For Financial Brokers
and Advisors

ZURICH

A Guide to Maximum Funding for Company Directors

Introduction

Key features of the **Max Funding Calculator**

The Max Funding Calculator displays four options for customers:

Option 1 – The maximum allowable contributions as future Ordinary Annual Contributions.

Option 2 – Prior service Special Contributions showing the impact of Special Contributions on future Ordinary Annual Contributions.

Option 3 – It also shows the maximum possible Ordinary Annual Contributions matched by corresponding Special Contributions. This is a popular option with clients aiming to maximise yearly profit extraction and receive immediate tax relief (no need to spread forward relief on matched Special Contributions).

Option 4 – Additionally, the Calculator includes an option to illustrate the impact of a Special Contribution on future Ordinary Annual Contributions.

Client Details

The information required is outlined below. It is important that this information is accurate and up to date.

Personal Details

These include the Member's Age, Gender, Marital Status and Normal Retirement Age (NRA) (between age 60 – 70) which are all factors that will impact the ability to contribute to the occupational pension.

Employment Details

Gross Earnings: This is the salary and other Schedule E emoluments (e.g bonus, benefits in kind etc) paid to the employee in the relevant year in which the pension funding is taking place.

These gross earnings can exceed €115,000 for this calculation, as earnings in the context of a maximum funding calculation are not capped at €115,000, as would be the case where you are looking at the ability to claim tax relief on a personal basis.

Date of Joining Service: This is the date that the client was registered as an employee and started receiving a Salary.*

* Please note that the calculation assumes continuous salaried service from the date of joining service that is provided until the date of calculation. However, if there were years where the employee did not receive a salary for the employment, then an allowance should be made for those missing years of service within the calculation. See an example below.

Example – Gaps in Schedule E Remuneration

John is a company director and started taking a salary from his company on the 1st June 2010. He has taken a salary from the company for every year since then, except for two years in 2018 and 2019 when no salary was paid to John. To ensure the funding calculations are accurate the client's date of joining service should be amended to 1st June 2012 to reflect the reduction in years of salaried service caused by not taking any salary in 2018 and 2019.

Pension Benefits from Current Employment

This section allows you to input the value of any benefits which the client may have in occupational pension schemes linked to this employment in either Defined Contribution or Defined Benefit arrangements. This would be the appropriate section to also include Personal Retirement Bonds (PRB) and Personal Retirement Savings Account Additional Voluntary Contributions (PRSA AVCs) linked to this employment.

For Defined Contribution Benefits: This is the current value of the pension benefits linked to this employment in the Zurich occupational pension scheme, any other occupational pension scheme with another provider and any PRBs or PRSA AVCs linked to the same employment.

The value of any pension lump sum paid or payable from a Defined Benefit Scheme could also be included in this section.

Note: The value of any benefits held in a PRSA (Non AVC) linked to this employment should not be included in this section as these benefits are defined as a Retained Benefits in Revenue Guidance.

For Defined Benefit pensions: the pension paid to the member at retirement or to be paid at a future date should be included under "Defined Benefit" (per annum).

Retained Benefits

See "Pension Benefits from Previous Employment" at input stage

This section includes benefits from both Defined Contribution and Defined Benefit Arrangements which have yet to come into payment and those from which a retirement claim has already been paid. See further details below.

For Defined Contribution arrangements: This would include pension benefits from a previous employment such as benefits in an Occupational Pension Scheme (Executive or Group) or PRB from previous employment.

This section should also include all PRSA (Non AVC) and Personal Pension arrangements (whether linked to previous or current employment).

The value of any pension lump sum paid from a Defined Benefit scheme from a previous employment could also be included in this section.

Where a retirement claim has already been paid from the relevant arrangement then the value of the Pension Lump Sum along with any amounts used to purchase an Approved Retirement Fund (ARF), Annuity or taken as Taxable Cash payments should be included in this section.

For Defined Benefit pensions: the pension paid to the member at the date of retirement or to be paid at a future date should be included under "Defined Benefit" (per annum).

Pension Benefits that can be excluded from this section include:

- UK Pension Benefits (assuming they were accrued whilst living and working in the UK) including those transferred to a Qualified Recognised Overseas Pension Scheme (QROPS) PRB in Ireland.
- Overseas Pension Benefits (assuming they were accrued whilst living and working abroad) including those transferred to a pension arrangement in Ireland.
- Refunds of Contributions.
- Benefits in an Occupational Pension Scheme or Personal Pension from a concurrent employment which is a separate employment or self employment which runs alongside the employment which is being pensioned.
- The current value of any ARF or Vested PRSA the client holds does not form part of the above limits however the value of the pension benefits in the relevant arrangement when the retirement claim was paid are relevant (see Retained Benefits above). This would include the value of the Pension lump sum paid along with any amounts used to purchase an ARF, Annuity or taken as taxable cash payments.

Contribution Types

Ordinary Annual Contributions

Ordinary Annual Contributions are forward looking – they cover the contributions that can be made to the scheme each year from now to retirement. It is important to note that the overall limit for Ordinary Annual Contributions, will include all regular Employer, Employee and AVCs that are being made to any occupational pension scheme or PRSA AVC linked to that employment.

An Employer may also use up their annual scope for an Ordinary Annual Contribution by way of a regular contribution (i.e monthly), a single premium contribution or a combination of both.

From an Employer's perspective, tax relief can always be attained on contributions they make in their accounting period where those contributions are denoted as Ordinary Annual Contributions.

Special Contributions

Special Contributions are backward looking – they can be used to backdate contributions for periods of salaried service which were previously not pensioned.

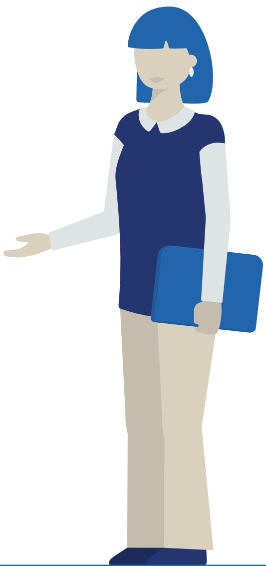
Tax relief on Special Contributions can also be attained in the year in which they are made if the Special Contribution is either equal to or less than the employers Ordinary Annual Contributions. Tax relief on any Special Contributions more than the employers Ordinary Annual Contributions will need to be spread forward to future company accounting periods up to a maximum of 5 years, however tax relief will be available in those future years.

Case Study 1: Mary Bloggs has been running a successful consultancy firm for the last 15 years and wants to be in a position to retire by age 60. The business has accrued significant profits which Mary would like to extract over the next 5 years with that goal in mind.

Mary has already started this process and has built up a fund of €600,000 in a Master Trust. She also has €200,000 in a PRB from a previous employment. Mary's goal is to maximise the company's ability to make pension contributions for her benefit and favours doing this by way of single premiums as business profits can fluctuate year on year. She is also interested in making Special Contributions for previous service. There are no regular contributions currently being paid by either the employer or the member, and there is no plan to do so as Mary requires the salary being paid to maintain her lifestyle costs.

The details on which the calculation are based are as follows:

- **Name:** Mary Bloggs
- **Gender:** Female
- **Age:** 54
- **Marital Status:** Married
- **Salary:** €90,000
- **Service to date:** 15 years
- **NRA:** 60
- **Total service at NRA:** 21 years



Existing Pension Details

	Defined Contribution Funds	Defined Benefit Pensions
Retained Benefits:	€200,000	€0
Current Employment:	€600,000	€0

1

Future Ordinary Contributions

These figures are the maximum ongoing contributions that can be made up until retirement, assuming no special contribution is paid.

The maximum Ordinary Annual Contribution is €166,667 for the 6 years to Normal Retirement Age. This is the maximum allowable amount but must be reduced by any existing regular or single premium contributions to occupational pension schemes, or PRSA AVCs in the same year.

In this case there are no existing regular contributions and no single premiums were previously paid in this company accounting period.

There is scope for pension funding under this route which could be facilitated by either:

- Paying a regular contribution of €166,667 per annum or €13,889 per month, or
- Making an employer contribution of €166,667 as a Single Premium.

Tax Relief: As all employer contributions could be denoted as Ordinary Annual Contributions, the employer would be entitled to tax relief on all contributions paid under this route for the year in which they are paid.

2

Special Contribution for past service

These figures show the maximum Special Contribution that can be made now, allowing for service worked to date and also the maximum ongoing Ordinary Annual Contributions that can be made thereafter:

Under this route, the maximum Special Contribution is €542,858.

The maximum Ordinary Annual Contribution if that special contribution is made is €76,191 for 6 years.

There is scope for pension funding under this route via Special Contributions and Ordinary Annual Contributions. See a breakdown below:

1. There is scope for a Special Contribution of €542,858. A single premium of up to €542,858 could be made under this route. It's also possible to make a smaller special contribution under this route.

Plus

2. There is scope for an Ordinary Annual Contribution of €76,191.

This could be facilitated by either.

- Paying a regular Employer Contribution of €76,191 per annum or €6,349 per month, or
- Making an Employer Contribution of €76,191 as a single premium.

Tax Relief: If the Employer made a Special Contribution of €542,858 and an Ordinary Annual Contribution of €76,191, then tax relief would need to be spread forward as this Special Contribution exceeds the employer's Ordinary Annual Contribution and in those instances Revenue require that Tax Relief be spread forward on that Special Contribution for a period of between 2 – 5 years. To determine the period over which the Special Contribution is spread forward, the employer Special Contribution (€542,858) must be divided by the employer Ordinary Annual Contribution (€76,191) See Example of this calculation overleaf:

Example: Spreading forward Tax Relief

€542,858 /€76,191 = 7.12 Years.

This is capped at 5 years so the Special Contribution of €542,858 is divided by 5 and relief spread evenly over those 5 years.

€542,858/5 = €108,571.60

- **In Year 1:** (the year in which contributions are made): Tax Relief can immediately be obtained on the Ordinary Annual Contribution of €76,191 and €108,571.60 of the Special Contribution.
- **In year 2, 3, 4 and 5:** €108,571.60 of the Special Contribution and any other Ordinary Annual Contributions that are paid in that year.

3 Matching Ordinary & Special Contributions

These figures show how much of a matching Ordinary Annual and Special Contribution can be made in a given year. This is especially popular for employers that wish to maximise the contributions they can make in a given year which can receive immediate Tax Relief. Revenue rules allow that Special Contributions that are less than or equal to the employer's Ordinary Annual Contribution can obtain immediate Tax Relief.

There is scope for pension funding under this route. See a breakdown below:

1. There is scope for a Special Contribution of €142,857. This could be made via a single premium.

Plus

2. An Ordinary Annual Contribution of €142,857.

The scope for an Ordinary Annual Contribution can be utilised by either:

- Paying a regular employer contribution of €142,857 per annum or €11,904.75 per month, or
- Making an Employer Contribution of €142,857 as a single premium.

Tax Relief: In this instance the employer Ordinary Annual Contribution is equal to the Special Contribution so all contributions could be also tax relieved immediately.

Important Note: In the case study above, we assumed the employer is making contributions for only one employee. However, if an employer makes ordinary annual contributions for multiple employees and also makes special contributions, the total ordinary annual contributions for all employees should be compared to the total special contributions for all employees to determine the need to spread tax relief on special contributions.

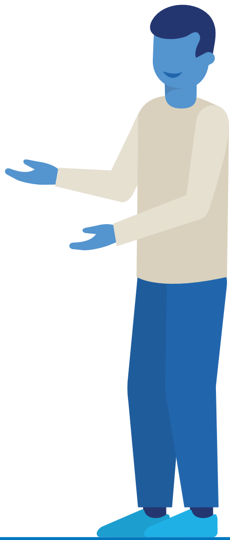
Case Study 2: Joe Bloggs has a successful business in the IT Industry. The business has started to accrue additional profits in excess of what Joe needs to cover the salaries and running costs of the business and Joe has started to focus in recent years on retirement planning.

Joe wishes to maximise both the company's ability to make pension contributions for his benefit and also his own personal contributions within the age related limits which apply to those pension contributions.

There is an existing employer regular contribution to a Master Trust scheme of €2,000 per month (€24,000 per annum) and Joe is also maximising his personal contributions limits by making a regular AVC of €1,562.50 per month to the scheme (€18,750 per annum). There is currently €300,000 in that Master Trust. The member also has €100,000 in a PRSA from a previous employment.

The details on which the calculation is based are as follows:

- **Name:** Joe Bloggs
- **Gender:** Male
- **Age:** 46
- **Marital Status:** Married
- **Salary:** €75,000
- **Service to date:** 10 years
- **NRA:** 60
- **Total service at NRA:** 24 years



Existing Pension Details

	Defined Contribution Funds	Defined Benefit Pensions
Retained Benefits;	€100,000	€0
Current Employment:	€300,000	€0

1

Future Ordinary Contributions

These figures are the maximum ongoing contributions that can be made up until retirement, assuming no special contribution is paid.

Under this route, the maximum Ordinary Annual Contribution is €87,143 for the 14 years to Normal Retirement Age. This is the maximum allowable amount but must be reduced by any existing regular or single premium contributions to occupational pension schemes, or PRSA AVCs in the same year.

There is an existing employer regular contribution to the scheme of €2,000 per month (€24,000 per annum).

The member is also maximising their personal contributions limits by making a regular AVC of €1,562.50 per month (€18,750 per annum) and this forms part of the Ordinary Annual Contribution limits.

There is still additional scope for pension funding under this route. See a breakdown below:

Total Ordinary Annual Contribution:	€87,143
Existing Employer Contributions:	-€24,000
Member Additional Voluntary Contribution:	**-€18,750**
Remaining Scope for Contributions:	€44,393

The remaining scope for an Ordinary Annual Contribution can be utilised by either

- Increasing the employer regular contribution by €44,393 per annum or €3,699 per month, or
- Making an Employer Contribution of €44,393 as a Single Premium.

Tax Relief: As the total employer contributions of €68,393 (€87,143 – €18,750) could all be denoted as Ordinary Annual Contributions, the employer would be entitled to tax relief on all contributions paid under this route for the year in which they are paid.

2

Special Contribution for Past Service

These figures show the maximum special contribution that can be made now, allowing for service worked to date and also the maximum ongoing ordinary annual contributions that can be made thereafter:

Under this route, the Maximum Special Contribution is €333,333.

The maximum Ordinary Annual Contribution if that special contribution is made is €63,333.

There is additional scope for pension funding under this route via Special Contributions and Ordinary Annual Contributions. See a breakdown below

1. There is scope for a Special Contribution of €333,333. A single premium of up to €333,333 could be made under this route. It's also possible to make a smaller special contribution under this route.

Plus

2. There is scope for additional Ordinary Annual Contributions but you must deduct existing regular contributions as follows:

Maximum Ordinary Annual Contribution:	€63,333
Less Existing Employer Contributions:	-€24,000
Less Member Additional Voluntary Contribution:	**-€18,750**
Remaining Scope for Contributions:	€20,583

The additional scope for Ordinary Annual Contributions under this route could be facilitated by either.

- Increasing the employer regular contribution by €20,583 per annum or €1,715 per month, or
- Making an Employer Contribution of €20,583 as a single premium.

Tax Relief: If the Employer made a Special Contribution of €333,333 and an Ordinary Annual Contribution of €44,583 then tax relief would need to be spread forward as this Special Contribution exceeds the employers Ordinary Annual Contribution and in those instances Revenue require that tax relief be spread forward on that Special Contribution for a period of between 2 – 5 years. To determine the period over which the Special Contribution is spread forward, the employer Special Contribution (€333,333) must be divided by the employer Ordinary Annual Contribution (€44,583).

Example: Spreading forward Tax Relief on a large Special Contribution.

€333,333/€44,583 = 7.47 years.

This is capped at 5 years so the Special Contribution of €333,333 is divided by 5 and relief spread evenly over 5 years.

€333,333/5 = €66,666

- **In Year 1** (the year in which contributions are made): Tax Relief can immediately be obtained on the Ordinary Annual Contribution of €44,583 and €66,666 of the Special Contribution.
- **In year 2, 3, 4 and 5:** €66,666 of the Special Contribution and any other Ordinary Annual Contributions that are paid in that year.

3 Matching Ordinary & Special Contributions

These figures show how much of a matching Ordinary Annual and Special Contribution could be made in a given year. This is especially popular for employers that wish to maximise the contributions they can make in a given year which receive immediate tax relief. Revenue rules allow that Special Contributions that are less than or equal to the employers Ordinary Annual Contribution can obtain immediate tax relief.

There is additional scope for pension funding under this route. See a breakdown below:

1. There is scope for a Special Contribution of €81,333. This could be made via a single premium.

Plus

2. There is scope for additional Ordinary Annual Contributions but you must deduct existing regular contributions as follows:

Ordinary Annual Contribution of	€81,333
Less Existing Employer Contributions:	-€24,000
Member AVC:	**-€18,750**
Remaining Scope for Contributions:	€38,583

The remaining scope for an Ordinary Annual Contribution can be utilised by either

- Increasing the employer regular contribution by €38,583 per annum or €3,215.25 per month, or
- Making an Employer Contribution of €38,583 as a single premium.

Tax Relief: In this instance the employer's actual Ordinary Annual Contribution is lower than the total scope for an Ordinary Annual Contribution of €81,333 as the member AVC forms part of that total. So employer Ordinary Annual Contribution and Special Contribution are not exactly matching.

The Employer Ordinary Annual Contribution is €62,582. This could also be tax relieved immediately by the employer.

In addition, the first €62,582 of the €81,333 Special Contribution could also be tax relieved immediately, but the remaining €18,751 would need to be carried forward into the next company accounting period for the purpose of tax relief.

Important Note: In the case study above, we assumed the employer is making contributions for only one employee. However, if an employer makes ordinary annual contributions for multiple employees and also makes special contributions, the total ordinary annual contributions for all employees should be compared to the total special contributions for all employees to determine the need to spread tax relief on special contributions.

Explanatory Notes

- These calculations are based on Zurich Life's current understanding of Revenue's maximum funding rules for occupational pension schemes.
- The report provided is for information purposes only and does not constitute financial advice. Zurich Life recommends that the report is reviewed in conjunction with a professional financial broker or advisor.
- Ultimately the accountant for the employer in question is responsible for filing tax returns on behalf of the company and will therefore determine what tax reliefs can be obtained by the company.
- All figures provided are based on information provided at input stage. Any incorrect information provided will result in incorrect results being produced in the report which in turn could result in adverse tax consequences for employers funding on that basis.
- This report does not allow for part-time or temporary employment.
- The report does not allow for the ability to fund using current annuity rates which is possible within 3 years of Normal Retirement Age.
- To ensure that the funding position for a member remains compliant, funding calculations should be reviewed at least on an annual basis to ensure that contribution levels are within allowable limits.
- Income Tax Relief for Employee Contributions and AVCs are subject to additional age related limits (more detail below).

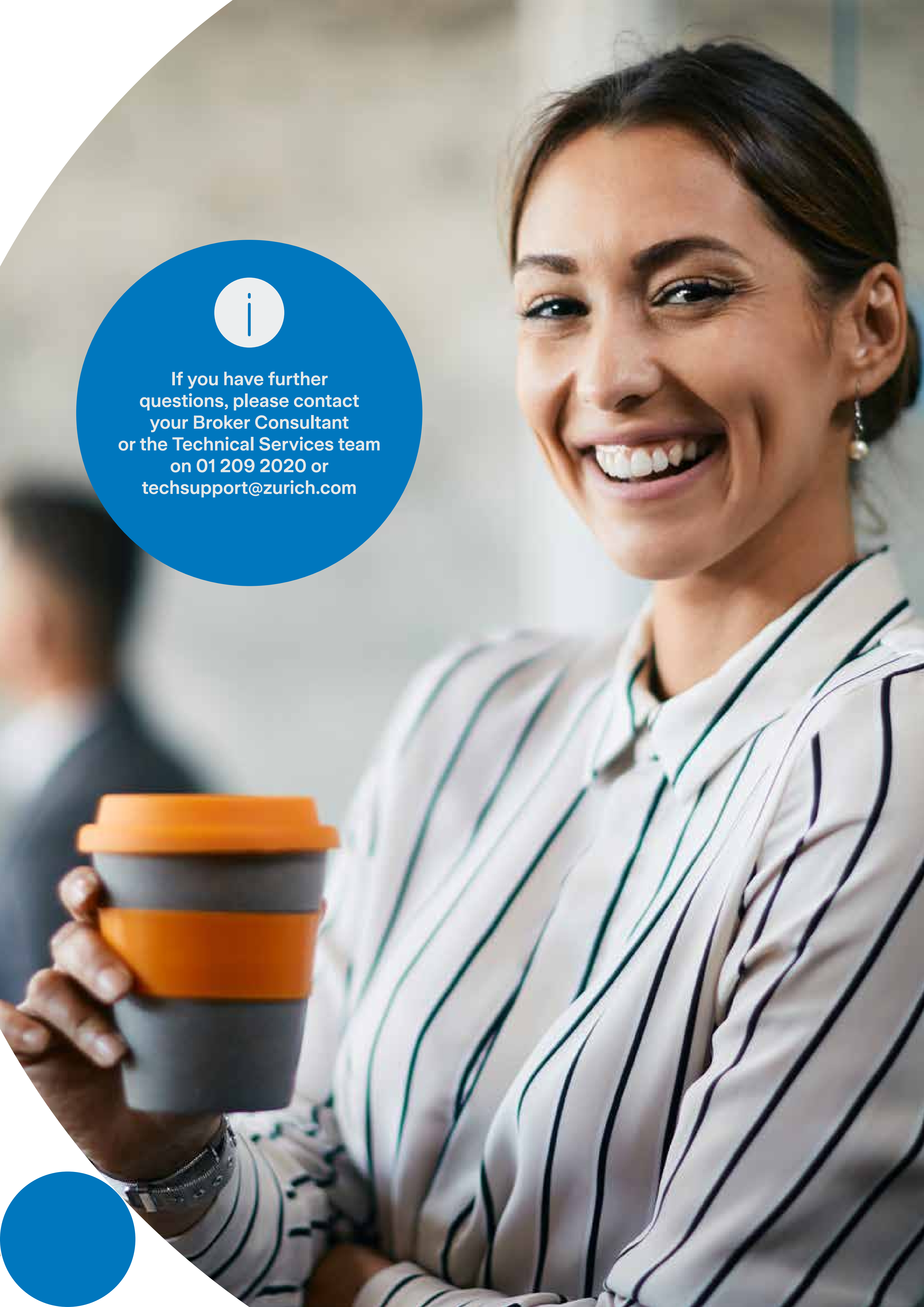
Although Employee contributions and AVCs form part of the limits on total Ordinary Annual and Special Contributions to a pension scheme they are also subject to additional rules in relation to relief from income tax.

The maximum pension contribution for which an individual may claim tax relief cannot exceed the relevant age-related percentage of the individual's earnings in any year of assessment.

The age-related percentage limits are:	
Under 30 years	15%
30-39 years	20%
40-49 years	25%
50-54 years	30%
55-59 years	35%
60 years or over	40%

Earnings for the purpose of these limits are capped at €115,000.

Warning: The value of your investment may go down as well as up.
Warning: This product may be affected by changes in currency exchange rates.
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.



If you have further questions, please contact your Broker Consultant or the Technical Services team on 01 209 2020 or techsupport@zurich.com

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