

Making the most of your tax-free lump sum

A simple retirement guide





Congratulations on your retirement

We hope you are looking forward to the next phase of your life – it should be one full of promise.

If you are planning to take a cash lump sum when retiring, then this brochure is for you. Whether you want to travel, support loved ones, or simply enjoy greater financial freedom, understanding your options can help you make confident choices. In this brochure we review some of the options available to you, but it is not an exhaustive list. If you think one or more of these options might be suitable to you, you can then discuss them with your Financial Broker or Advisor who will be happy to assist you with further information.

Your retirement “tax-free lump sum” or “tax-free cash” – What is it?

When you retire, you are entitled to take a cash lump sum from your retirement fund. The lump sum is calculated based on the type of pre-retirement pension contract you've been saving into and is tax-free up to a maximum lifetime limit of €200,000.

If you are lucky enough to have a larger pension pot, then the next €300,000 of any lump sum is taxable at 20%. Anything over that €500,000 in total will be taxable at the retiree's marginal rate of income tax, USC (Universal Social Charge) and PRSI (Pay Related Social Insurance), if applicable.

Cash Lump Sum	Tax Rate
Up to €200,000	Tax free
Next €300,000	Taxable at 20%
Over €500,000	Taxable at marginal rate of income tax, USC and PRSI (if applicable)

Did you know?

Only 42%* of older people feel adequately financially prepared for the rest of their retirement.

* Central Bank of Ireland, Consumer Research Report, July 2024.



How is the tax-free lump sum calculated?

The amount of the cash lump sum you can take depends on the type of pension contract you had prior to retirement.

Have a look below to see which of the two categories you fall into:

Category 1	Category 2
<ul style="list-style-type: none">• Defined Contribution (DC) Pension Scheme• Personal Retirement Bond• Additional Voluntary Contribution (AVC) Scheme• PRSA AVC	<ul style="list-style-type: none">• Personal Pension / Retirement Annuity Contract (RAC)• Personal Retirement Savings Account (PRSA)

Option A

Take a cash lump sum, the value of which is based on the number of years' service completed with your employer and your final salary. The maximum lump sum is 150% of your final salary where you have accrued 20 years or more service which ends on or after your normal retirement age.*

or

Option B

Take a cash lump sum up to a maximum of 25% of your pension fund.

* Pension fund size permitting.

Please note that the cash lump sum based on your salary and service (Option A above) may be higher than in Option B but if it is taken in that form, you can only purchase an annuity with the residual fund.

If you have an Additional Voluntary Contribution (AVC) fund or a PRSA AVC fund you still have the option to purchase an Approved Retirement Fund even if you take your cash lump sum based on your salary and service. However, the benefits from the AVC and/or PRSA AVC must be taken at the same time as the "Main Scheme" benefits.

Take a cash lump sum up to a maximum of 25% of your pension fund.



Important Note

The availability of these options can be impacted by other factors such as pensions from other employments, Pension Adjustment Orders or redundancy calculations. Professional advice should be sought.

Benefits of receiving a tax-free lump sum



Immediate access to money when life is changing. As you reach retirement, having a tax free lump sum gives you financial breathing room at a time when routines, income sources, and lifestyle needs are shifting.



Greater peace of mind during a major life transition. Retirement brings not only financial decisions but also emotional and identity adjustments. Access to a lump sum can ease worries about stability and help build confidence as you move from career income to pension income.

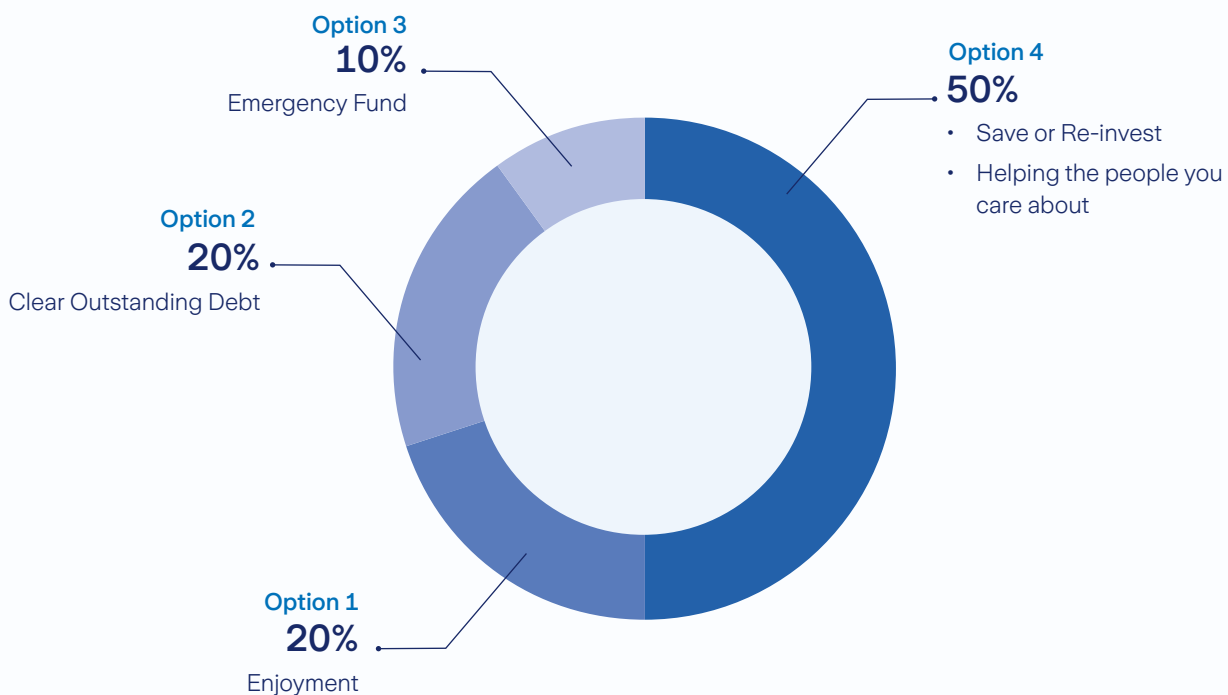


A stronger platform to shape the next phase of your life. A tax free lump sum empowers you to plan your retirement more intentionally, whether that means planning future cash flow needs, or redefining your lifestyle priorities.



Utilising your tax-free lump sum

A simple example of how you could earmark your tax-free lump sum. This will of course be different for everyone, but it should make it a little easier to visualise on paper.





Option 1

Enjoyment

You've worked hard to build your pension savings, so it's only natural to enjoy some of your tax free lump sum. Whether it's a dream holiday, a home upgrade, or finally buying something you've always wanted - this is your moment.



Among consumers who have retired, 28%* reported they spent their lump sum (including travel; home improvements; money for family; living expenses; new car)

*Central Bank of Ireland, Consumer Research Report, July 2024.

But remember it's important not to spend it all straight away. Your lump sum is a valuable financial resource for the years ahead, so balancing enjoyment with long term planning is key.



Option 2

Clear Outstanding Debts

Next, it's a good idea to think about your financial security. Start by sorting out any debts or loans you might have:



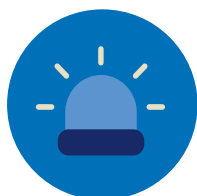
Among consumers who have retired, 28%* reported they paid off their mortgage or other debts

*Central Bank of Ireland, Consumer Research Report, July 2024.

Pay off your mortgage. It's usually the biggest debt and clearing it can give you peace of mind.

Get rid of car loans or personal loans. These can eat into your budget, so clearing them can make a big difference.

Tackle high-interest debt. Credit cards and other high-interest loans can cost a fortune over time, so it's smart to deal with these first.



Option 3

Emergency Fund

A simple way to protect yourself financially. Knowing you have a cushion to fall back on can reduce stress and help you enjoy your retirement.

Why it's important?

It gives you immediate access to cash when life throws unexpected expenses your way. Whether it's a car breaking down, a medical bill, or an urgent home repair, you'll have the money ready without needing to borrow or dip into your savings.

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Option 4

Save or Re-invest.

Many people are surprised to learn that most retirees don't simply spend their lump sum - many save or re-invest a portion.



Among consumers who have retired, 59%* reported they reinvested or saved their lump sum.

*Central Bank of Ireland, Consumer Research Report, July 2024.

Re-investing with Zurich can help your money work harder. Retirement can last 20 years or more, so reinvesting a portion of your tax-free lump sum could help you have the financial strength to maintain your lifestyle throughout retirement - not just the first few years.

By reinvesting some of your tax-free lump sum into an investment bond, you can also choose to commence a regular income from it. This can provide an additional, flexible income stream to complement your pension, helping to bridge any income shortfall and support your lifestyle throughout retirement.

Your pension didn't grow overnight - it grew because you committed to a long-term plan and trusted Zurich to manage your money with care.

Did you know?



Male Life Expectancy (at 65):

Approximately 18 years¹



Female Life Expectancy (at 65):

Approximately 21 years¹

Zurich's Investment Bond for Lump Sum Investors

Suitable if you have a lump sum of money to invest, such as existing savings or a cash lump sum at retirement. Your money can be invested in Zurich's range of investment funds including the risk-rated Prisma Funds, explored in more detail on the next page.

Choose if:

- You are looking to invest for seven years or more.
- You have over €5,000 to invest.

The Benefits:

- You have an excellent investment fund choice to suit your attitude to risk.
- You can switch and move between a range of investment funds.
- If you need access to your money, that's no problem as there are options available that give you access to your money without any penalties.
- You can check the value of your investment bond any time by logging on to Zurich's online Client Centre.

* Central Bank of Ireland, Consumer Research Report, July 2024

¹ Irish Life Tables 2015-2017, Life expectancy at birth and age 65 by sex, 2016

Warning: If you invest in this product you may lose some or all of the money you invest.
Warning: This product may be affected by changes in currency exchange rates.
Warning: The value of your investment may go down as well as up.
Warning: The income you earn from this investment may go down as well as up.



Introducing Prisma Multi-Asset Funds

If you don't have the time or desire to dive into the complex world of investments yourself, the Prisma Fund range may be the answer. It brings you five funds targeted to five attitudes to risk. The funds are designed to reflect a range of risk levels, so whatever your appetite for risk there is likely to be a fund to suit you.

What do the funds invest in?

The five Prisma funds invest in a mix of assets including equities, bonds, property, alternatives and cash, all of which provide the potential for investment growth over the longer term.

Why Invest in the Prisma Fund Range?

Risk Targeted

Investment funds designed to target volatility bands to match your risk/return preferences.

Built on Expertise

The team at Zurich Investments consists of experienced and highly-qualified investment specialists, with a proven track record of making the right asset allocation decisions at the right times.

Actively Managed

The Prisma Funds are actively managed which means that it is our fund managers that make the specific investments within each fund. It also means our investment managers can respond to market movements as and when they happen.

Diversified

Each multi-asset fund is diversified and can include equities, bonds, property, cash and alternatives. Alternatives includes a range of commodity exposures including energy, industrial metals, precious metals, soft commodities amongst others. It can also incorporate other diversifying asset classes.

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Continued overleaf →



Option 4

Helping the people you care about

Supporting the people you care about is one of the most meaningful ways to use your tax-free lump sum. Whether it's helping a child get on the property ladder, contributing to a grandchild's education, or giving a loved one a financial head start, gifting can make a real and lasting difference.

But here's a common question: Can you gift money without paying tax?

In many cases, yes - if you follow Ireland's gifting rules.

How gifting works

In Ireland, gifts are subject to Capital Acquisitions Tax (CAT). But this only applies if the total value of gifts or inheritances someone receives goes over certain limits. These limits depend on your relationship to the person receiving the gift:

Group A:

€400,000 from a parent to a child

Group B:

€40,000 from a grandparent, aunt, uncle, or other close relative

Group C:

€20,000 from anyone else

If the gift goes over these lifetime limits and the annual small gift exemption of €3,000, the extra amount is taxed at 33%. For example, a €50,000 gift to a niece would use up the entire Group B limit of €40,000 and the €3,000 annual limit between the parties, so the remaining €7,000 would be taxed @ 33%. But the same €50,000 gift to a daughter would stay under the €400,000 limit and wouldn't be taxed.



Among consumers who have retired, 28%* reported they spent their lump sum (including travel; home improvements; **money for family**; living expenses; new car).

*Central Bank of Ireland, Consumer Research Report, July 2024.

Use the Small Gift Exemption

If you've already exhausted the limits above and have more to gift, there are other tax efficient ways to gift money to your loved ones.

The Small Gift Exemption lets you gift up to €3,000 a year to anyone without any tax liability. Even better, it doesn't reduce their lifetime tax-free limits. Two people (like two parents or grandparents) can each give €3,000, meaning a child or grandchild could receive €6,000 tax-free every year.



Zurich's Small Gift Saver

Also called the Child Savings Plan, Zurich's Small Gift Saver is designed to help you make the most of the Small Gift Exemption.

You know how small, regular contributions can add up to something big over time. Your pension is proof of that. A Child Savings Plus or Small Gift Saver works the same way. It's straightforward and managed by experts to help you save for a child or grandchild's future.

What would happen if I 'gifted' €3,000 to my daughter – each year?

Assuming a parent gifted €3,000 into an account, which gave no interest nor any fund growth, there would still be a considerable fund available to your daughter.

And she'd have no liability to any Capital Acquisitions Tax on that fund.

After 10 years, she would have €30,000 available to her for a house deposit, a new car or to fund that trip around the world.

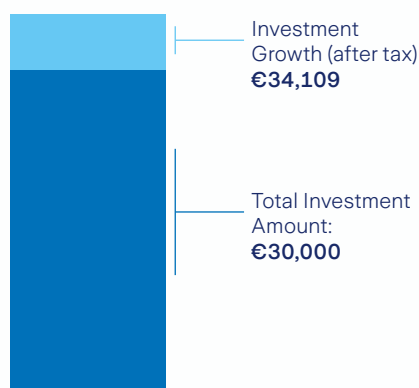
Savings of €3,000 per year over 10 years



See how your gift could grow over time using Zurich's Small Gift Saver

By choosing to invest your yearly gift, it's possible for the total value to surpass the original investment. Assuming an annual growth rate, your gift of €3,000 per year over 10 years could be worth more than the total amount saved. Investing for growth helps you make the most of every contribution.

Your investment (after tax) could be worth €34,109



Regular Premium Assumptions:

An annual management charge of 1.35% and a contribution allocation rate of 101% with no surrender penalties has been allowed for. A government insurance levy applies, currently 1% as at January 2026 and may change in the future. The contributions above are inclusive of this levy. We have assumed a gross investment return of 5.5% per annum on your savings based on an investment in Prisma 4. The return is based on an investment in the fund and does not represent the return achieved by individual policies linked to the fund. It is assumed that on death, encashment, partial encashment, assignment of a policy or on the 8th policy anniversary, tax is deducted on the gains made at the current rate of taxation (38%). These assumptions and figures quoted are for illustrative purposes only and are not an offer of contract. The information contained herein is based on Zurich Life's understanding of current Revenue practice as at January 2026 and may change in the future.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

Take the next step




Professional advice is invaluable

It makes sense to talk to a financial broker or advisor regularly, before, at and after you've retired. They will be able to provide a complete financial review and advise you on the best way to manage your retirement fund to suit your needs.

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