

Additional Voluntary Contributions

Irish Life - Company Pension Plans Made Easy

Saving you tax - Helping to secure your future



Irish Life

What are Additional Voluntary Contributions?

Additional Voluntary Contributions or AVCs are extra savings which you can make towards your pension.

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

What are the benefits of making AVCs?

AVCs are a very tax efficient way of saving for your future.

AVCs are treated the same as normal pension contributions for tax purposes, so you qualify for tax relief at your highest rate of tax.

	41% tax rate	20% tax rate	41% tax rate	20% tax rate
Monthly payment of	€100	€100	€500	€500
Less tax relief *	€41	€20	€205	€100
Net cost to you	€59	€80	€295	€400

**Based on tax rates at 1 January 2012.*

Based on the example above, if you decided to make an AVC of €100 and you are on the 41% rate of tax, you would receive tax relief at 41%. That means a €41 saving for you!

1. The rates of 20% and 41% are the current tax rates and are subject to change. If you are a PAYE person these are the rates that apply to you.
2. Tax relief is normally given at source through the Net Pay arrangement. Alternatively you may need to contact your local Inspector of Taxes if you make a Single Premium contribution

Any growth on your AVC fund investment funds is also tax free.

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



You may be able to avail of special rates. AVC arrangements for large groups offer special terms and low costs compared to individual arrangements.

AVCs are very flexible

- AVCs allow you to vary the amount you are contributing and you can even cease making AVCs at any time.
- Your AVC benefit must be administered in the same way and at the same time as your benefits under your main pension scheme. If you leave your company, you can leave your AVC fund invested until retirement or transfer to your new employer's pension fund, or a Personal Retirement Bond (PRB) which is a personal policy purchased by the trustees in your name (subject to scheme rules).
- You can choose to retain control of your fund post retirement in an Approved Retirement Fund (ARF), which is a tax-free investment fund held in your own name and managed by a Qualifying Fund Manager (subject to certain conditions). This means your AVC remains invested on a tax-free basis until you need to access it. You will need to pay tax on the withdrawals as if it was income.

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



It's your money – use it for your future.

What can I use my AVC fund for?

Tax-free lump sum

This is a very tax-efficient way to maximise your benefits. All scheme members should consider building up an AVC fund at least as big as their expected tax-free lump sum.

Increase your pension amount in retirement

If you are expecting your pension benefits to be low, AVCs can be a great, tax-efficient way to increase your overall retirement income. They can also boost your pension if you would like to retire early.

How do I make AVCs?

Pension scheme members can make AVCs. The process is simple. When you decide to make AVCs and the amount you would like to contribute, complete an application form and give it to your payroll department. Your AVCs will then be deducted directly from your salary, so you get full tax relief at source. You can also make once-off payments by cheque and then apply to the Revenue for your tax back. You have the option of off-setting your once-off contribution against last year's tax bill (subject to certain conditions).



For more information on how the single premium process works you can download a once-off contribution information leaflet on www.irishlife.ie/corporatebusiness/

What conditions apply when accessing my AVC fund?

The Government have established generous limits which apply to your total contributions. However a maximum earnings limit* also applies. The table below displays the percentage of your income that you can receive tax relief on when contributing to a retirement fund. There are also limits on the benefits that may be provided at retirement.

Relief on your Pension Contributions

Age	Maximum % of annual earnings allowable for tax relief on your pension
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 and over	40%

**Note: In any tax year employee contributions are limited according to age and are subject to Revenue approval. This is shown in the table above. This includes any contributions to your main scheme. The maximum earnings limit for tax relief on pension contributions for 2012 is €115,000. The Revenue Commissioners have also placed limits on the total amount that can be contributed by you and your employer to the occupational pension plan.*

What scope do I have for making AVCs?

Normally the benefits which are payable under the rules of your main pension plan are lower than the maximum benefits which are permitted by the Revenue Commissioners. Therefore, most people have scope to pay AVCs to increase their retirement benefits without the risk of breaching Revenue maximum benefits rules.

For example, some of your earnings may not be included in the calculation of the pension amount payable from your main plan - e.g. overtime, bonuses, commissions or car allowance or you may have entered your pension plan at an age when you are not expected to receive full pension benefits from your company's main pension plan when you retire.

How much should I save to my AVC fund?

Generally people try to have an AVC fund at retirement that matches the maximum lump sum benefit that the Revenue will allow. For most people this amount is 1.5 times their final earnings subject to meeting certain service requirements.* The contribution levels required to target this at different ages and retirement dates are shown in the table below.

Age	Approximate % of Salary Required at Normal Retirement Age 65	Approximate % of Salary Required at Normal Retirement Age 65
25	3%	3%
35	4%	5%
45	6%	9%
55	14%	30%

Figures assume a normal retirement age of 65, investment returns of 6% per annum gross and contribution/salary increase of 3% per annum. These figures also allow for the government pension levy of 0.6%, assuming that AVCs start in January 2012. The pension levy will be deducted at the end of June in each of the years 2012, 2013 and 2014.

**Please Note You need at least 20 years service at normal retirement age to enjoy the 1.5 limit; otherwise, a reduced scale applies. If your main plan is Defined Contribution then you may choose to take 25% of your fund as a lump sum benefit irrespective of service.*

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

It's not too late to start making a difference to the quality of your retirement

If you are over 50 years of age, it is important that you start to take control of your pension now. The generous tax relief on contributions starting from 30% of total earnings makes it easier to do this.

If any of the following situations apply to you, then it is even more important that you consider making extra provisions for your retirement:

- You will have less than full pension at normal retirement age (typically, 40 years service).
- There is a possibility that you may retire before 65 for health/personal reasons (as people are increasingly doing).
- You wish to provide an enhanced pension for your family.

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

If I decide to make AVCs what information will I get?

Irish Life will provide an annual statement that will give the current value of your account and will show the transactions over the previous year. We can also provide a pension phone service to allow you to access your fund value by means of a Personal Identity Number (PIN).

An internet service (Pension Planet Interactive) also allows you to access fund values, check your contribution on-line and complete projections using different retirement saving scenarios. Access to Pension Planet Interactive is subject to trustee approval.

If you are interested in making AVCs, please contact your payroll department, broker or consultant.

These funds may engage in securities lending to earn returns.



Contact us

phone: 01 704 2000
fax: 01 704 1905
e-mail: code@irishlife.ie
website: www.irishlife.ie/corporatebusiness/
write to: Irish Life Corporate Business, Lower Abbey Street, Dublin 1

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