

# Additional Voluntary Contributions Topping up your pension... Why it just makes sense



## What are Additional Voluntary Contributions (AVCs)?

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



- > There is a possibility that you may retire early before age 65 for health/personal reasons (as people are increasingly doing).
- > You can make AVCs to increase your pension benefits at retirement, to help compensate for the years of service that you are short in your main plan.
- > You should consider building up an AVC fund at least as big as your expected tax-free lump sum. This is potentially as much as 1.5 times your salary. Please refer to your AVC Member Guide for full details on your potential tax-free lump sum entitlement.

## What are the benefits of making AVCs?

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



- > If you are expecting your pension benefits to be low, AVCs can be a great, tax-efficient way to increase your overall retirement income.
- > Any growth on your AVC investment funds is tax free.
- > AVCs are treated the same as normal pension contributions for tax purposes, so you qualify for tax relief at your highest rate of tax. For examples see the tax efficiency table on the next page.



- > If you buy a pension at retirement, then buying a pension that increases each year in payment costs more than a pension that remains level. Your AVC pot can help with this cost.
- > You may wish to protect your dependants in the event of your death after retirement. Adding dependants' pensions has a cost attached - your AVC pot may help with this.



- > You can start, vary, stop at any time; make regular and/or lump sum payments.
- > At retirement you may have the option to transfer some or all of your fund to an Approved Retirement Fund (ARF).
- > ARFs are post-retirement investment plans that allow you to continue to invest your AVCs. You draw down money as you need it (subject to certain conditions such as required annual drawdowns called imputed distribution); any withdrawals are subject to Income tax, Universal Social Charge (USC) and PRSI, if applicable.

## Tax Relief

The following table shows some examples of how tax relief works on your AVCs.

	40% tax rate	20% tax rate	40% tax rate	20% tax rate
Monthly payment of	€100	€100	€500	€500
Less tax relief	€40	€20	€200	€100
Net cost to you	€60	€80	€300	€400

\*Based on tax rates at March 2022.

Based on the example above, if you decided to make an AVC of €100 and you are on the 40% rate of tax, it means a €40 saving for you!

1. The rates of 20% and 40% 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. Your payroll area will give the tax relief deductions at source. If you make a once-off, lump sum contribution you may need to contact your local Inspector of Taxes.

## How do I make AVCs?

If you are a member of an employer sponsored pension scheme you can make AVCs. The process is simple:

### Regular Payments

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 may get full tax relief at source, subject to the age related and salary limits set out in the sections above and below on tax relief. You can change or stop these payments at any time.

### Once-Off Payments

You can also make once-off payments and then apply to your local Inspector of Taxes to get your tax back. You should note that the granting of tax relief is at the discretion of your local Inspector of Taxes and is not guaranteed.

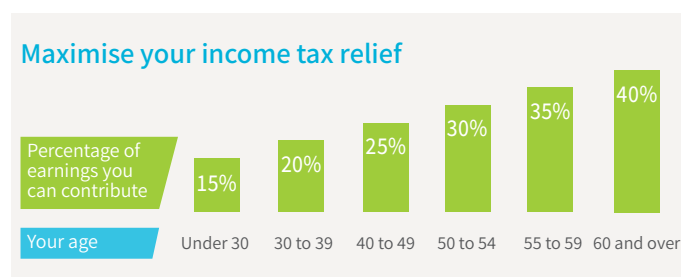
## Tax relief on your pension contributions

The Government have established limits which apply to your total pension contributions. The current earnings limit for tax relief on pension contributions for 2022 is €115,000.

The Revenue also applies limits on the level and form of benefits you can take at retirement.

The graph below displays the percentage of your income that you can receive tax relief on when contributing to a retirement fund. This includes any contributions to your main scheme and any AVCs.

Please refer to your member booklet or our website [www.irishlifecorporatebusiness.ie](http://www.irishlifecorporatebusiness.ie) for details on the Standard Fund Threshold allowable for tax relief purposes.



Gross earnings can include all taxable income, overtime, bonuses, allowances, benefit in kind etc. The earnings limit is subject to review.

There is no maximum payment that can be made, but you may only claim tax relief within Revenue limits.

Tax relief is at the discretion of the local inspector of taxes and is not guaranteed. As benefits become available they may be subject to income tax and universal social charge.








**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 you retire.**

# Stay up to date with your pension savings

We offer a number of great online tools to keep you informed about your pension plan.

Online Access	Irish Life EMPOWER	Visit our website
 <p><a href="http://www.pensionplanetinteractive.ie">www.pensionplanetinteractive.ie</a></p>		 <p><a href="http://www.irishlifecorporatebusiness.ie">www.irishlifecorporatebusiness.ie</a></p>
<p>We make it easy for you to take action. With your own personal log-on access to Pension Planet Interactive you can:</p> <ul style="list-style-type: none"> <li>&gt; View all your plan details.</li> <li>&gt; Change your pension savings online.</li> <li>&gt; Switch funds online.</li> <li>&gt; Access important information, benefit statements and more.</li> </ul>	<p>Irish Life EMPOWER is an app designed to help you plan for your retirement. It helps you to stay up to date with the progress of your pension and offers lots of useful information about your plan and investment details.</p> <p>Download the App for free from the Apple Store or the Google Play Store.</p>	<p>Our website has lots of information such as:</p> <ul style="list-style-type: none"> <li>&gt; Latest investment information and monthly fund fact sheets.</li> <li>&gt; Information for members of pension plans, such as tax relief details and Additional Voluntary Contributions.</li> <li>&gt; Comprehensive download section, including explanatory videos.</li> </ul>
Retirement Planning		Information Videos
 <p><a href="http://www.irishlifecorporatebusiness.ie/retirement-planning-start-planning">www.irishlifecorporatebusiness.ie/retirement-planning-start-planning</a></p>		 <p><a href="http://www.irishlifecorporatebusiness.ie">www.irishlifecorporatebusiness.ie</a></p>
<p>Our online retirement planning tools are designed for people with less than 10 years to retirement.</p> <p>There's a very handy budget planner to see what your life in retirement will cost, and lots of information and tools to get you thinking about your retirement as well as a section on life after work and frequently asked questions.</p>		<p>Watch videos from the Irish Life Corporate Business website <a href="http://www.irishlifecorporatebusiness.ie">www.irishlifecorporatebusiness.ie</a></p> <ul style="list-style-type: none"> <li>&gt; What is a pension?</li> <li>&gt; How much to contribute?</li> <li>&gt; Investment strategies explained.</li> </ul>

**It's not too late to start making a difference to the quality of your retirement - take action, start today!**

**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.

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