Standard Life
Part of Phoenix Group

Your Second Life. Your Way.

A guide to planning your pension on your terms

Retirement is not an end, it's the start of something new

We're living longer, which is great news! In fact, today's retirees can look forward to enjoying two to three decades of life after work. We're also fitter and more active than previous generations. So, are you ready to live your Second Life on your terms?

This guide will help you to prepare for your retirement as well as to work out your goals. Armed with this, you can look forward to the future you want with confidence.

Retirement for a new generation

We no longer stop working and put our feet up. Today's retirees are working later and living longer. Better yet, they're also living their Second Lives on their own terms.

- In retirement you will have 2,000 extra hours a year to do something you want to do.[1]
- The 2022 census highlighted that Irish people are living longer. Since 2016 the highest increase in population was seen among the over 70s. The number of people aged 85 years and over increased by 25%.[2]
- One in ten expect to never retire while 58% expect to be age 65 or older.[3]

[1] Based on a 40 hour working week plus commute time

[2] **cso.ie**

[3] Research plus, independent online survey of 1,000 adults March 2023

What will your second life look like?

Your retirement will mark the end of your main working life and the beginning of a new phase. It's a period of great transition where you can enjoy the freedom to pursue different opportunities and interests. So how should you prepare?

As you approach your Second Life, try to develop a new routine. Do things that stimulate you and help you engage with your community. Think of retirement as an opportunity to develop an interest you've always had.

Join a club. Look at further education opportunities. Think about turning a hobby into a business. Return to early ambitions that may have passed you by.

It's a time for you to look forward and embrace the opportunity to live your Second Life on your terms. To determine your dream, plan it and then live it.

Make your second life a healthy life

How your health impacts on your retirement is very important. Think of it as your real wealth. Be proactive about it. Look after it. Invest in it and it'll pay you back in spades.

Staying physically active

Work with your doctor to make sure you're making the right choices to live a healthy lifestyle. It's the key to your longevity.

Choose to explore new hobbies that help you stay fit while you enjoy your Second Life. Join a walking group. Take up golf or tennis. Work your way up from light jogging to travelling the world running marathons! Suitable weight bearing activities, combined with a diet rich in calcium and vitamin D for optimum bone health, will help you stay fit and mobile in your later years.

Physical activity also has huge benefits for your peace of mind.

Staying mentally sharp

Mental activity is the other vital component of a rewarding retirement. It's like keeping any other part of you active – use it or lose it. Brainpower used to do crosswords, to read books or newspapers and to play games of strategy, such as bridge or chess, protects you against Alzheimer's disease and will help to reduce the risk of dementia.

Your Second Life is an exciting new chapter – make it work for you by keeping a positive attitude towards your health and wellbeing.

The big countdown

Whether you're five years away from retiring or just a few months, there's still time to fine-tune your finances. Make sure you're on the right track by getting an idea of the income you can expect.

Look at the figures. Get statements of your projected retirement values from your financial adviser.

Got another source of income?
This could come from investments, property or land, part-time employment or consultancy, or an inheritance. Having the full picture will help you make final decisions about how you want to take your pension income and make more accurate plans as your Second Life begins.

Budget realistically. Is the money you think you'll need to spend in retirement in line with your projected income? If there's a shortfall, it's not too late to boost your pension pot.

Review your investments. Consider various factors such as your attitude to risk and how you intend to use your pension pot.

One year to go. Contact your financial adviser for the latest forecast of your retirement income and lump sum. You should also contact the Department of Social Protection about your State Pension (Contributory) entitlement 3 months before your 66th birthday.

Remember, you could also consider delaying retirement, giving your pension pot more chance to grow.

For further information about income in retirement, talk to your financial adviser

Funding your Second Life

What is the best way for you to use your pension pot? You have several choices: lump sum, annuity and/or remain invested (in an approved retirement fund or a Vested PRSA*).

Lump sum

You can take up to 25% of your fund as a lump sum. You might want to use this to pay off your mortgage, put in a new kitchen or head off on the holiday of a lifetime. You can take up to €200,000 tax free. Lump sums between €200,001 and €500,000 are taxed at 20%, with any balance over this amount taxed at your marginal rate and subject to the Universal Social Charge.

If you've a company pension, the amount of lump sum may be based on your salary and the number of years you're a member of the scheme.

The more money you take out as a lump sum, the less you'll have to buy an annuity or remain invested (by investing in an approved retirement fund or a Vested PRSA) which means you'll have less income in retirement.

Annuity

An annuity converts the money in your pension pot into an income guaranteed for the rest of your life, no matter how long you live. If you're in poor health, some providers may offer a higher guaranteed income (an enhanced annuity).

There's a range of annuity options to choose from, including automatically increasing payments and a guaranteed income for your partner after you die. If you don't choose certain options, there's nothing payable to your family when you die. Talk to your financial adviser about the best annuity for you.

Approved retirement fund (ARF) or Vested PRSA*

A Vested PRSA or ARF is more flexible than an annuity as it allows you to keep your funds invested and decide how much taxable income you wish to withdraw each year.

It gives you more control over how your pension pot is managed, and you can pass on any remaining fund when you die.

Your income is not guaranteed, and you need to manage your investment with the help of your financial adviser to ensure your Vested PRSA/ARF can provide the income you want throughout retirement.

You must withdraw 4% if you're 60 or over and 5% if you're 70 or over each year from your Vested PRSA/ARF. If your Vested PRSA and ARF assets combined exceed €2 million you must take a 6% withdrawal each year from age 60.

Talk to your financial adviser about the best Vested PRSA/ARF for you.

* A PRSA (Personal Retirement Savings Account) where you have taken a cash lump sum and/or income.

	Annuity	Vested PRSA/Approved retirement fund
Why this might appeal	Guaranteed income for the rest of your life.	Flexibility when taking income from your pension pot. By leaving your fund invested, you can benefit from any investment growth. You can leave any remaining fund to your family (subject to tax).
Things to consider	Locked in. Income stopping when you die.	Fund could run out while you're still alive. Different investment options have different risks. You must withdraw a certain amount each year.

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: The income you get from this investment may go down as well as up.

Annuity income, and withdrawals from a Vested PRSA/ARF are treated as income and taxed under the PAYE system.

When can I take my retirement benefits?

Personal pensions

You can take your benefits from age 60. Or if you prefer, you can continue working and adding to your pension policy. In this way, you can delay taking your benefits any time up to age 75.

Personal Retirement Savings Accounts

You can take your benefits from as early as age 50, assuming you are an employee and fully retired.

Otherwise, the earliest is age 60. You can continue working and contributing if you want to delay taking benefits any time up to age 75.

Company pension schemes

You normally take your benefits when you reach the company's retirement age. With your company's and trustees' approval, you may be able to take your benefits early (age 50 or older) or continue working, contributing and delay taking your benefits (up to age 70).

State entitlements

The State Pension (Contributory) is paid to people from age 66 and have enough Irish social insurance contributions. From 1 January 2024, you can choose to defer claiming your pension up until age 70.

You can find out more information on **citizeninformation.ie** or from your financial adviser.

What does this mean for you?

Why can't I just take all my pension pot as cash?

The Government wants to make sure that your pension generates an income for you when you retire. This reduces the risk that you'll need to rely on the State in your old age.

Is it true that I can shop around for the best annuity rates?

Yes, your policy will contain an 'open market option', which means you should shop around all providers. But the financial strength of a provider, as well as the standard of its customer service, can also be important factors, given that this income could be payable to you for many years.

I have several pensions, should I consolidate?

This may be a good idea. It's easier and often more cost effective to transfer your pensions into the one pot – because everything is in the one place. First check that you are not giving up any valuable guarantees such as an annuity rate or investment promise. There may be charges for moving, and there's no guarantee that your investment will be worth more if you move it. Talk to your financial adviser.

Why Standard Life?

Standard Life is a life savings company. That means we provide pensions, retirement solutions, savings, investments and funds for each stage of your life journey.

We've been working in partnership with financial advisers helping people plan and enjoy their futures for more than 180 years in Ireland.

Operating internationally, our team of 400 people in Ireland delivers products and services to support customers and advisers.

How can we help?

Staying close to your investments

If you have a Standard Life policy, you can keep an eye on it online at

standardlife.ie/login

Having enough money when you retire

Working out how much you're going to need in retirement is vital to check you're saving enough. This tool allows you to drag and drop lifestyle options to give you an idea of what income you'll need for the lifestyle you'd like:

Check out our Retirement Hub on

standardlife.ie/retirementhub

for more information.

Important information

Bear in mind that each person's circumstances are unique, and you should always seek appropriate financial advice.

This document is intended for the general information of residents of the Republic of Ireland. Nothing in this document constitutes legal, financial or other professional advice.

The information provided is based on our understanding of current law and Revenue practice in January 2024.

Find out more

Whoever your pension is with, talk to your financial adviser today about a Second Life with Standard Life.

They'll give you the information you need to get you started.