your pension your retirement

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group financial services ltd

Information on increasing your AVC contributions

It's in your hands

Increasing your AVC contributions… why it may make sense.

Financial freedom at retirement is what most people aspire to. Some time back you made the conscious decision to take control of your retirement goals by taking out an AVC. But when was the last time you reviewed your AVC? Is it still on target for your own personal goals?

There are 4 very good reasons why it may make sense to increase your AVC contributions.

1. Lighten your tax bill and increase your retirement savings all in one go.
2. The bigger your AVC pot, the more options you have at retirement.
3. Retire earlier than you had originally planned.
4. You may have taken advantage of the once-off option to withdraw up to 30% of the value of your AVC.

Lighten your tax bill and increase your retirement savings all in one go.

As well as providing you with additional financial security when you retire, payments into your AVC Plan entitle you to generous tax relief. Every euro you save in your AVC Plan reduces your income tax bill (subject to Revenue limits).

The example below shows just how much you'll save in tax relief for every €100 you save, assuming you pay tax @ 40%.

AVC contribution	€100
Less tax relief	€40
Real cost for every €100 invested	**€60**

The bigger your AVC pot, the more options you have at retirement.

Whether you want a lump sum in retirement (tax free or not), buy a pension or invest in an ARF/AMRF, the bigger your pot is at retirement, the more options will be available to you.

Retire earlier than you had originally planned.

Since you first set up your AVC Plan, you may have changed your retirement plans. If for instance, you are now considering retiring at age 60 (when you had originally planned to retire at age 65), this may be an opportune time to increase your AVC contributions to fund for an earlier retirement.

You may have taken advantage of the once-off option to withdraw up to 30% of the value of your AVC.

This option was available for 3 years between 27th March 2013 and 26th March 2016. If you are one of the many people that took advantage of this option that the government made available, your AVC pot at retirement may now be under pressure and may not fulfil your retirement goals. Is it time for you to increase your AVC contributions in order to close the gap?

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AVCs and value for money

Please read this carefully before increasing your AVC contributions.

The value for money offered by your AVC Plan depends largely on the income tax relief you receive while contributing to your AVC, along with any investment returns, and the income tax, USC and PRSI you pay on withdrawals you make in retirement.

If you believe that it is likely you will be paying tax at the same or a higher rate in retirement than the tax relief you are receiving on your contributions to your AVC, then using your AVC Plan to invest in your future may not represent good value for money. This applies where you are funding for an ARF/AMRF or a pension.

In other words, if you are enjoying income tax relief on your AVC contributions at 40% whilst working, but subsequently have to pay 40% income tax as well as both the USC and PRSI on any withdrawals you make, the tax advantages of your AVC Plan are negated.

This table highlights the most common scenarios that members fall into. Please take some time to see which scenarios may apply to you.

Is my AVC still value for money based on the tax relief I am currently receiving on my AVC contributions?

	Tax relief on your contributions	
Typical tax scenarios in retirement	**@ 40%**	**@ 20%**
1 Funding for tax-free cash lump sum		
A) Paying income tax at 0% in retirement (extremely low income)	✔	✔
B) Paying income tax at 20% in retirement	✔	✔
C) Paying income tax at 40% in retirement	✔	✔
2 Funding for non tax-free cash (ARF/AMRF/Pension)		
A) Paying income tax at 0% in retirement (extremely low income)	✔	✔
B) Paying income tax at 20% in retirement	✔	AVC contributions may not be value for money in some circumstances.
C) Paying income tax at 40% in retirement	AVC contributions may not be value for money in some circumstances.	✘

Are there limits to the amount I can claim tax relief on?

Yes. Revenue will allow full tax relief on Pension contributions up to the limits set out in the table below. This limit rises over the years so that by age 60 a member can claim tax relief on up to 40% of salary.

This overall contribution is subject to limits set by Revenue and is calculated as a percentage of annual salary. The percentage allowed for tax relief takes into account contributions to the Superannuation, Spouses' and Children's, Notional Service Purchase, and the AVC Schemes, etc.

The Pension Related Deduction is not taken into account when calculating the percentage allowed by Revenue.

Age	% of Salary*
Up to 29 years of age	15%
30 up to 39 years of age	20%
40 up to 49 years of age	25%
50 up to 54 years of age	30%
55 up to 59 years of age	35%
60+ years of age	40%

*Maximum salary of €115,000 allowed for tax relief purposes.

Important points to consider when increasing your AVC contributions

Please read this carefully before completing the form.

- Your new AVC contributions will be invested using the same investment strategy/funds as your current AVC Plan.
- The value of your AVC Plan can fall as well as rise in value and may at any time be less than the amount invested.
- You must ensure that your contributions to your AVC Plan do not breach the maximum limits set by Revenue (see table on previous page). In calculating whether you have reached the maximum limit allowed you must take into account any contributions to:
  - the Superannuation Scheme (and, if relevant, Spouses' and Children's Scheme)
  - any other pension arrangement you may be contributing to (Purchase of Notional Service, Personal Retirement Savings Accounts etc.) and any employer sponsored facility such as the repayment of Marriage Gratuity, Purchase of Service Training/Temporary years, etc.
- If you're anticipating retiring within the next 7 years you need to consider carefully whether increasing your contributions will represent value for money given the relatively few years remaining to retirement.

Important Note: Should your circumstances have changed since you first joined the AVC Scheme, this may affect your options at retirement (e.g. what proportion of your AVC Plan you can take as a tax-free lump sum, what proportion you can invest in an ARF, etc.). If any of the following apply to you, we would strongly recommend you arrange a Retirement Planning Consultation rather than increasing your AVC contributions on an execution only basis:

- You have revised your anticipated retirement age
- You have taken a career break
- You have gone job sharing or reduced/increased your working hours
- You have decided to buy back years through the Purchase of Notional Service Scheme, etc.
- You have decided to retire under Cost Neutral Early Retirement.

There is currently no fee for a Retirement Planning Consultation.

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Am I charged a consultancy fee if I increase my AVC contributions?

No. Currently there is no consultancy fee when you increase your AVC contributions, whether you do so with a Retirement Planning Consultant or on an 'execution only' basis (i.e. with no advice from Cornmarket).

However, this may change in the future as a consultancy fee may apply if you meet with a Retirement Planning Consultant.

Warning: The value of your investment may go down as well as up.

Warning: This product may be affected by changes in currency exchange rates.

Warning: If you invest in this product you may lose some or all of the money you invest.

Warning: If you invest in this product you will not have any access to your money until you receive your Superannuation Benefits.

Please note: withdrawals are subject to income tax at your marginal rate.

The tax information contained herein is based on Cornmarket's understanding of current Revenue practice as at March 2016 and may change in the future.

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Christchurch Square, Dublin 8 Tel: (01) 408 4000 Web: www.cornmarket.ie