

The Advantages of a PRSA

PRSA Eligibility

If you are an employee in full-time, part-time or temporary employment, you can contribute to a PRSA. If you are already in an employer sponsored pension scheme, you can contribute to an Additional Voluntary Contribution (AVC) PRSA.



Advantages of PRSAs

As an employee who qualifies to contribute to a PRSA or a PRSA AVC, there are a number of advantages to you making contributions.

1. If you don't save for your retirement, you may be solely dependent upon the **State Pension** - currently payable from age 66* at a rate of only **€233.30 per week**. Is this enough to maintain your standard of living?
2. Subject to the age related limits detailed below, contributions to **PRSAs are fully allowable against Income Tax**. When deducted from your earnings by your employer under a 'net pay arrangement', these reliefs are available to you **immediately**.

Age related limits

Age	% of Net Relevant Earnings**
Under 30	15%
30 to 39	20%
40 to 49	25%
50 to 54	30%
55 to 59	35%
60 and over	40%

Generous tax reliefs

Example	40% Tax Payer	20% Tax Payer
Gross Monthly Contribution	€200	€200
Less: Income Tax Relief	(€80)	(€40)
Net Cost to You	€120	€160

* The State Pension (Contributory) is currently paid from age 66. However, the qualifying age will rise to 67 on 2021 and 68 in 2028.
 ** Net Relevant Earnings, e.g. gross salary plus overtime, are currently subject to a ceiling of €115,000 for the purpose of calculating tax relief. This limit includes any contributions you are making to your employer's pension scheme and any current AVCs.
 ^ The maximum amount of tax-free lump sums which may be paid out of your pension fund is restricted to a life-time limit of €200,000 for all pension lump sums taken after 7th December 2005. The next €300,000 is subject to the standard rate of income tax (currently 20%). Any excess above €500,000 is subject to your marginal rate of tax under 'Schedule E' (income tax plus Universal Social Charge).

3. The funds in which your PRSA contributions are invested grow free of tax.
4. When you mature your PRSA plan, you will be entitled to take **25% of your accumulated fund tax-free**.[^] (If you are a member of an occupational scheme and are contributing to a PRSA AVC, your maximum tax-free lump sum

entitlement is either 25% of your fund, or up to 1 1/2 times your earnings, depending on your service at retirement.)

5. The balance of your accumulated fund can be used to purchase an annuity or invest in an Approved Minimum Retirement Fund (AMRF) / Approved Retirement Fund (ARF).

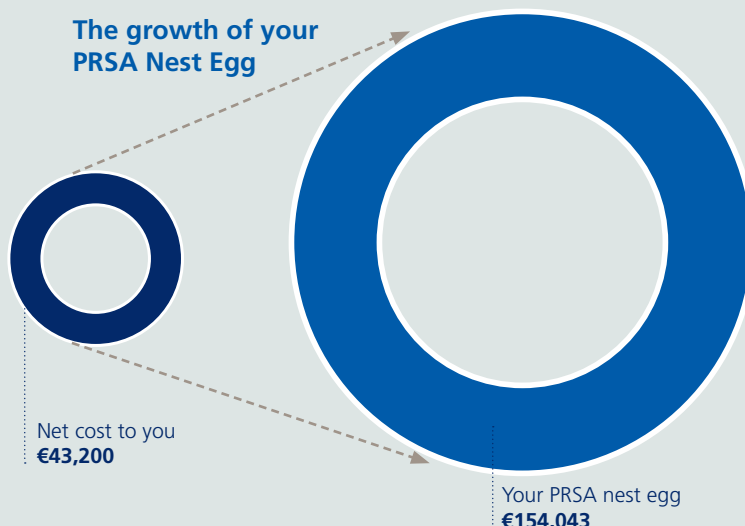
See overleaf for how the tax advantages associated with saving for your retirement can benefit you.

Your PRSA Nest Egg

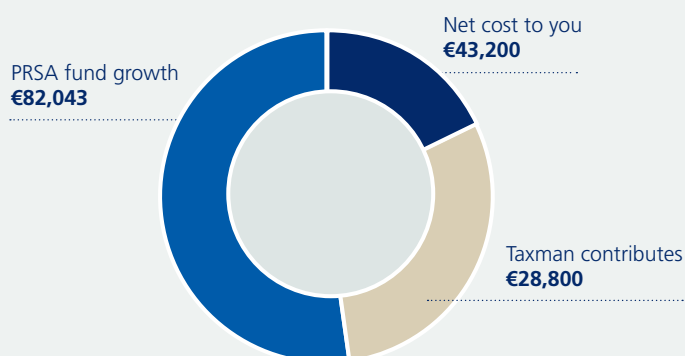
An Example

This example is based on a person contributing €200 per month over a 30 year term (i.e. Total Gross Contributions €72,000), with an investment return of 6% p.a. and Income Tax Relief (40%).

The charts highlight the growth of your PRSA contributions in a Standard PRSA, with a contribution charge of 5%, an annual management charge of 1% and an assumed investment return of 6% p.a.



What makes up your PRSA Retirement Fund



This chart shows how the eventual size of your PRSA retirement fund of €154,043 is made up of three factors: your contribution net of tax (€43,200), the taxman's contribution (i.e. your tax relief €28,800) and the illustrated growth of the PRSA fund (€82,043).

If you contribute to a PRSA AVC, the maximum tax-free sum will be based on your earnings and service at retirement subject to revenue limits.

For more information
please contact your
Financial Broker.

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