



ABC Company Pension Scheme (defined contribution)

Retirement options letter

We understand that you are retiring on [insert date] - this letter outlines what your options are for your retirement fund and allows you to tell us how you wish to receive your retirement benefits.

1. Your personal details

Name	Member ref number
Address	Pensions Authority ref number
Date of birth	Date you joined the scheme
Civil/marital status	Normal retirement age
Scheme number	Date of normal retirement

2. Your fund value

The value of your retirement fund on [insert valuation date] is [insert value].

3. Retirement options available

Please note that the benefit amounts you will receive may vary from those illustrated below as they will be calculated for the exact date you retire.

► **Option 1: You could take a tax-free lump sum and use the remainder to buy an annuity**

You can opt to take a tax-free lump sum¹ of up to [insert value] and use the remainder to purchase an annuity. This will give you an income of [insert value] a year payable monthly in advance, increasing by 2% every year, and guaranteed for a minimum of 5 years from age 65 and for your lifetime thereafter.

Alternatively you can buy an annuity of [insert value] which will not increase each year. It is also possible to purchase an annuity to cover more than one life, for example a joint life annuity which will pay a percentage to your spouse after your death.

► **Option 2: You could take a tax-free lump sum and invest the remainder in an AMRF and an ARF**

You can opt to take a tax free lump sum of up to [insert value] and use the remainder to invest in an approved retirement fund (ARF). You can choose to invest in an ARF where you have a guaranteed lifelong income of €12,700². If not, you can still invest in an ARF provided you put €63,500 into an approved minimum retirement fund (AMRF).

Withdrawals can be made from an ARF at anytime but will be taxable. If you withdraw less than 4% a year, you will be taxed as if you withdrew 4%³. You can withdraw up to 4% a year from your AMRF to age 75 at which point the AMRF becomes an ARF. Any remaining balance in your ARF/AMRF will be transferred to your estate on death.

¹ Lump sum payments of up to €200,000 are tax-free. The next €200,001 to €500,000 is subject to 20% tax and lump sums of over €500,000 are charged at the tax payer's marginal rate.

² Your State pension (contributory) may count towards this.

³ 5% if you are aged over 71 and 6% if your fund is over €1,000,000.

► **Option 3: You could take a tax-free lump sum and use some of the remainder to purchase an annuity and some to invest in an ARF**

You can opt to take a tax free lump sum of up to [insert value] and use some of the remainder to invest in an approved retirement fund (ARF). To invest in an ARF you must have a guaranteed lifelong income of €12,700⁴ (or invest in an AMRF, see above). If you have a guaranteed lifelong income of less than €12,700 you may purchase an annuity to bring your income up to the required amount and then invest the remainder in an ARF.

Withdrawals can be made from an ARF at anytime but will be taxable. If you withdraw less than 4% a year, you will be taxed as if you withdrew 4%⁵. Any remaining balance in your ARF will be transferred to your estate on death.

► **Option 4: You could take a tax-free lump sum and invest the remainder in an ARF**

You can opt to take a tax free lump sum of up to [insert value] and use the remainder to invest in an ARF provided you have a guaranteed income of €12,700⁴ or have invested a minimum of €63,500 in an AMRF.

Withdrawals can be made from an ARF at anytime but will be taxable. If you withdraw less than 4% a year, you will be taxed as if you withdrew 4%⁵. Any remaining balance in your ARF will be paid to your estate on death.

► **Option 5: You could take a tax-free lump sum and take the remainder as taxable cash**

You can opt to take a tax free lump sum of up to [insert value] and take the remainder as cash which is subject to tax, if you have a guaranteed income of €12,700⁴ or have invested a minimum of €63,500 in an AMRF.

► **Option 6: You could use the whole fund to purchase an annuity**

You can opt to not take a tax free lump sum and use the whole fund to purchase an annuity. This will give you an income of [insert value] a year payable monthly in advance, increasing by 2% every year, and guaranteed for a minimum of 5 years from age 65 and for your lifetime thereafter.

Alternatively you can buy an annuity of [insert value] which will not increase each year. It is also possible to purchase an annuity to cover more than one life, for example a joint life annuity which will pay a percentage to your spouse after your death.

► **Option 7: You could take the fund as taxable cash under the triviality rule**

Where the benefits under the scheme⁶ do not exceed the equivalent of €330 a year the full sum may be taken subject to tax. Alternatively, where the residual fund after taking the tax-free lump sum does not exceed €20,000, it can be taken as a taxable lump sum.

If you have any questions on the above please contact [insert name/title and address].

To select any of the retirement benefit options above please complete the 'option selection form' and forward to [insert name, address and any other contact details].

It is recommended that you seek professional financial advice to assist you in selecting the most suitable option and completing the option selection form.

⁴ Your State pension (contributory) may count towards this.

⁵ 5% if you are aged over 71 and 6% if your fund is over €1,000,000.

⁶ And any other scheme relating to the same employment.

4. Option selection form

Member's name	
Member's ref number	
Please indicate which option you are choosing and return form to [insert name, address and any other contact details].	
Option selected	Provide details and amount
1. Tax-free lump sum and annuity	
2. Tax-free lump sum, AMRF and ARF	
3. Tax-free lump sum, annuity and ARF	
4. Tax-free lump sum and ARF	
5. Tax-free lump sum and taxable cash	
6. Annuity	
7. Taxable cash under triviality	
Signature:	
Date:	