

Approved Retirement Funds (ARF)

Irish Life - Pensions Made Easy

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 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, knowing that, in the meantime the fund will continue to be invested in funds of your choice.

By investing in an ARF, it can be reassuring to know that you can leave it to your family when you die (subject to normal inheritance tax rules).

What are the advantages of an ARF?

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).

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

Please note the following Revenue regulations:

- If the ARF's asset value is less than €2 million, every year 5% of the ARF's asset value as at 31st December is liable to income tax, Universal Social Charge and PRSI, if applicable. The 5% is inclusive of any income you actually take.
- If the ARF's asset value is greater than €2 million or you own more than one ARF, where the total value of the assets in those ARFs exceeds €2 million, every year 6% of the ARF's asset value as at 31st December is liable to income tax, Universal Social Charge and PRSI, if applicable. The 6% is inclusive of any income you actually take.
- This applies when the ARF owner is 60 years or over for the whole of the tax year and where an ARF is set up after 6th April 2000.

Rates are applicable as at January 2012.

If you do not need to use your fund, you can leave it to your dependants on your death

- An ARF is a very efficient form of inheritance tax planning. Unlike an 'Annuity' (annual pension for life) you remain in control of your ARF and the fund is still yours. Therefore, when you die, the fund can be passed on to your family or other beneficiaries (subject to normal inheritance tax rules). Your tax adviser can explain these tax implications in more detail.

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 (and possibly avail of better rates).



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. The ARF holder is then obliged to claim back any over deducted tax.*

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

Conditions for investing in an ARF

Before you invest in an ARF, you must meet one of the conditions below.

- You must be in receipt of a guaranteed income for life of €18,000* a year. This can include the state pension.
- You must set aside €119,800 of your pension fund to buy a pension (annuity).

**These amounts may change (up or down) as specified by the Government. These figures are correct as at January 2012.*

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 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 pension contact, you are the best person to decide how much risk you are comfortable with.

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

More Information

For more information please contact your company pension advisor, your broker, or Irish Life Sales Support on (01) 704 1845 or email salesupport@Irishlife.ie.

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

Funds may engage in securities lending to earn returns.

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