We hope this document has given you some insight into the many things you need to think about before you retire.

Our pension specialists are available to meet with you to tailor a retirement plan based on the needs of your business as well as your own specific circumstances.

Call or email us today and take the next step towards financial independence.

Christy McGee Insurances Ltd

3 Crowe Street,
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T: 042 9339337
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You may get back less than you put in.

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Christy McGee Insurances Ltd.

Retirement Planning for

Company Owners, Directors & Executives

Extracting wealth from your business

Maximum Funding Rules

Making the most of the pension tax breaks available

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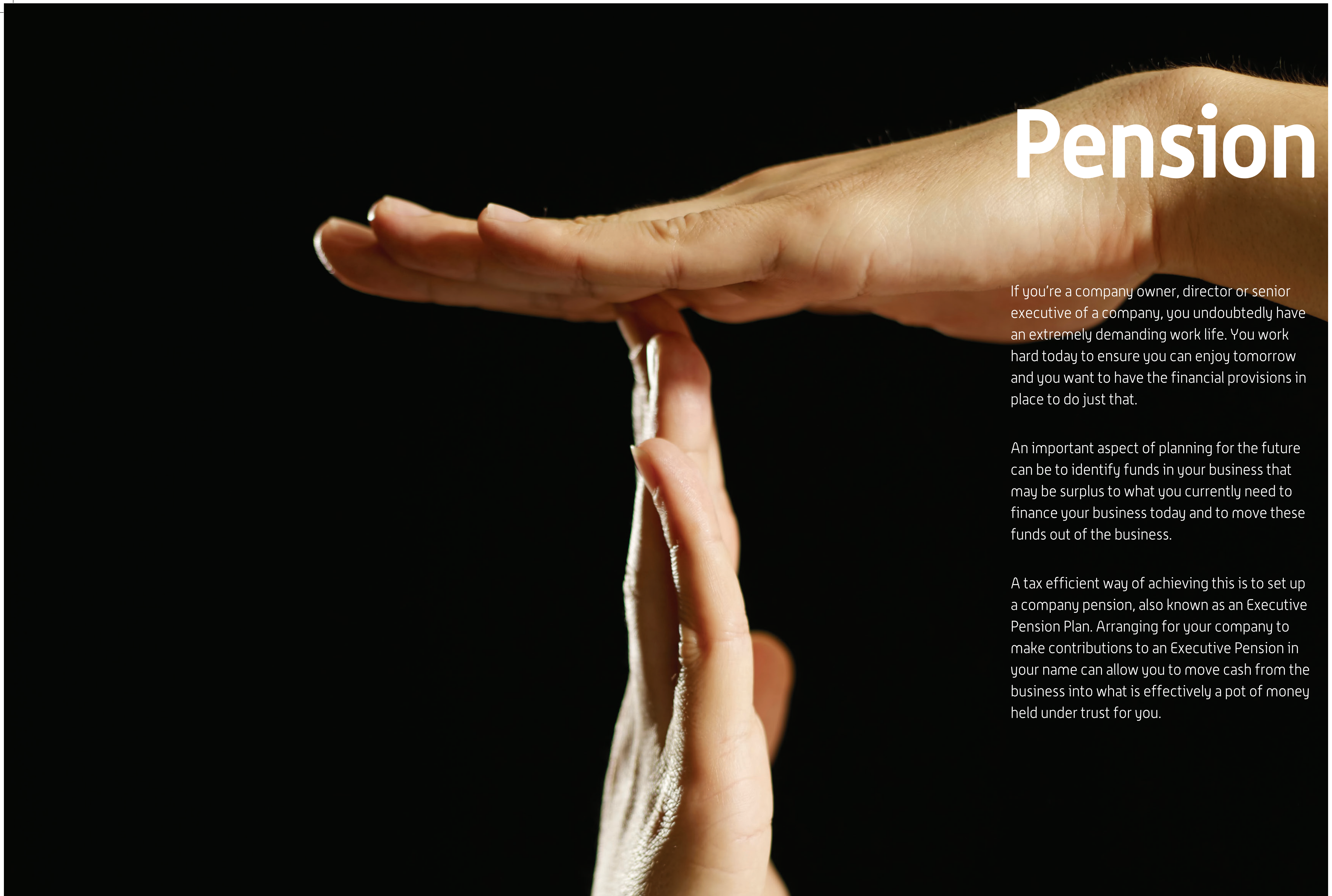


Pension Planning

If you're a company owner, director or senior executive of a company, you undoubtedly have an extremely demanding work life. You work hard today to ensure you can enjoy tomorrow and you want to have the financial provisions in place to do just that.

An important aspect of planning for the future can be to identify funds in your business that may be surplus to what you currently need to finance your business today and to move these funds out of the business.

A tax efficient way of achieving this is to set up a company pension, also known as an Executive Pension Plan. Arranging for your company to make contributions to an Executive Pension in your name can allow you to move cash from the business into what is effectively a pot of money held under trust for you.

Throughout this booklet we will look at how pensions can play an important role in your financial planning. We will also focus on specific areas including:

- Features of Executive pensions
- Contribution options
- Current tax benefits and reliefs
- What options you have when you retire
- Providing for key employees within your company
- Protecting your family financially through an Executive Pension Term Assurance Plan

If you decide to set up an Executive Pension Plan it is important to ensure that your contributions are invested in funds with the potential for growth while taking account of your attitude to risk.

Given that we work with the top pension providers in Ireland we have access to a vast array of global and domestic funds for you to invest in. We can offer advice on how funds are performing and what funds will suit your attitude to risk.

Pensions are an essential part of your financial plans, both the tax relief and the long-term nature of a pension makes it one of the best retirement planning and wealth extraction tools available for business owners today.

For advice on how to make the most of your retirement savings now, why not book a meeting with us today.

Executive Pensions

An Executive Pension is established under trust and is designed to build up a fund to allow a company provide retirement benefits for a director and/or a key employee.

The following are some of the benefits of retirement planning through your company:

- Contributions made by the company to the plan can normally be fully offset against Corporation Tax
- No benefit in kind (BIK) implications
- Under current legislation, any growth earned by your pension fund is tax free
- Tax free cash at retirement, subject to Revenue limits
- Possibility of early retirement from age 50 – you will need to surrender shareholding and sever all links with the business
- The company can usually make much higher contributions to a pension plan than an individual in their own right - subject to Revenue maximum funding limits
- Employee contributions are tax deductible by up to 40%* of salary depending on age and subject to an earnings cap, currently €115,000

* It is important to note that tax relief is not automatically granted; you must apply to and satisfy Revenue requirements. Revenue terms and conditions apply.

An Executive Pension gives you:

Contribution Options

The flexibility at the outset to choose the amount you and your company contribute.

Investment Options

Which allows you to tailor your investments to suit your individual attitude to risk.

Retirement Options - that suit your circumstances

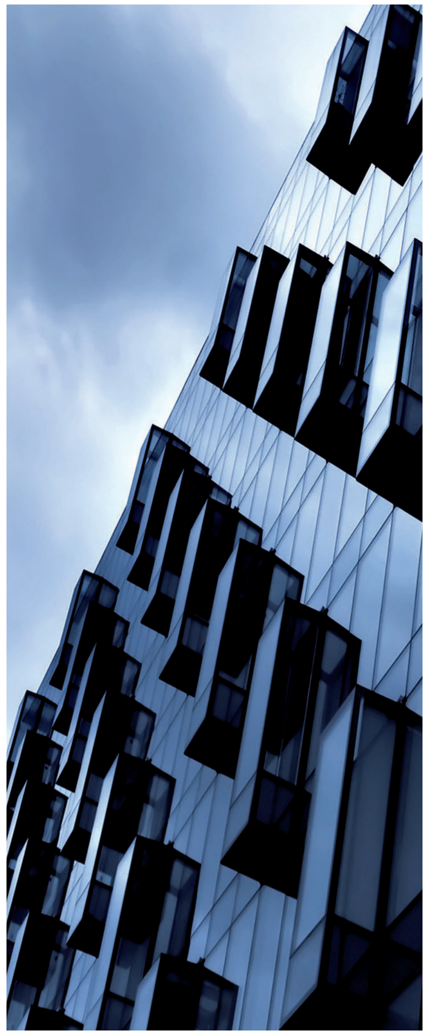
When you retire, there is flexibility as to how the benefits can be taken. This will depend on rules that are in place at the time you take your retirement.

Your options may include:

- A tax free lump sum
- A taxable lump sum
- An income (pension) for your lifetime
- An income (pension) for your dependants on your death in retirement
- Investing in an Approved Retirement Fund (ARF) and/or Approved Minimum Retirement Fund (AMRF).

Life Cover Benefit

Life Cover can provide your family with a lump sum payment in the event of death before retirement. An Executive Pension Term Assurance plan is a tax efficient way of providing this cover. Turn to page 7 for more information.



The extent of pension tax relief currently available to business owners is significant: in many cases it is more tax efficient for business owners to put a portion of their company profits into a pension than to give themselves a pay rise.

Contributions
to an Executive Pension

How much will it cost to provide a decent income in retirement?

The answer will depend on a number of factors including:

- Your age now and the age at which you think you'll retire
- The amount of income you think you'll need when you retire
- The investment returns which your fund achieves
- The interest rates which apply when you retire, which will determine the rate at which you can purchase an annuity, i.e. a regular income.

Depending on your company service the maximum benefits that may normally be provided under Revenue rules is a pension of two thirds of your final salary with a matching pension for your spouse or civil partner, payable on your death in retirement.

Significantly, under current legislation, unlike salary increases, bonuses, or benefits such as company cars, your company's contributions to an Executive Pension are not treated as your income and are therefore not taxed.

Flexibility to tailor payments to suit you

The Executive Pension allows you to make your contributions how and when you want to. You can pay by direct debit - monthly, quarterly, half yearly or yearly. Single premium payments can also be made on an annual basis. Revenue rules apply.

Maximum Annual Contribution as a % of Salary
Figures sourced from the Pensions Revenue Manual, September 2017. The table shows the maximum pension contribution allowed in a given year based on current Revenue rules, expressed as a percentage of salary. The maximum contribution includes both employer and employee contributions but excludes the cost of any risk benefits. These contribution rates assume that the individual is married, does not have any other pension provision in place and that they will have completed at least 10 years service at retirement age. Special contributions in excess of set limits may need to be spread forward for tax relief purposes over a period of up to five years.

Lump sum contributions

Subject to Revenue rules you can also make lump sum contributions at any time. Contributions made within Revenue limits can be varied year to year to suit both the finances of the company and your own personal finances.

We recommend that you consider an indexing contribution option, which automatically increases your contributions on a yearly basis so that they are in line with the Consumer Price Index, or 5% if higher. This helps your pension contribution to keep pace with inflation.

Using your pension to extract wealth from your company

Profits in your business – your options

Option 1 - Leave funds in the company, invest them (in non pension based life assurance investment) and extract proceeds through sale of your company

Option 2 - Withdraw funds as salary and invest them personally (in non pension based life assurance investmen)

Option 3 - Employer contribution to Executive Pension Plan

	Option 1	Option 2	Option 3
Initial investment	€100,000	€100,000	€100,000
Less corporation tax	€12,500	€0	€0
Less income tax, PRSI & USC	€0	€52,000	€0
Balance to invest	€87,500	€48,000	€100,000
Value at 60	€157,583	€86,445	€180,094
Less exit tax on growth	€17,521	€15,762	€0
Total	€140,062	€70,683	€180,094
Less CGT on sale of your company	€46,220	€0	€0
Less income tax, PRSI & USC	€0	€0	€70,236
After tax value at retirement	**€93,842**	**€70,683**	**€109,858**

Note, a reduced rate of CGT (20%) may apply to certain companies/individuals. Certain business disposals may also be exempt from CGT under the retirement relief provision.

Assumptions

- Investment rate of return 4%
- 15 years investment term
- 12.5% corporation tax
- Income tax 40%, PRSI 4% and USC 8% (52%)
- Exit tax on company owned life policy – 25%
- Exit tax on individually owned life policy –41% assumed to apply at the end of the investment period only
- CGT 33% on liquidation
- Assumes 25% tax free lump sum is taken and the balance of the fund is subject to Income Tax 40%, PRSI 4% and USC 8% (52%).

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

How much can my company contribute to my Executive Pension?

The amount of money a company can contribute to an Executive Pension can be substantial. The chart below shows the maximum contribution levels that could potentially be made and tax relief that can be claimed. It is important to note that to set up an Executive Pension, the company must make a meaningful contribution.

Maximum Annual Contribution as a % of Salary

Current Age	Male Retiring Age		Female Retiring Age	
	60	65	60	65
40	108%	76%	100%	69%
45	144%	95%	133%	86%
50	216%	126%	200%	115%
55	432%	189%	400%	173%

Tax benefits
of an Executive Pension

Tax Relief on Company Contributions

Contributions made by the company to your Executive Pension can usually be fully offset against Corporation Tax as a business expense, subject to Revenue limits. There's considerable flexibility in relation to the timing of these contributions for business owners so that payments can be tied in with the Company's profitability from year to year.

Benefit in Kind (BIK)

Subject to the plan having Revenue approval, you will not be assessed for BIK on any contributions made by the company to your Executive Pension. Revenue limits apply.

Tax Relief on Employee Contributions

Under current legislation, you can benefit from tax relief on employee contributions you make to your Executive Pension. However, as a business owner it can be much more beneficial to make employer contributions only into an Executive Pension Plan.

An overview of the tax treatment of employer and employee contributions is shown in the table opposite.

Tax Treatment of Employer and Employee Pension Contributions

Tax Type	Employer Contribution	Employee Contribution AVC
Income Tax	No	No
USC	No	Yes
Employee PRSI	No	Yes
Employer PRSI	No	Yes
Corporation Tax	No	No

Where a business owner does want to make personal contributions these should always be made as Additional Voluntary Contributions (AVCs) to ensure a wider range of options are available at retirement.

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Warning: If you invest in this product you may lose some or all of the money you invest
Warning: If you invest in this product you will not have access to your money until you retire.

What happens at retirement?

Taking your retirement benefits

You can choose to take your retirement benefits under your Executive Pension at any age between 60 and 70, which is the Normal Retirement Age under an Executive Pension. It is possible to take benefits at your chosen retirement age (between 60 and 70) and to continue working in the same company. It is also possible to change the chosen retirement age at any point in the future.

Early Retirement

You may be able to take your benefits from age 50 under certain circumstances. In the event of ill health, benefits can become payable immediately (regardless of age) but this is subject to completion of a medical to make sure you qualify under Revenue rules. If you retire early you will need to surrender (sell) your shareholding and sever all links with the business.

When you retire, you can use your retirement fund in either of two ways:

1 Retirement Lump Sum and Pension

Retirement Lump Sum: You can take part of your benefits as a retirement lump sum. The maximum retirement lump sum you can take is 1.5 times your final salary –provided you have 20 years service completed with the company by your chosen retirement age.

If you have less than 20 years completed or if you retire early, a lower lump sum will be payable in line with a sliding scale. Under current Revenue rules the following tax rates will apply to your lump sum.

Lump Sum Amount	Rate of Tax
Up to €200,000	Tax free
Next €300,000	Standard rate (currently 20%) no reliefs, no credits allowed
Over €500,000	Marginal rate – taxed under PAYE system, plus PRSI and USC

Any retirement lump sums taken on or after the 7th of December 2005 will count towards these limits.

Pension: After taking your retirement lump sum, the balance of your fund can then be used to purchase an annuity (a guaranteed income for life – also known as a pension) for you and on death, your dependants, subject to Revenue limits.

You could opt for a level pension or a lower initial pension which then increases each year to help offset the effects of inflation. You can also opt to have your pension continue to your spouse or registered civil partner after your death.

If you have paid any Additional Voluntary Contributions (AVCs) into the plan, then the fund accumulated by those AVCs can also avail of the ARF option detailed in section 2.

2 Retirement Lump Sum and Approved Retirement Fund/Taxable Lump Sum

Retirement Lump Sum: You can take up to 25% of your accumulated fund as a lump sum (the tax position for this lump sum will be the same as detailed in the table in the previous section).

Taxable Lump Sum/ARF: The balance of your fund can then be invested in an Approved Retirement Fund (ARF) or taken as a taxable lump sum. An ARF is a retirement investment fund which allows you to choose between various investment options and gives you complete control over when and how you draw down funds, subject to certain requirements being met. Withdrawals from an ARF are subject to Income Tax, USC (and PRSI up to age 66 only).

Note, under current legislation ARF holders are required to take a withdrawal of a certain amount each year. It is expressed as a percentage of the fund and depends on the age of the ARF holder in the tax year and the value of the ARF. Income Tax, USC and PRSI (up to age 66) will be payable on the amount(s) withdrawn.

In order to invest in an ARF or take a Taxable Lump Sum, you must have a specified income for life from all sources of currently €12,700 per year in payment at the time you take your retirement benefits. This can include your State Pension benefits (single person rates only) or any income derived from other pension arrangements.

If you do not have this income for life then you must either:

a) use all or part of your retirement fund to purchase an annuity (pension) to bring your retirement income up to €12,700, or

b) use €63,500 of your retirement fund to invest in either an Approved Minimum Retirement Fund (AMRF), purchase an annuity or a combination of both. If your retirement fund is less than currently €63,500, then the whole amount must be used in this way.

Remember that a guaranteed income for life does not include income from sources such as investments, businesses, rents or employment.

Which option is best for me?

The retirement option that suits you will depend on your personal circumstances at the time that you retire. Before you retire, all of the various options available to you at that time will be explained in detail.

Talk to us today to find out which option is best suited to your needs.

Executive Pensions for Key Employees

Most businesses are created around a few vital individuals whose technical knowledge or experience make them a very valuable asset to the firm

An Executive Pension is an excellent way to reward a key member of your staff and to encourage them to consider a long term future with your company. It can also be useful in attracting new staff as employee benefits are becoming increasingly more important in attracting and retaining the best people.

An Executive Pension is an ideal way to provide retirement benefits for your key employees. It's a tax efficient savings plan that builds up a fund, which allows a company to provide retirement benefits for its key employees.

An Executive Pension is flexible and can be designed to suit your own particular requirements including:

- The level of company contributions can be decided by you – subject to Revenue limits.
- The Plan can be non-contributory or you can arrange for part of the contributions to be paid by the employee.
- The employee can then pay Additional Voluntary Contributions (AVCs) to provide additional benefits for themselves.
- Life cover can also be provided through Pension Term Assurance or through a group death in service scheme.

Where you have a large number of key employees you may wish to consider the benefits of setting up a group pension scheme rather than a large number of Executive Pensions. We can talk you through the benefits of each approach and help you determine which option is the right fit for your business.

Executive Pension Term Assurance

As a business owner you can set up an Executive Pension Term Assurance plan to provide your family with financial protection in the unfortunate event of your death before retirement. It is a financial safety net, in the form of life cover, so that if you are not around to provide for your family, your family will be taken care of financially.

With an Executive Pension Term Assurance contract the premiums are normally paid for by the company (employer), so they usually qualify for tax relief. If you die before retirement, the payment can help your family survive without having your income to rely on. The cover lasts until you reach retirement age, which will normally be your 65th birthday, (but it may be earlier) subject to Revenue conditions.

What are the tax advantages?

Although the company pays the premiums for an Executive Pension Term Assurance plan, they are not treated as income in the hands of the employee, so they are not taxed. Instead, the premiums are normally a tax-deductible expense, so premiums may be allowed as an expense against Corporation Tax, under current legislation.

In addition to taking out cover on your own life, it may be worth considering the advantages of setting up an Executive Pension Term Assurance plan for other key employees within your business. We can talk to you through these in more detail including whether you should opt for cover that remains level or cover that increases over time.

Example 1

Saving Tax through an Executive Pension

Dave owns his own warehousing and distribution company. It is now a profitable business, having commenced trading five years ago. His annual salary is €60,000 and he is aged 46, and plans to retire at age 65. Typically, the company's annual corporation tax bill is about €12,500 on annual company profits of around €100,000. At present, Dave has no pension plan in place for himself.

By having his company make an annual contribution of €40,000 to an Executive Pension, Dave will reduce his company profits to €60,000, and consequently his annual corporation tax bill would fall to 12.5% of €60,000 or €7,500. So the company's annual tax bill is reduced by €5,000 and Dave has moved €40,000 from the company to his pension plan without incurring any income tax.

Under current legislation, no tax is payable on any growth in the funds invested in a company's pension plan until Maturity. On retirement, Dave can use his pension fund to avail of the retirement options detailed on page 5.

Under current legislation, no tax is payable on any growth in the funds invested in a company's pension plan until maturity.

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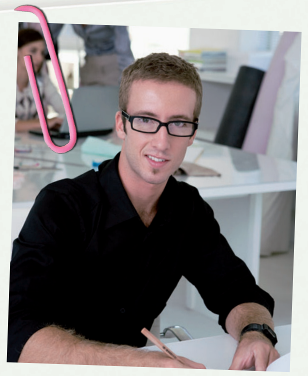
Example 2



Achieving a sizeable Pension by restructuring the company.

Start-up business entrepreneur, Gary, runs his own graphics company, which supplies innovative image solutions to clients in Ireland.

Following careful consideration and professional advice from his accountant, Gary has recently registered as a limited company. While this means that the 31st October self-assessment tax deadline will no longer be a key date for Gary, he will have to file accounts on an annual basis in line with his chosen business year end.

From a pension planning perspective Gary's situation has changed dramatically in that his company can now pay significantly more money into his pension using current maximum funding rules.

Gary Conway
Age: 30
Annual earnings: €100,000
Retirement age: 65

EXECUTIVE PENSION
Maximum Contribution Estimated contribution to generate a pension of 66.67% of final earnings at age 65: **€38,800 per annum**
Tax relief at 12.5% for company: **€4,850**

Note: The example above shows the maximum pension contribution allowed in a given year based on current Revenue rules. The maximum contribution includes both employer and employee contributions but excludes the cost of any risk benefits. The contribution rate assumes that the individual is single, does not have any pension provision in place and that they will have completed at least 10 years service at normal retirement age.

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