

Eight points to ponder on pension planning

Veterinary Ireland Financial Services provide this guide to planning your pension



Now and again, we all need a wake-up call when it comes to retirement planning. If your retirement is still some years away, retirement planning can easily be way down your priority list and it is likely that you may have delayed starting your pension. Follow our eight points on pension planning to ensure the income is there in retirement to provide you and your family with the lifestyle you would like.

1. MOST VETS ARE SELF-EMPLOYED

As most vets are self-employed, they do not benefit from the security of a company or public sector pension scheme and, as a result, must fund their own pension pot. Although most vets are entitled to the State pension, you will see below why this alone will not go very far. This is why it is essential for all vets to provide for their own retirement and have an active pension plan in place.

2. BENEFIT FROM AND OPTIMISE TAX RELIEFS AVAILABLE

Pensions are the single most tax-efficient way of saving for your retirement. Here are four reasons why:

- 40% tax relief (marginal rate) available on all pension contributions;
- Tax-free growth – your pension fund grows tax-free and is not subject to DIRT, capital gains or investment return tax like regular savings and investments;
- Tax-free cash – you can take up to 25% of your fund as tax-free cash on retirement. The first €200,000 is tax free and the balance up to €500,000 is taxed at 20%;
- Reduce your tax bill by contributing to a pension plan. Each year your accountant will advise you of how much you can contribute to a pension and the corresponding saving in your tax bill.

We consider pensions as long-term savings plans – there are no other savings plans offering such attractive tax benefits. Why pay so much to the taxman when you can save some of it into your pension pot instead?

3. LIFE EXPECTANCY

The fact is we are living longer! According to the Central Statistics Office, the average life expectancy is now 88 for women and 85 for men. While this is good news, the longer you live, the more money you need to fund your retirement! Your retirement could be a quarter of your life, so will you have adequate funds on retirement to maintain your lifestyle? And will your pension pot last as long as you?

4. STATE PENSION

Most vets are entitled to the State pension on retirement. However, it is just €230.30 per week, so it should not be relied upon in isolation. Also, the age at which we will be entitled to receive the State benefit is rising. If you are 53 or younger today, you will not receive the State pension until you are 68. So, although an annual pension of nearly €12,000 from the State is not to be shunned, it should be considered as more of a lifeboat than a yacht!

5. WE ARE AN AGEING POPULATION

Currently, there are six people working for every retiree in the country. There were approximately 500,000 retirees in 2010. As we are an ageing population, it is estimated that there will be approximately 1.25 million retirees by 2050 with only two people working for every retiree in the country. So will our State pension fund be able to maintain the level of income in the future?

6. HOW MUCH OF A PENSION DO I NEED?

In very general terms, if you are happy to retire on half of your current income, you will need a pension pot of over 10 times your income.

Example for illustration purposes using an annuity rate of 4.41%:

| | |
|--|--------------------|
| Current income: | €100,000 |
| Required pension on retirement: | €50,715 p.a |
| Required pension fund: | €1,150,000 |

7. THE POWER OF COMPOUND INTEREST!

“Compound interest is the eighth wonder of the world. He who understands it, earns it... he who doesn't... pays it.”
(Albert Einstein)

The earlier you start, the bigger your pot will be. Every 10 years you delay means you double the cost of how much you need to put away to get to the same place when you retire.

Example

Assumptions: pension contribution of €200 per month, starting at different ages, contributions increasing at 5% each year and assuming annual growth of 6%.

| Age you start contributing | Pot at age 65 |
|----------------------------|---------------|
| Age 25 | €752,164 |
| Age 30 | €502,681 |
| Age 35 | €329,142 |

8. FAIL TO PLAN, PLAN TO FAIL

When do you plan to retire and what sort of income would you like to retire on? Retirement planning lets you define your retirement goals and develop a strategy to help ensure a comfortable retirement. We can help you map out your goals and consider what retirement looks like for you:

- Will you continue working in some capacity?
- Will you travel, take up a new hobby, do voluntary work?
- Would you like to be in a financial position to help your children or grandchildren in the future?

Decide the lifestyle you want and plan for it.

REVIEW, REVIEW, REVIEW!

As circumstances constantly change, it is important to get professional advice and review your arrangements regularly:

- Review your existing pension arrangements and where they are invested;
- Review your current circumstances and current retirement plans;
- Review your current risk profile.

Here at Veterinary Ireland Financial Services we can review your pension at regular intervals and check the adequacy of contributions. We will meet you each year to discuss your retirement plan and assess your pension performance.

THE VETERINARY IRELAND PENSION AND INVESTMENT PLATFORM

The Veterinary Ireland Pension and Investment Platform is the only designated pension and investment platform for our members. It was established in 2013 after extensive research in the market, which resulted in Veterinary Ireland Financial Services partnering with Davy Select to provide an innovative and cutting-edge platform coupled with a dynamic, efficient and strategic way to build and manage your pensions and investments. The combination of Veterinary Ireland Financial Services' specialised knowledge and expertise in advising vets together with Davy's global investment expertise and financial strength, makes this a compelling offering to members. Some of the key features:

Competitive, transparent charging structure

- No entry or exit charges or penalties;
- 100% allocation on all contributions and transfers;
- Unlimited transactions each year.

Choice

- Access to global leaders in investment management;
- Access to over 30,000 investment products;
- Access to capital-guaranteed products and bank deposits.

Control

- Option to consolidate and view multiple pensions in the one location, while fully diversifying.

Expert advice

Veterinary Ireland Financial Services will work with individual Veterinary Ireland members to help meet your financial objectives and achieve your goals. We will:

- Review your portfolio and make investment recommendations;
- Build investment strategies;
- Customise your investment portfolio;
- Manage your pension and investments on an ongoing basis.

For more information or to discuss your pension needs, please contact:

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