

GET YOUR HOUSE IN ORDER FOR RETIREMENT

This newsletter is intended to help members of Aspire pension plans to prepare in several key areas for retirement.

YOUR RETIREMENT PREPARATION CHECKLIST

- 1 Compare your income and expenditure in retirement
- 2 Increase your retirement income
- 3 Look out for your spouse or partner
- 4 Consider health insurance
- 5 Consider life insurance
- 6 Make a will

1 COMPARE YOUR INCOME AND EXPENDITURE IN RETIREMENT

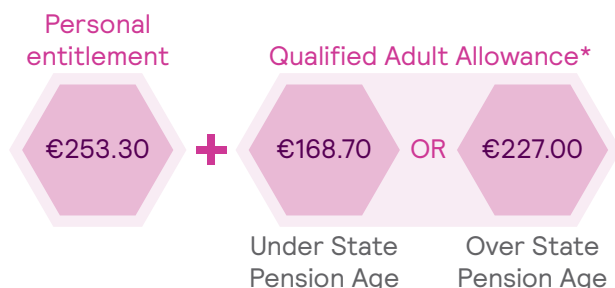
What will you be **ABLE** to spend sustainably in retirement? What do you **NEED** to be able to spend in retirement? Together, these are the two key questions that will determine whether you are on track for a comfortable retirement, or if you need to take action now.

CALCULATING INCOME IN RETIREMENT

To gauge how much you can spend in retirement, you should look all potential sources of income:

State Pension

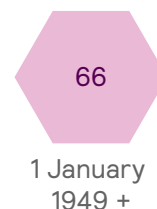
FULL STATE PENSION (CONTRIBUTORY) PER WEEK



STATE PENSION ENTITLEMENT AGE

The current qualifying age for all State pensions is 66

An increase in the State pension age to 67 in 2021 and to 68 in 2028 was planned but that plan is being rolled back.



Note: Eligibility for the State Pension (Contributory) is based on your history of PRSI contributions. If you don't qualify for the maximum rate of State Pension because of gaps in your PRSI record you can be assessed under a new Total Contributions Approach and can use the new Home Caring Periods Scheme to help you qualify for a higher rate of pension.

* A Qualified Adult is an adult dependant who does not qualify for a State Pension of any significance in their own right and who does not have significant financial means of their own.

Company or private pensions

As well as your current employer, or any private pension plans you are a member of, you may also be entitled to a deferred pension from your previous employers.

You should be able to get information for any pension plans of which you are a member by accessing information online or by consulting either your Annual or Leaving Service Statements.

Include any income you could sustainably draw from savings and investments

A decent rule of thumb here is that if you divide by 25 the total value of your private savings and investments, then you have the amount you could draw annually from age 65 while avoiding an excessive risk of your savings running out in your lifetime. For every year before age 65 that you plan on retiring, you should add 1 to the number you divide by – e.g., if retiring at 60, divide your total savings and investments by 30 (25 + (1 x 5 years)).

EXPENDITURE

To estimate your expenditure in retirement, use an online Budget Calculator – and, item by item, estimate what you will be spending as a household when you retire.

A good budget calculator can be found at the Competition and Consumer Protection Commission's website: <https://www.ccpc.ie/consumers/tools-and-calculators/budgeting-calculators/budget-planner/>

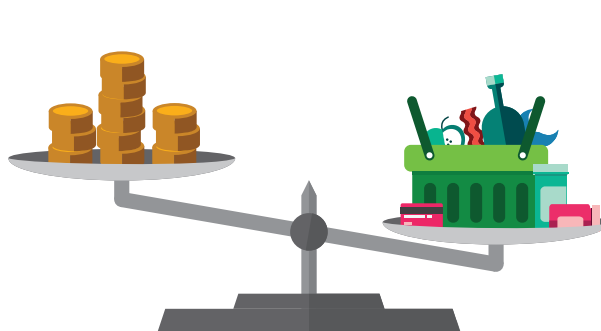
COMPARING POTENTIAL INCOME AND EXPENDITURE IN RETIREMENT

INCOME GREATER THAN EXPENSES



Congratulations, you are on course for a comfortable retirement.

EXPENSES GREATER THAN INCOME



You need to take action, either by planning how you can cut expenditure in retirement or by taking steps to increase your retirement income.

2 INCREASE YOUR RETIREMENT INCOME

There may be steps that you can take to increase your income in retirement. In particular, if you are currently an active member of an occupational pension scheme you can make, or increase, your Additional Voluntary Contributions (AVCs).

Due to the effects of income tax relief, a €100 AVC shouldn't cost you €100.

HOW MUCH WOULD A €100 AVC COST YOU?

Higher rate taxpayer



€40 Tax Relief

Standard rate taxpayer



€20 Tax Relief

AVCs may, in some instances, increase the level of tax efficient retirement lump sum that you can take at retirement.

Where investment growth is generated, AVCs grow free of tax.

You can refer to your Plan booklet or ask your HR department about how you can start making AVCs to your current pension plan.

3 LOOK OUT FOR YOUR SPOUSE OR PARTNER

If you have a spouse or partner, one of you will live longer than the other. It's important that steps are taken to secure an adequate level of income for the survivor.

In particular, when making decisions around your retirement benefits from your pension plan(s), bear in mind the following:

- If you receive a Defined Benefit pension in retirement, it may already provide for a spouse after your death.
- If you continue investing in retirement, using an Approved Retirement Fund/Approved Minimum Retirement Fund, your spouse can inherit the proceeds as an ARF/AMRF in their own name.
- If you purchase an annuity in retirement (a guaranteed income for life), it may be a good idea to specify that your spouse should continue to receive a specified level of income from the annuity after you die.

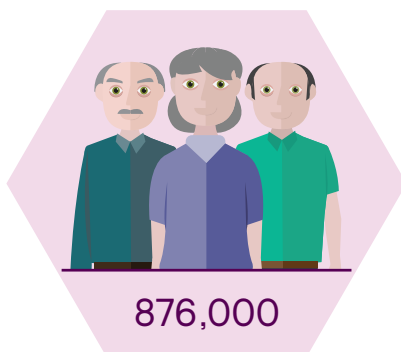


It should be noted that while spouses are exempt from tax when inheriting from their deceased husband or wife, the tax treatment on inheritance for unrelated non-spouses is considerably more onerous. Anyone considering the future wellbeing of a financially dependent partner should be aware of the financial implications of inheritance outside of marriage.

4 CONSIDER HEALTH INSURANCE

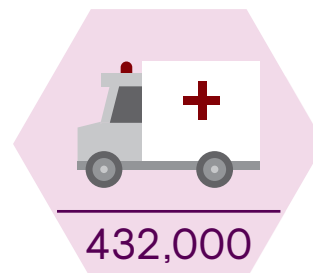
Some people are in the lucky position that their employer pays for their health insurance. In other cases, while the employer does not pay, the employee can buy health insurance through their employment. In almost all cases these arrangements cease when you retire.

There are 876,000 Irish people over 60



Source: Census 2016

Only 432,000 of them have private health insurance



Source: Health Insurance Authority, Market Statistics

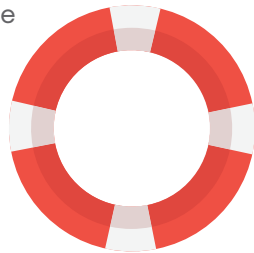
Facts around health insurance for older people:

- The Irish health insurance market operates a system of “Community Rating”.
- Community Rating means that health insurance should not cost older people more than younger people (though higher rates can apply if you have had breaks in your health insurance coverage since age 35).
- Because older people are more likely to need healthcare services than younger people, Community Rating means that older people get more value on average from Health Insurance than younger people.

5 CONSIDER LIFE INSURANCE

Some people have life insurance through their employment, often related to their active membership of an employer's pension plan. That coverage will be affected by retirement.

Life insurance is expensive in retirement, because life insurers charge higher premiums for people as they grow older. In many cases people allow their life insurance to lapse when they retire, and rely on provision made through their pension to support their spouse in the event of their death.



However, there are cases where it may be worth keeping some life insurance going:

- If you are retiring very early, such that life insurance is still affordable
- If you still have child dependants for a period after retirement
- If you are likely to leave behind a significant inheritance, and want life insurance to cover the cost of the inheritance tax bill

6 MAKE A WILL

Even if you have already made a will, it is likely that retirement marks a good point to update it. If you have not made a will, the rules of intestacy may apply on death, and these may not accord with your wishes.



OVERALL PROSPECTS FOR RETIREMENT

Largely thanks to the underpin provided by the State Pension, Irish pensioners fare reasonably well relative to the population as a whole when it comes to their standard of living.

A significantly smaller proportion of pensioners than of the overall population suffer from financial hardship.

There is every reason for most people to look forward to retirement as a time of relative leisure, enjoyment and fulfilment. Make preparations now to ensure that your retirement will be a comfortable one.



QUERIES ABOUT A MERCER PENSION PLAN?

Contact our JustASK helpdesk on **+353 (0)1 4118505** or at **JustASKmercerc.com** and we will be happy to assist.



We wish you every success with planning for retirement

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