



AIB



Planning for your retirement in your 30's

Pension products are provided by Irish Life Assurance plc.



Meet Mary, married to Brian with two children. Mary is a 37 year old accountant who has many demands on her income. There's the mortgage to pay, the bills and the future cost of education. She is thinking about starting a pension.

What to do if you're 30-something

WHEN IS THE BEST TIME TO START A PENSION?

It's true to say that the sooner you start a pension, the longer it has to grow and the easier it can be to reach your target. Even a small regular investment could deliver big results if you start in your twenties.

The strange thing about your thirties is that, although you're probably getting paid more than when you were younger, you seem to have less in your pocket at the end of the month. So how do you fit a pension into all of this?

Fact:

Only 29% of us know how much we need to live on in retirement. (Source - Irish Life 2015)

TAKE ADVANTAGE OF INCOME TAX RELIEF

Even if you have all the savings you'll ever need, a pension would still be worth it for the income tax relief alone. Did you know that whatever money you put into your pension receives income tax relief if you are eligible for it, which basically means you pay less tax if you save some money into your pension.

For example, if you invest €100 in your pension, as a lower rate tax payer, it saves €20 off your tax bill. For higher rate taxpayers the benefit is even greater, saving €40 for every €100 you invest.

€100 invested	Tax rate 20%	€100 invested	Tax rate 40%
	Income tax relief €20		Income tax relief €40
	You pay €80		You pay €60

HOW MUCH SHOULD YOU SAVE INTO A PENSION?

There are income tax relief limits, which mean there is a cap on the amount of your income that you can contribute to your pension each year.

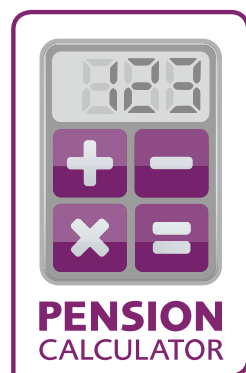
So that means, if you're thirty now, you could set aside 20% of your income for a pension. Now that may seem like a lot of money but with the income tax relief it's not so hard.

Let's say, if like Mary, you are earning €40,000, and you decide to save €500 a month into your pension. That is a lot of money when you consider all the other outgoings you have, but with income tax relief at 40% it could cost Mary just €300 from her take-home pay, or €400 with 20% income tax relief.

Mary's monthly pension contribution	Cost to Mary
€500	€300 (40% income tax relief)
Yearly pension contribution	Yearly cost to Mary
€6000	€3600



To help you calculate how much you could afford to save into your pension why not look at the easy-to-use online pension calculator at www.aib.ie/pensions. You can set your own lifestyle target, then adjust the figures up and down. You can see for yourself the actual result of investing more or less.



INCOME TAX RELIEF IS NOT GUARANTEED.

To be eligible to claim income tax relief, your income must be taxable either Schedule E or Schedule D (case I or II). To claim income tax relief, you can apply to your Inspector of Taxes to adjust your tax credits. Contributions deducted from salary will receive immediate tax relief. If you are self-employed, you must include your pension contributions in your self-assessment tax returns in order to obtain income tax relief.

Pension income in retirement is subject to income tax at your highest rate on withdrawal, Universal Social Charge, Pay Related Social Insurance (PRSI, if applicable) and any other taxes or government levies due at that time.



Questions & Answers

“I’M STILL YOUNG, I’LL WORRY ABOUT IT LATER.”

Retirement seems a long way off when you’re in your thirties. Whereas paying a mortgage, raising kids and buying a new car all seem very close and urgent. It’s something you can afford to put off, isn’t it?

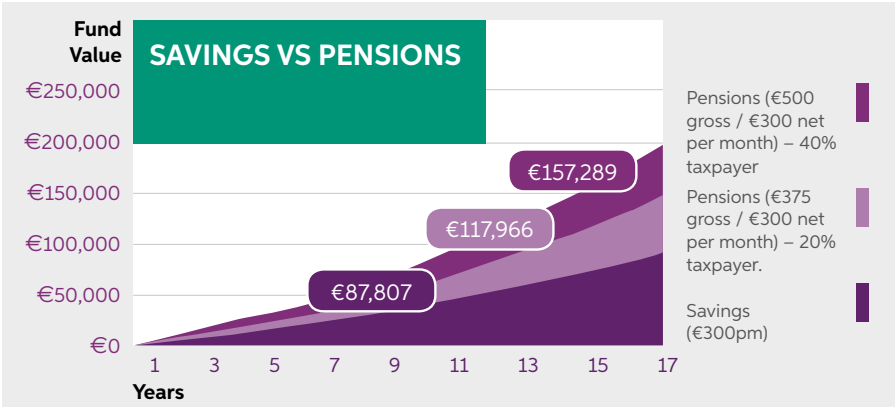
Well, no. The person that will lose most is your future self. The sooner you start, the easier it will be and the less it will cost you in the long run.

“I DON’T WANT TO COMMIT TO A PENSION. I’LL USE A SAVINGS PLAN INSTEAD.”

A savings plan is another way to put money aside and of course you can get at it any time you need it. But for long term needs like retirement, easy access is a drawback, not an advantage. It’s all too tempting to dip in. More significantly, the tax benefits that come with a pension make it a more efficient way of saving.

A PENSION VERSUS AN ORDINARY SAVINGS PLAN – WHO WINS?

The simple answer is that the income tax relief on a pension gives it a head-start. For example, supposing you saved €300 into a savings plan. If you put that into a pension instead it would be equivalent to investing €375 per month with 20% income tax relief or €500 per month (with higher 40% rate income tax relief). By the time you retire that could give you more in pension benefits compared to the average savings plan.



Unlike a savings plan, you cannot access your pension fund until you reach retirement age. At retirement you can take part of your pension fund as a retirement lump sum. The remaining balance can be used to provide you with an ongoing pension income.

The savings plan shown allows for exit tax of 41% being deducted every 8 years on the plan. The savings plan is inclusive of the 1% government levy. The graph assumes 100% of your contribution is invested, 1% fund charge, 4.4% growth, indexation at 2.5%, no policy fees. Pension income in retirement is subject to income tax at your highest rate on withdrawal, Universal Social Charge (USC), PRSI (if applicable) and any other taxes or government levies due at that time.

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

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: If you invest in this product you will not have any access to your money until age 60 and/or you retire.

Checklist for 30 something



- ☐ See for yourself what you can afford with the easy-to-use pension calculator at www.aib.ie/pensions.
- ☐ If you haven't started a pension yet talk to your AIB Financial Advisor today.
- ☐ If you have started a pension, check your most recent pension benefit statement or go online to see how your pension is performing.
- ☐ If you haven't reviewed your pension in the last year or so, set up an appointment with your AIB Financial Advisor.

Check out the online pension calculator at www.aib.ie/pensions to see the kind of income you can expect in retirement.

The screenshot shows the 'Pension Calculator' interface with three steps: 1. Personal Details, 2. Pension target, and 3. Your Results. Under 'Personal Details', there is a section 'About You' with 'Annual Salary' set to 40000 and 'Your Age' set to 40. Below this is a question 'Do you qualify for a state pension?' with 'Yes' and 'No' options. Under 'Existing Pension', there is a section 'Current Pension Value' with 'Your contributions (monthly): € 100' and 'Employer contributions (monthly): € 100'. Both are set to '3% of your salary' with an 'Annually: € 1,200' value. There are 'Info' and 'NEXT >' buttons at the bottom.

For advice

on how to make the most of your retirement savings now, book a meeting with your AIB Financial Advisor today.

Supporting you

AIB has chosen Irish Life, Ireland's leading life and pensions provider*, to provide its customers with a range of pension products. AIB is tied to Irish Life which means we can advise you on the best pension product to suit your needs but the products themselves are provided by Irish Life. Here are just some of the reasons why Irish Life are Ireland's leading pension provider:



Irish Life manage pensions for 4,700 companies. This includes the Irish employees of:

- 8 of the 10 biggest Irish companies (on the ISEQ)
- 7 of the 10 biggest U.S. companies (on the S&P500)



Irish Life's investment manager has won the **INVESTMENT MANAGER OF THE YEAR AWARD** - at the Irish Pension Awards 2013-2015 and European Pension Award Winners 2014.



Irish Life's investment manager takes care of over **€65 BILLION** for thousands of people across Ireland.



> **1 MILLION**

Helping people to plan their finances for **OVER 75 YEARS** and now taking care of over 1 million customers in Ireland.



With **24/7 online service** and a Dundalk based customer service team Irish Life aim for the highest quality customer service.



Irish Life is part of the Great-West Lifeco group of companies, one of the world's leading life assurance organisations.

This guide is only for general information on pensions. Terms and conditions apply to any plans and benefits noted. Please see www.aib.ie for more information on pensions. Information is correct as at July 2017.

*(based on market share 2016)

Visit **www.aib.ie/pensions**
or Drop in to any branch.

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