

Note: An ARF could run out of money before you die if investment performance is poor and depending on how much you draw down from your ARF.

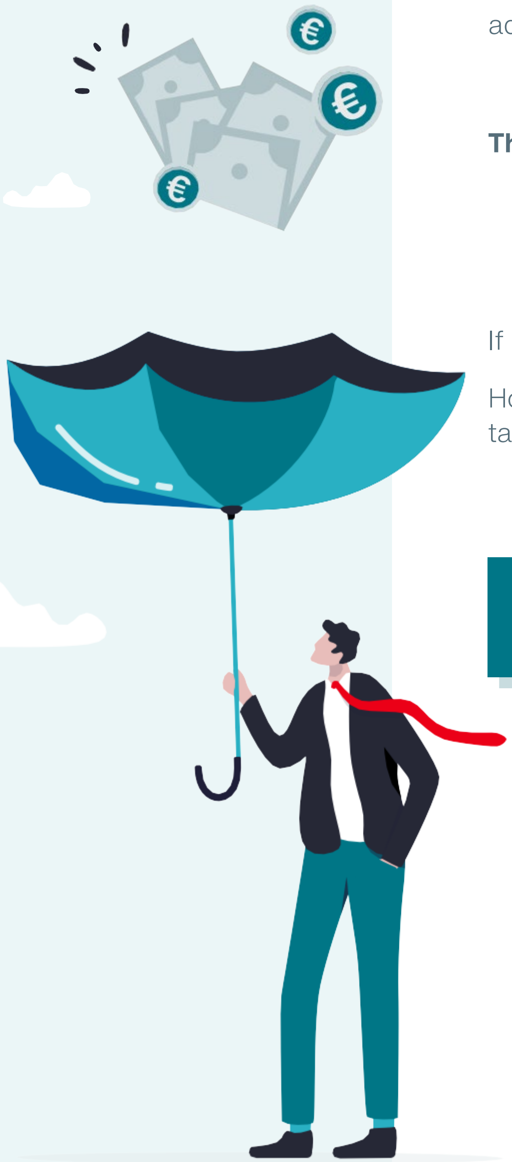
You will retain ownership of the ARF and when you die, any remaining value will be left to your spouse/civil partner or other beneficiaries.

For those between the age of 61 and 70, there is a minimum withdrawal of 4% of the value of the ARF each year. This increases to 5% each year from age 71. The minimum withdrawal is 6% of the value of an ARF for those who have reached age 61 and have one or more ARFs with a total value in excess of €2 million.

Cash Lump Sum

The cash that you take as a lump sum can be calculated in one of two ways. You may take the greater of the two options.

- **Option 1:** You can take 1.5 times your Final Remuneration (as defined by the Revenue Commissioners) less any cash lump sums you have in previous pension arrangements, if you have completed at least 20 years' service with your employer at your Normal Retirement Age. If you have shorter service, or leave before Normal Retirement Age, a lower limit applies. If you choose option 1, the balance of your Retirement Account must be used for a lifetime income (Annuity) rather than investing in an ARF. However, you may invest the value of any AVCs you have paid in an ARF if you wish.
- **Option 2:** You can take up to 25% of the value of your Retirement Account. If you choose option 2, the balance of your Retirement Account must be invested in an ARF. You can take taxable cash as an alternative to investing in an ARF. An ARF can be converted into an annuity at any time. The Revenue Commissioners apply lifetime limits to tax-free cash lump sums. Any cash lump sum up to €200,000, including any lump sums received on or after 7 December 2005, is tax-free and any excess is taxed as below:
  - The next €300,000 will be subject to the standard rate of tax (currently 20%);
  - Any excess over €500,000 will be taxed at the higher rate (currently 40%) and will also be subject to the Universal Social Charge and PRSI (if you are liable for this).



Standard Fund Threshold (SFT)

The Standard Fund Threshold allowed for tax relief purposes is currently €2 million. This includes any pension benefits you have received since 7 December 2005 and pension benefits you may receive in future.

Any pension funds in excess of €2m when paid on retirement are liable to one-off income tax at the top rate of tax (currently 40%), in addition to normal income tax and Universal Social Charge payable on your retirement benefits. This limit may be adjusted in line with an earnings index at the discretion of the Minister for Finance.

The value of your benefits to compare with the SFT is calculated as follows:

- If you have a defined contribution arrangement, you look at your total fund value;
- If you have a defined benefit arrangement, you look at your accrued annual pension multiplied by 20 or at a higher rate for benefits accrued after 2014, and add any separate stand-alone cash lump sum entitlement.

If your benefits are more than the SFT, there will be a tax charge on the excess amount at the time you take your benefits.

However this tax charge will be reduced by any tax charged at the standard rate only on any lump sum in excess of the lifetime tax-free lump sums limit (currently €200,000), which has not been offset previously.

**Note:** This information applies at the effective date of this leaflet but is subject to change in line with legislation