

# Non-Standard Personal Retirement Savings Account

**A Personal Retirement Savings Account ('PRSA') is a tax efficient investment account which enables you to save for your retirement in a flexible manner. It allows you and/or your employer to make either regular or once-off contributions which may qualify for tax relief.**

## Standard PRSA

A standard PRSA is one where you cannot be charged more than 5% on the contributions you pay and 1% a year on the managed funds; you can only invest in pooled funds, except for temporary cash holdings.

## Non-Standard PRSA

A non-standard PRSA is one where there is no limit on charges and you can invest in a range of funds, including (but not restricted to) pooled funds. A non-standard PRSA can provide access to a wide range of asset classes, depending on the provider, including:

CASH	BONDS	EQUITIES
PROPERTY	PRIVATE EQUITY	ALTERNATIVES

You may also have access to a range of investment managers through your PRSA. The selection of investments must be in line with Revenue pension investment guidelines.

**WARNING: The value of your investment may go down as well as up.**

## Eligibility

Anyone can take out a PRSA, regardless of employment status. If you are a member of an Occupational Pension Scheme through your company, you can only take out an AVC ('Additional Voluntary Contributions') PRSA.

## Contributions

You contribute to your PRSA. If you are an employee, your employer can also contribute but is not obliged to do so.

There is no limit to how much you can contribute but tax relief on contributions is restricted. Contributions paid by you and/or your employer will be combined for the purposes of determining maximum contribution limits for tax relief purposes.

You will receive full income tax relief at your marginal rate on contributions within the limits set out in the table below:

Age in Tax Year	Maximum Contribution as a % of Net Relevant Earnings*
Under 30	15%
30-39	20%
40-49	25%
50-54	30%**
55-59	35%
Over 60	40%

Source: Davy

\* **Net Relevant Earnings:** Earnings from a trade, profession, office or employment which are subject to income tax. Net relevant earnings are capped at €115,000 for 2014. (Part 30 of the Taxes Consolidation Act (TCA) 1997 as amended.) Tax relief is only available where you have Net Relevant Earnings in the tax year.

\*\*The rate of 30% applies to certain specified occupations irrespective of age.

## Transfers In

Transfers can be accepted from other pension arrangements including:

- i. Personal Pensions or Retirement Annuity Contracts ('RAC');
- ii. Other PRSAs;
- iii. Occupational Pension Schemes (subject to some restrictions);
- iv. Retirement benefits established outside of the State to the extent that transfers are permitted from that Scheme.

The value of any AVCs can be transferred from an Occupational Scheme without restriction.

## Transfers Out

The full value of your PRSA is available to transfer to another pension arrangement, such as:

- i. An Occupational Pension Scheme;
- ii. Another PRSA;
- iii. Arrangements for the provision of retirement benefits established outside of the State to the extent that transfers are permitted to that Scheme.

## Benefits

You can normally start taking your benefits from age 60 (and up to age 75). In certain circumstances, you can take benefits earlier such as if you retire from employment at age 50 or over or if you can no longer work because of a serious illness or disability.

The amount of your benefits on retirement depends on the value of your pension account which will depend on the level of contributions paid and the investment return earned on those contributions.

A PRSA offers flexible retirement options. You are entitled to the following benefits on retirement the first time you draw funds from your PRSA:

- i. A once-off lump sum of up to 25% of the value of the assets\* and either:
  - a. Retain the balance of your funds in the PRSA with the option of making taxable withdrawals (see 'Imputed Distributions' below);
  - b. Transfer the remaining funds to an Approved Retirement Fund ('ARF');
  - c. Purchase an annuity;
  - d. Purchase an annuity for your spouse in the event of your death; or
  - e. A combination of the above.

\* *The first €200,000 of a lump sum is tax free and the next €300,000 is subject to tax at the standard rate (20% at January 2015). The balance over this limit is subject to marginal income tax (up to 40% at January 2015) and levies. For AVC PRSA, the maximum lump sum is subject to the limits applicable to your occupational or statutory scheme and limits set down by the Revenue Commissioners.*

### Imputed Distributions from a Vested PRSA

Legislation has introduced an annual taxable 'imputed distribution' which will be applied to the value of assets in vested PRSAs (where a lump sum has been drawn). This means that PAYE will be payable on an amount which is assumed to be taken out of your PRSA by you. The imputed distribution amount as at January 2015 is:

- ▶ 4% for individuals with combined ARF and vested PRSA assets less than €2 million and who are between 60 and 69 for the full tax year
- ▶ 5% for individuals with combined ARF and vested PRSA assets less than €2 million and who are 70 or over for the full tax year
- ▶ 6% for individuals with combined ARF and vested PRSA assets more than €2 million and who are 60 or over for the full tax year

**Note:** *No imputed distributions will be made from a Vested PRSA (i.e. a PRSA from which lump sum benefits have been taken) in respect of a year where the contract holder has taken total withdrawals of an amount of at least equal to the rate of imputed distribution to apply to that year.*

### Death Benefits

If you die before you first draw on your PRSA, your PRSA fund will be transferred to your estate tax free but could be subject to tax in the hands of the beneficiaries as an inheritance from you.

If you die after taking your benefits, the benefits payable will depend on your chosen retirement option as above.

### What if I change my mind?

The contract is not enforceable until a period of 30 days has elapsed from the date on which you are given a 'Statement of Reasonable Projection' and you may cancel this contract at any time during that 'cooling-off' period. If you cancel within the cooling-off period, you normally get a full refund of contributions you made to your PRSA. You may be charged if you paid single contributions and a loss incurred as a result of investment market volatility during the cooling-off period.

### Davy Select PRSA

If you would like more information on our PRSA products, you can talk to one of our pension advisers today.

Phone **1890 49 49 49**

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