Investing in an Approved Retirement Fund (ARF)

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You may be able to re-invest some or all of your AVC Investment Account in an Approved Retirement Fund. An Approved Retirement Fund allows you to retain control of the money you have built up in your AVC Investment Account over the years. It also allows you to leave this money to your dependants when you die.

What is an Approved Retirement Fund (ARF)?

An Approved Retirement Fund is an investment fund which allows you flexibility in terms of how you use your AVC Investment Account.

To invest in an Approved Retirement Fund you must be able to show Revenue that you have a guaranteed income of at least €12,700 a year, for life. Examples of the types of guaranteed income which are acceptable to Revenue include:

- Pension paid from the Superannuation Scheme
- State Pension
- An annuity (i.e. pension) you have bought with the proceeds of a pension plan.

Rental or investment income, widows pension, salary, cannot be included when assessing the €12,700 income level.

You also have the option to have an income test completed at any stage in retirement.

What ARF options do I have?

You can invest in a number of ARF funds over the years ahead. Depending on how investment markets perform, these funds may increase or reduce the value of the money you built up originally in your AVC investment Account and have now invested in an ARF.

- You can take a regular income subject to income tax, the USC and PRSI (in certain cases) although this income is not guaranteed as it can only be paid for as long as there is sufficient money in your ARF. However, unlike a pension, you can change the amount of income you withdraw from your ARF whenever you want
- You can take out cash lump sums whenever you want subject to income tax, the USC and PRSI (in certain cases)
- If you do not need an income now you can leave all your money in your ARF where any investment growth will be free of tax. However if you decide to draw down income from your ARF you will have to pay income tax, the USC and PRSI (in certain cases)
- You can use your ARF as part of your inheritance planning
- You can use your ARF at any time to buy a pension (i.e. regular income for life).

If you want to make regular withdrawals from your ARF, please remember the following:

- Making regular withdrawals may reduce the value of your ARF, especially if investment returns are poor and/or you choose to withdraw large amounts
- Regular withdrawals over a long period may use up all the money in your ARF
- If your Superannuation Scheme pension is low relative to your income needs, you may want to consider investing some or all of your AVC Investment Account in a pension to provide an income for life.

Will I have access to my money?

Yes, the money in your ARF is your money. You can make withdrawals from your ARF whenever you want. You can draw down some or all of your money in your ARF at any time subject to income tax, the Universal Social Charge and PRSI (in certain cases). Once you are age 60 for a full tax year (i.e. 60 on 1st January) you must make a withdrawal from your ARF each year. This is called an 'imputed distribution'. The minimum amount you must withdraw is 4%. This minimum amount will increase to 5% when you are age 70 for a full tax year.*

Suitability check

ARFs are most suitable for you if you:

- Want to keep ownership and control in retirement of the money you have built up in your AVC Investment Account
- Would like the option to pass the proceeds of your AVC Investment Account on to your dependants after you die
- Have other sources of regular income to protect you if returns from investment markets are poor.

* 6% on ARFs with a combined value greater than €2,000,000.

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Investing in an Approved Minimum Retirement Fund (AMRF)

What is an Approved Minimum Retirement Fund (AMRF)?

If you do not have a guaranteed income of €12,700 a year, for life, you must invest €63,500 of your AVC Investment Account in an Approved **Minimum** Retirement Fund (AMRF). However, if in retirement your guaranteed income increases to over €12,700 a year, for life, you will then be able to switch your AMRF to an ARF. Where the income is not achieved and the €63,500 limit is met, any remaining balance can be invested in an ARF. Alternatively you can buy a pension for the same amount (€63,500) or if you have sufficient funds, buy a pension to bring your guaranteed income up to €12,700 a year.

An Approved Minimum Retirement Fund (AMRF) is similar to an Approved Retirement Fund (ARF) except that there are restrictions on making withdrawals from the fund. You **can** withdraw money from your ARF at any time whereas you can only draw down 4% per annum on an AMRF until you are 75 (unless you are making a withdrawal to buy a pension). The most you can invest in an AMRF is €63,500. When you reach age 75, your AMRF automatically becomes an ARF.

You can only invest in one AMRF and there is no imputed distribution on an AMRF.

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

Warning: The income you get from this investment may go down as well as up.

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

ARFs

Advantages

- You have flexibility and control over the money you have built up in your AVC Investment Account
- You can invest in a wide range of assets with the potential for continuing growth
- You can make withdrawals whenever you want
- When you die the money remaining in your ARF passes to your estate.

Disadvantages

- Depending on the type of fund you invest in, there is a risk that the value of your ARF could fall if investment markets fail to perform
- If you withdraw a regular income which is greater than the investment returns you are earning on your ARF, the value of your ARF will fall
- If you are drawing an income from your ARF your investment may run out if returns from the markets are poor or if you live a long time
- Imputed distribution of 4%/5% (6% if ARF value exceeds €2,000,000).

AMRFs

Advantages

- You can invest in a wide range of assets with the potential for continuing growth
- When you die the money remaining in your AMRF passes to your estate
- No imputed distribution
- Turns into an ARF at 75 or whenever you have a guaranteed income for life of greater than €12,700.

Disadvantages

- You can only access 4% of the value per annum until age 75 or until you have a guaranteed income of greater than €12,700 per annum
- Depending on the type of fund you invest in, there is a risk that the value of your AMRF could fall if investment markets fail to perform.