

get retirement ready



This newsletter will help you to get ready for retirement by reviewing your savings strategy and investment arrangements, and help you to start thinking about how you will take your pension income in retirement.

Benefits

Let's start at the end: by looking forward to how you will take your pension income when you retire. Understanding how you will use your pension savings will help you make decisions about how much to save and how you invest your pension savings between now and retirement.

When you retire, the value of your pension savings are used to fund different ways of providing an income for you in retirement. These are generally referred to as "retirement benefits", and there are three main options:

- Retirement Lump Sum
- Annuity
- Approved Retirement Fund

Retirement Lump Sum

This is a cash payment. It is paid tax free up to Revenue limits, typically roughly 25% of your savings.

Your entitlement may vary, depending on your personal circumstances.

Annuity

An Annuity is a guaranteed income for life, paid to you by an insurance company.

The main **advantages** of Annuities are their simplicity and that the income they provide is predictable.

The main **disadvantages** are that they are not inheritable and the income received is normally fixed, so can lag behind inflation.

Approved Retirement Fund

Often referred to as "ARFs", Approved Retirement Funds are funds where you can continue to invest your pensions savings after retirement.

The main **advantages** of ARFs are that your savings can continue to grow; benefit from tax incentives; provide income flexibility; and that they are inheritable.

The main **disadvantage** of ARFs are that your savings are at risk of investment loss; and you could spend your pension savings before you pass away.

Please Note: This newsletter discusses general information about best practices when planning for retirement and tax relief on pension benefits. Taxation can be complex and we cannot take all individual circumstances into account. This newsletter should be taken as general guidance only, and does not constitute personal advice. Mercer is not a tax advisor.

Boosting your savings

Your workplace pension may be one of the best ways available to you to grow your money between now and when you retire. Workplace pensions benefit from tax incentives that other ways of saving don't, meaning that money saved in your workplace pension could work a lot harder for you.

Will you have enough income for a comfortable retirement?

Your Pension Benefit Statement (normally either posted to your home address or available on your pension portal) includes a projection of the income you can expect at retirement based on your current savings and investment arrangements. If you combine this projection with the State Pension (roughly €15,000 per year as at 2025), will you have enough money to provide for a comfortable retirement?

If not, you may need to consider saving more now.

Why save in a workplace pension?

One of the main advantages of saving in a workplace pension is that your savings benefit from tax incentives that other ways of saving don't.

The money you pay into a workplace pension is eligible for income tax relief at your highest rate - either 20% or 40%. In other words, for every €100 you save in the pension in terms of take-home pay, €125 or €167 actually goes into your pension.

Unlike other ways of investing savings, pension savings are not subject to capital gains tax or exit tax.

And don't forget that you can take a Retirement Lump Sum which is normally tax free up to around 25% of your total savings.

Potential short-term gains

When they retire, many people's overall income drops enough so that they switch from 40% income tax band drop to the 20% band. This means they can benefit from 40% tax relief on what they pay into the pension, and pay just 20% income tax on what they take out. So, by deferring tax payment, they could end up paying less tax than they would have done if they didn't save in the pension.

Do you want to retire early?

The State Pension currently starts paying out at age 66, and many workplace pensions have a retirement date of age 65 or 66.

If you retire earlier than this, you will need more money for two reasons.

- You need to cover the income you would have gotten from the State Pension until it starts to pay out at age 66.
- Your savings in the workplace pension will need to replace your working salary for longer.

Tax relief limits

There are limits to the amount of tax relief you can claim on pension savings each year. These are very generous, especially as you get closer to retirement, but you won't benefit from tax relief on any pension savings paid in over the annual limits.

Age	% of earnings eligible for relief
50 - 54	30%
55 - 59	35%
60, or over	40%



Investing your pension savings

Let's think about how your pension savings are invested. Earlier in your career it is generally considered good practice to aim for as much growth as possible. As you get closer to retirement, things become a little more complicated. You may need to carefully adapt your investment arrangements to balance maximising the money you could get at retirement with minimising potential risks.

A lot of this can be handled for you, using Aspire's "Do It For Me" investment strategies. We'll look at them in more detail after we've talked about some basic principles.

How long you have you left until retirement

Just like with your savings, one of the first questions to ask yourself is "When do I want to retire?".

It's generally considered best practice to gradually shift from investments that seek growth when you are far from retirement to more conservative funds when you are close to retirement. This helps to minimise the risk of short-term losses.

The key word there is "gradually".

Making a sudden, or complete, shift to conservative investments could actually cause you more losses than not changing at all. When it comes to pension investments, it's normal to start that gradual shift somewhere between 7 and 15 years from retirement.

Knowing when you want to retire allows you to time when you start shifting your investments to conservative options appropriately so you can coast to a smooth stop at retirement.



How you want to use your pension savings

The second big question to ask yourself is "How do I want to take my income when I retire?".

When you retire, your pension investments are sold, and the value of those savings is used to fund your choice of the retirement benefits described on the first page.

Different types of investment options move in line with the cost of providing different benefits, which helps to avoid potential losses in the values of those benefits.

Deciding how you want to split your savings between retirement benefits lets you follow the best practice of splitting your pension savings between the investments that are best aligned with your preferred benefits.

For example, if you wanted to use 75% of your pension savings to fund an Annuity, you may want to invest 75% of your pension savings in bonds by retirement.

Or, if you wanted to use 75% of your pension savings for investment in an ARF after retirement, you may want to invest 75% of your pension savings in options that continue to aim for growth all the way to retirement.

The Do It For Me approach

This automated investment solution follows investment best practices based on your age. It uses investments that aim for growth when you are far from retirement and gradually shifts to more conservative investment options as you get closer to retirement. Depending on your specific workplace pension, that gradual transition will start between 7 and 15 years from your workplace pension's normal retirement age (normally 65 or 66).

While the Do It For Me approach will suit the majority of people following a typical route to retirement, it might not suit you if:

- You don't plan to retire at normal retirement age
- It doesn't target the mix of retirement benefits you want

Many workplace pensions offer you the option to tailor the Do It For Me approach to your needs by allowing you to indicate when you plan to retire and select an investment strategy which targets the retirement benefits you want to take at retirement.

If your workplace pension doesn't offer these options, you may need to manage your investment arrangements manually. Before making any changes to your investment arrangements, you should seek personal financial advice.

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 phonenumber is available weekdays, 09.00 – 17.00, excluding public holidays.



Submit a query online:
bit.ly/JustAskMercer
(case sensitive)



Call:
+353 (0)1 41 18505

For more information on the JustASK helpline, follow this link:



<https://www.linktr.ee/JustASKMercer>

Over to you

To summarise, as you get closer to retirement you may want to think about:

- How you want to spend your time in retirement and what retirement benefits will best support those plans?
- At what age do you want to retire?
- Can you afford to save more and take advantage of the tax incentives?
- Do you need to save more?
- Do you need to adjust your investment strategy to reflect when you want to retire and what benefits you want to take?
- Could the Do It For Me investment approach automate your investment strategy for you?

Reach out to your Private Wealth Consultant



You can reach out to your pension consultant or Private Wealth consultant to arrange a meeting to discuss the services Mercer Private Wealth can provide in more detail by visiting the following link:
www.bit.ly/private-wealth

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.

If you are not sure who administers your plan, you may wish to check your Pension Benefit Statement before taking action.

This newsletter is primarily aimed at people between 5 and 15 years from retirement, who want to make the best use of that time to get ready for retirement.

If you are closer to retirement, you may be more interested in the nuts and bolts of what you need to do to receive your pension income.



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://www.linktr.ee/AspireRetireInStyle>

If you have left the employer who provided the workplace pension that led to you receiving this newsletter, you will not be able to save any more money into that pension. However, the same principles apply to other workplace pensions in Ireland and to Private Retirement Savings Accounts (PRSAs).

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://www.linktr.ee/Aspire_Administrator

The content in this newsletter is correct as at the date of issue, 2025.

A business of Marsh McLennan



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