Pensions | 2021

PENSION SUPPORT LINE

PENSION FROM A PREVIOUS EMPLOYMENT | DEFINED CONTRIBUTION

INTRODUCTION

COMPANY PENSIONS | DEFINED CONTRIBUTION

A **Defined Contribution or DC pension** is an accumulation of funds that makes up a person's pension pot. A person can contribute a percentage of their salary into a pension scheme. Often the employer will also contribute, and the total contributions are invested in order to provide a retirement benefit for the employee.

DEFERRED MEMBER

Have you left or changed the employment from where you built up your pension pot? If this is the case, you are considered a deferred member of that pension scheme. As a deferred member, you may have various options available.

OPTIONS AVAILABLE TO A DEFERRED MEMBER

1. **Transfer to new employer.**
If you are in a new employment, an option could be to transfer your existing benefits to your new employer's scheme.

2. **Transfer to a Personal Retirement Savings Account (PRSA).**
A transfer to a PRSA will allow you control of your fund while also giving a new employer the opportunity to contribute.

3. **Transfer to a Personal Retirement Bond (PRB).**
Choosing a PRB will also allow you control over your investment. You will have the ability to invest the funds how you see fit. A PRB is specifically designed for those looking to transfer benefits from a previous employment.

4. **If over 50 – retire your benefits.**
If you are **50 years of age** or older and have left employment, you may be eligible to access your fund. Many are also eligible to access a **25% tax-free lump sum** up to a lifetime limit of **€200,000** with the next **€300,000** taxable at the lower rate of **20%**.

ACCESSING YOUR BENEFITS

If you are a deferred member and are over 50 years of age, perhaps you are looking to access your pension. If accessing your benefits there is a certain legislation that must be followed.

If you are eligible to access your pension in accordance with the rules of the scheme, you can withdraw a maximum of **25%** as a tax-free lump sum.

At this point, any remaining funds must be invested into either an Approved Minimum Retirement Fund **(AMRF)** or an Approved Retirement Fund **(ARF)**. Alternatively, you can purchase an **Annuity**. This will mean a guaranteed income for the rest of your life.

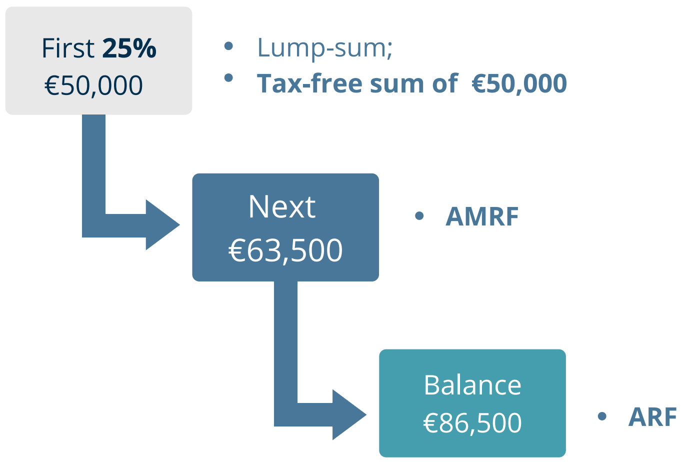
CASE STUDY | SCENARIO 1

Name - Paul

Age - 55

Total Fund Value - €200,000

Paul is a **deferred member** of his **DC** pension scheme. He is looking to access his benefits and would like to avail of the **25% tax-free lump** sum followed by the **AMRF/ARF option**.



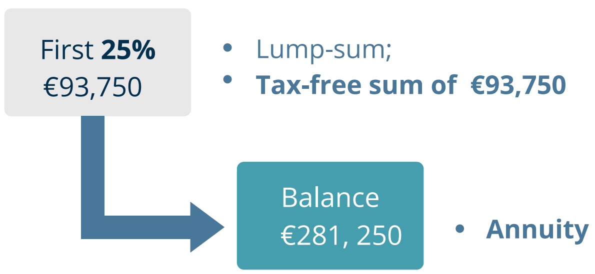
CASE STUDY | SCENARIO 2

Name - Eileen

Age - 58

Total Fund Value - €375,000

Eileen is a **deferred member** of his **DC** pension scheme. She is looking to access her benefits and would like to avail of the **25% tax-free lump** sum followed by the **Annuity option**.



Although they may be available, none of the above decisions should be taken lightly. You should also seek professional advice before transferring your pension.

PENSION
SUPPORT LINE

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Pension Support Lines helps clients across Ireland assess their pension options.