

# put your money where your heart is



Your pension savings are some of the most valuable assets you will build up during your lifetime, and will be your main source of income when you retire. Your pension savings are invested, giving you the opportunity to grow their value over time. How your savings are invested will affect the value of the pension benefits you will receive when you retire.

In this newsletter, we look at some tips on investing your pension savings based on the benefits you plan to take at retirement.

## The benefits available to you when you retire

When you retire, you will use the value of your Retirement Account to fund the benefits you can take from the plan. If you are a member of a defined contribution plan, your Retirement Account is made up from the value of any contributions paid into the plan by you or your employer. If you are a member of a defined benefit plan, it is made up of the value of any Additional Voluntary Contributions paid into the plan.

The greater the value of your Retirement Account at retirement, the greater the value of the benefits you will be able to take. Your Retirement Account is invested to give you the opportunity to grow the value of the benefits it could provide when you retire.

When you are far from retirement, it is considered best practice to invest with the aim of growth. You may experience some ups and downs in value over the short term, but when you are far from retirement, your pension savings normally have time to recover from any short-term drops.

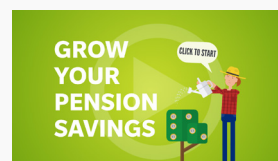
As most investors get close (typically between seven to ten years) to retirement, however, they will often shift priority to protecting the value of the savings they have built up. As there is less time to recover from short term movements in the market, the risk of potential losses normally outweighs the opportunity for investment growth that could be achieved in these remaining years.

At retirement, you choose the package of retirement benefits to fund with the value of your Retirement Account. As you get closer to retirement, it is best practice to transition from growth orientated investment options to a mix of investments that are more suited to the package of benefits you plan to take at retirement.

So, let's start by asking what package of benefits do you plan to take when you retire?

You're receiving this newsletter because some, or all, of your pension savings are held in a Mercer Aspire pension plan. Your pension plan may be administered by Mercer, Zurich or New Ireland.

This newsletter discusses issues relating to defined contribution arrangements. If you are a member of a defined benefit plan, this information applies to any Additional Voluntary Contributions you have made to your plan. For a quick overview on how defined contribution pension plans work, check out this video.



<https://bit.ly/HowYourPensionPlanWorks>

This newsletter is aimed at people who are within 15 years of retirement.

Follow the link below to access more newsletters and recorded webinars to help you get the most out of your pension as you approach retirement.



<https://linktr.ee/AspireRetireInStyle>



The exact value of each benefit available will vary depending on your personal circumstances.



## The benefits available from your plan when you retire

You can choose to split your Retirement Account between the following benefits (subject to some regulatory restrictions):

### Retirement Lump Sum

This tax free cash payment is one of the most popular retirement benefits available and, unsurprisingly, most people opt to take the maximum tax-free cash payment available to them. A Retirement Lump Sum can be paid tax free up to the limits set out by Revenue.

After taking their Retirement Lump Sum, most people tend to use all of the remainder of their Retirement Account to provide either an Annuity or Approved Retirement Fund.

### Annuity

An Annuity is a guaranteed income for life. You pay a certain amount of your Retirement Account over to an Insurance Company who guarantee to make regular payments to you for the rest of your life.

An Annuity is not inheritable when you pass away, but you can provide protection for your loved ones by setting up a separate pension for your spouse, and/or by including a guaranteed payment period (e.g., five or ten years).

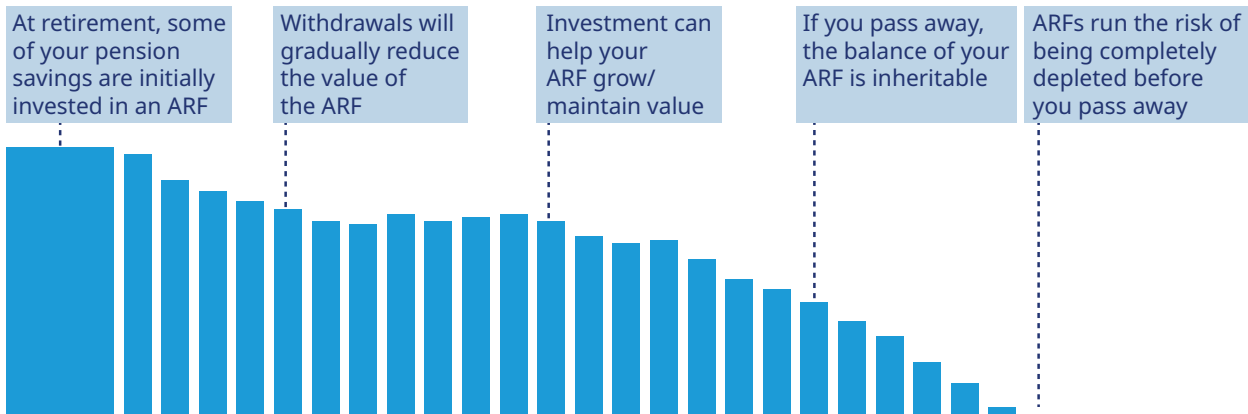
While many people find the simplicity of a guaranteed income attractive, the cost of providing Annuities has risen consistently over recent years and others consider the ARF option an attractive way to balance affordability, flexibility and inheritability.

### Approved Retirement Fund ("ARF")

At retirement, you may be able to invest some or all of your pension savings in an ARF. This structure will allow you to continue generating investment growth after retirement.

You can withdraw some, or all, of the value of your ARF at any time to provide an income as necessary. Note that any withdrawals from an ARF are subject to income tax, USC and PRSI where applicable.

As you make withdrawals, your ARF will gradually lose value. Investment growth can help to maintain the value and life span of your ARF, but you do run the risk of your investment falling in value. Depending on how much and how often you withdraw, or how your investments perform, your ARF has the potential to be completely depleted before you pass away. If there is capital remaining in your ARF when you pass away, the balance can be passed on as an inheritance.



This graphic is for illustrative purposes only and does not reflect actual market data. Investments can fall as well as rise.

# Your investment choices can affect the value of your benefits

- **Retirement Lump Sums** – the value of the lump sum payment you can take tends to move in line with cash, and cash like securities.
- **Annuities** – the cost of purchasing an Annuity tends to move in line with the changing value of Eurozone Government Bonds.
- **ARFs** – you may want to invest in funds with potential for growth in order to maximise the fund you can transfer into an ARF at retirement.

As you get closer to retirement, it is best practice to allocate your pension investments in line with the benefits that you plan to take at retirement.

It is best practice to select investment options that provide an opportunity for investment growth when far from retirement as you are expected to have sufficient time to recover any short term fall falls in value following economic boom/bust cycles.

If you are close (roughly seven to ten years) to retirement, you might want to think about which benefits you plan to take at retirement, and consider aligning your investment arrangements to investment options that are expected to move in line with those benefit options.

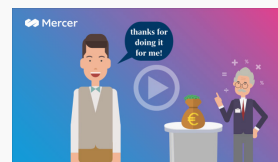
## The Do It For Me (“DIFM”) approach

Your plan’s default is a Do It For Me investment strategy that follows the investment best practices outlined above: it aims for investment growth when you are far from retirement, and gradually starts to transition to more conservative investments roughly seven to ten years before retirement. The benefits package (ARF, Annuity, or Cash) targeted by your plan’s default investment option has been selected by your plan’s Trustees as being the most appropriate for the majority of members invested in the strategy.

Your plan may offer several Do It For Me options for increased flexibility, however only one will be set as the default.

If you intend to retire before your plan’s normal retirement date, you may be able to nominate a Target Retirement Date through Mercer One View. Selecting a Target Retirement Date does not entitle you to retire at this date, as that is an agreement between you and your employer, but it will change the timing of your transition period within the Do It For Me strategy.

You can find out more about how the Do It For Me approach works by watching the “Do It For Me: the easy way to invest your pension savings” video at the link below.



<https://linktr.ee/AspireInvestments>



## Want to find out more?

If you have questions about how your pension plan works, Mercer's [JustASK](#) member helpline is your first port of call.

The [JustASK](#) helpline is available weekdays (excluding public holidays), 09:00-17:00.



Submit a query online:

[bit.ly/JustAskMercer](https://bit.ly/JustAskMercer)  
(case sensitive)



Call:

+353 (0)1 4118505

For more information on the [JustASK](#) helpline, follow this link:



<https://linktr.ee/JustASKMercer>

## Over to you

The first thing you should do next is consider what kind of lifestyle you would like when you retire and what retirement benefits would best facilitate that lifestyle. This allows you to assess how much of your Retirement Account you might want to assign to each benefit when you retire.

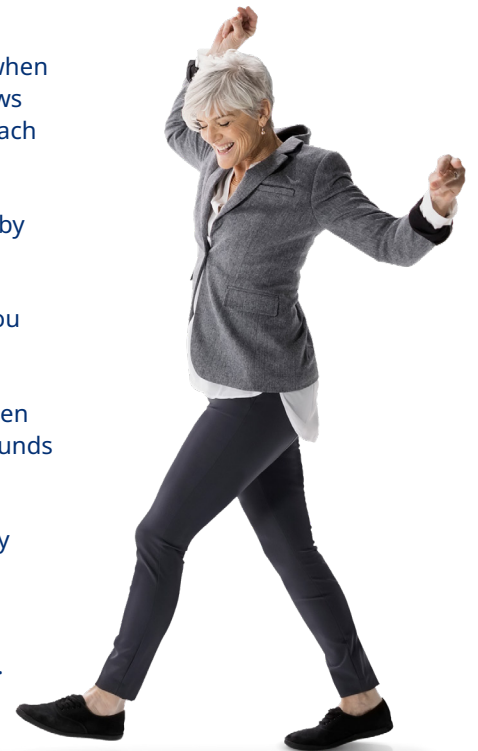
The next thing to do is to check how your Retirement Account is currently invested by visiting your pension plan portal (see below for log on details).

If there is a Do It For Me investment option that aligns with the benefits package you want to take at retirement, you may wish to consider investing in that option.

If there is no suitable Do It For Me investment option, and you are within seven to ten years of retirement, you may wish to start manually transitioning to Conservative Funds that move in line with the benefits you want to take at retirement.

Choosing how to invest your pension savings is an important decision, and you may wish to contact an independent financial advisor for advice before doing so.

When you have decided which investment options you want to invest your pension savings in, you should visit your plan website to register your investment decisions.



## Log on to your website or contact your administrator

Whether your plan is administered by Mercer, New Ireland or Zurich you can find the appropriate contact and website details by visiting the following link and choosing your plan administrator.

[https://linktr.ee/Aspire\\_YourAdministrator](https://linktr.ee/Aspire_YourAdministrator)



The content in this newsletter is correct as at the date of issue, 2024.

A business of Marsh McLennan

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