Irish Life

Life | **Pensions** | **Investments**

Approved Retirement Funds

An option available to you at retirement is to invest your pension fund in an Approved Retirement Fund (ARF). ARFs are special investments funds, which can give you increased flexibility in terms of how you can use your pension fund after retirement.

To find out whether you have the option at retirement to invest in an ARF please talk to your Financial Adviser.

With an ARF you manage and control your pension fund. You can be happy in the knowledge that you can withdraw as much of this as you wish, should you ever need to. Any withdrawals you take from your ARF will be subject to income tax*, the Universal Social Charge and PRSI (if you are liable for this). In the meantime the fund will continue to be invested in funds of your choice.

*These amounts and the valuation dates may change as specified by the Government. The information is correct as at February 2022.

Imputed distribution

One of the rules governing ARFs is that tax, Universal Social Charge and PRSI (if you are liable for this) must be deducted as if income were taken even if no income is taken in a particular tax year. The table on page 2 explains how this is applied to an ARF.

- From the year you turn 61, tax is payable on a minimum withdrawal on the 30 November each year of 4% of the value of the fund at that date. This withdrawal is liable to income tax, Universal Social Charge and PRSI (if you are liable for this). From the year you turn 71 the minimum withdrawal is increased to 5%.
- Where the fund value is greater than €2 million the minimum withdrawal will be 6%. If you have more than one Approved Retirement Fund (ARF) and these are with different managers then you must appoint a nominee Qualified Fund Manager (QFM) who will be responsible for ensuring a withdrawal of 6% is taken from the total value of your ARFs. It is your responsibility to let your ARF providers know if you have other Approved Retirement Funds and Vested Personal Retirement Savings Accounts with a total value of greater than €2 million.
- Where a greater withdrawal is made during the year, tax will be paid on the greater withdrawal amount. The minimum withdrawal rate is set in line with the required imputed distribution amount which may be altered to reflect changes in legislation. You can choose to take a higher withdrawal amount if you wish.
- You should seek advice on whether it is appropriate to draw down the 4%, 5% or 6% of your fund value.
- Annual imputed distribution reduces the benefit of gross roll up.

> The investments are allowed to grow tax-free until such time as an event happens which incurs a tax liability, known as a chargeable event.

Important points to consider before buying an ARF

Advantages

Your fund can continue to increase in retirement

By investing in an ARF, your money can remain invested in funds that offer growth potential. The level of this growth obviously will depend on what fund you wish to invest in and its performance. This can amount to significant growth over time (especially if you are not withdrawing money from the fund). You should note that there will be an annual imputed distribution as described on page 1. However, if the growth does not exceed the imputed distribution or any amount drawn down then the fund will fall in value each year.

Your fund passes to your estate on your death

One of the main differences between an ARF and an annuity is that with an ARF you own your retirement fund. This means that when you die you can leave any remaining funds to your spouse/civil partner or other beneficiaries. If you leave the funds to your spouse or civil partner, the funds can be transferred to an ARF in their name.

In all other cases, the funds are wound up and the proceeds are passed to your estate. If your estate has to pay income tax, we must take this before paying the proceeds of your fund to your estate.

Your tax adviser will be able to advise you on the Capital Acquisition Tax (Inheritance Tax) implications which may apply also.

You are in control of the fund and can take as much or as little from the fund as your financial situation requires

Many people who choose to invest in an ARF have already secured a satisfactory income in retirement (quite often a pension). They appreciate that, with an ARF, their money is available to them should they need it but remains invested if they don't. You can also choose to convert your ARF fund into an annuity at any stage.

You can manage your total retirement income to maximise the amount that is taxable at the lower rate

If you wish to withdraw money regularly from your ARF to boost your retirement income, you have the flexibility to do so. People at typical pension levels who withdraw regularly have the option of taking just enough to keep them on the lower rate of tax. This is very attractive if you received tax relief on your contributions at the higher rate but only pay tax on the benefits at the lower rate. Any withdrawals you take from your ARF will be subject to income tax*, the Universal Social Charge and PRSI (if you are liable for this).

Tax on any withdrawals is deducted as per the tax certificate submitted to us or in other cases at the marginal tax rate (40% as of February 2022).

A summary of the tax rules after your death (based on rates at February 2022)

ARF inherited by	Income tax due	Capital Acquisitions Tax due
Surviving spouse/civil partner	No tax due on the transfer to an ARF in the spouse's/civil partner's name.	No
Children (under 21)	No	Yes*
Children 21 and over	Yes	No
Others (including surviving spouse/civil partner if benefit paid out as a lump sum)	Yes, at deceased's tax rate at the time of death (either 20% or 40%)	Yes*

*Normal Capital Acquisitions Tax thresholds apply.

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

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

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

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

Securities Lending: The assets in these funds (except the Cash Fund) may be used for the purposes of securities lending in order to earn an additional return for the fund. While securities lending increases the level of risks within the fund it also provides an opportunity to increase the investment return.

Disadvantages

Risk to future income

You need to consider carefully if you are going to use your ARF to pay you an income. Depending on the size of your fund there will be an imputed drawdown from your fund every year. If the ARF grows at a lower rate than the level of imputed drawdown or income you take, then the value of the ARF may run out and leave you with no income.

Investment risk

Depending on the fund(s) you choose to invest your ARF in, the value of the fund could fall in value.

Information on investing in funds

Depending on which fund you invest in, its value can fall as well as rise over the period of your investment. We recommend that you consider an ARF as an investment for at least five years or more. In general, the longer you leave your investment, the better it is likely to perform. By choosing a low-risk fund, you are protecting any gains you make over the period of investment. However, the potential for large gains is lower than if you choose a high-risk fund.

High-risk funds mainly invest in company shares so their value is not protected but you do have the potential to gain significantly, especially over the long term. If you invest in these funds you should realise that, in wanting a higher return, you could lose all or some of the value of your investment. If you decide to take a regular income from your ARF and the investment growth is lower than the level of income you have chosen, this will reduce your original investment.

Consider the risks associated with investing. Everyone's situation is different, and everyone handles risk differently. With the help of your financial adviser, you are the best person to decide how much risk you are comfortable with.

More information

For more information please contact your company pension adviser, your broker, or Irish Life Sales Support on

Phone: 01 704 1845
Email: happytohelp@irishlife.ie

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

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

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

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

Securities Lending: The assets in these funds (except the EMPOWER Cash Fund) may be used for the purposes of securities lending in order to earn an additional return for the fund. While securities lending increases the level of risks within the fund it also provides an opportunity to increase the investment return.

Please Note: Every effort has been made to ensure that the information in this publication is accurate at the time of going to print. Irish Life Assurance plc accepts no responsibility for any liability incurred or loss suffered as a consequence of relying on any matter published in or omitted from this publication. Readers are recommended to take qualified advice before acting on any of the matters covered.

Information correct as at March 2022.

Contact us

Phone **01 704 1845** | **Fax** 01 704 1905
Email happytohelp@irishlife.ie
Website www.irishlifecorporatebusiness.ie
Write to Irish Life Corporate Business, Irish Life Centre, Lower Abbey Street, Dublin 1.

7943cb (NPI 2-22)

Irish Life