The Irish Architects Benevolent Society provides financial assistance and advice to those in the architectural community who experience difficulty in their lives. The IABS also provides an advocacy service for those who may need to access public health or other services. This is the first in a new series of articles that will address safeguarding against future financial difficulties.

> RETIREMENT PLANNING – BACK TO BASICS

BY GAVIN GILMORE, QFA FLIA CTA

As the economy begins to recover from recession, it is an appropriate time to take stock of your current financial plan and ask what it is designed to achieve and more importantly, is it fit for purpose? Generally speaking, people are not very good at long-term planning, particularly when it comes to financial matters. People want the 'quick win' and are focussed on immediate results. The difficulty in this approach is that with money, barring a windfall Lotto win or inheritance, significant time needs to be invested in order for a strategy to bear fruit. This is especially true of retirement planning. I think it important to re-visit the basics of pension planning. Currently there are three 'pillars' of retirement income. The first is the State Contributory Pension; the second is personal savings accrued from net income; and the third is private pension provision.

In relation to the **State Contributory Pension**, the maximum that this will provide you is an annual amount of €11,975. In order to qualify you need to have paid social insurance contributions before a certain age; have a certain number of social insurance contributions paid and have a certain average number over the years since you first started to pay. State Contributory Pension is not means-tested and your personal rate is not affected by other income you may have. People who work for a company or are self-employed typically pay PRSI Class A and Class S PRSI respectively. Both these classes of payment count towards qualifying for the Contributory Pension. However, the Contributory Pension as it is currently formatted is un-maintainable in the longer term due to the changing demographic profile of Ireland. Ireland's pension sustainability was recently questioned in an international pension report compiled by international pension group, Mercer. Those factoring this level of pension in their financial plan as a source of retirement income would be well advised to have an alternative plan. Expert professional and impartial advice should be taken about how best to design and implement a plan that can provide income and security in later years.

For many, the second pillar of pension – that of private savings or assets – has unfortunately been eroded due to the recession with falls in asset prices, particularly property, as well as in salaries and income. The third pillar – private pension provision – remains the most attractive way of accumulating wealth to provide for an income in retirement. There have been many changes in respect of retirement planning, but there are essentially four key tax advantages that private pensions provide:

- Income tax relief on contributions
- Tax free investment growth achieved within the pension (i.e. no DIRT or Capital Gains Tax),
- A tax free lump sum on taking pension benefits and
- No tax payable, i.e. no PRSI, USC or income tax on contributions an employer may make to an occupational pension scheme on behalf of an employee. Please note certain limits apply to contributions and the tax free lump sum on retirement.

In recent years there have been changes in the design of retirement plans with newer plans offering increased flexibility, lower charges and greater investment choice including the ability to buy one's own choice of investment assets (shares or property subject to certain limitations) and an ability to pass on wealth accumulated in a pension plan post retirement to the next generation. Despite the tax incentives provided, private pensions coverage in Ireland remains stubbornly low, and even those who have taken the wise decision to contribute to a private pension may not be contributing an adequate amount to secure their financial future. With this in mind I outline below a checklist for people to do depending on their age.

We advise that you seek specialist independent pension advice as the information given is a guideline only and does not take into account your personal circumstances.

Gilmore Insurance & Financial Services is an independent financial advisory firm specialising in providing expert, impartial and professional advice. **gifs.ie**

If there is any particular topic you would like us to address, please email your request (in strictest confidence) to the IABS **architectsbenevolentsociety@gmail.com.**

CHECKLIST FOR 30 SOMETHING	CHECKLIST FOR 40 SOMETHING	CHECKLIST FOR 50 SOMETHING
See what you can afford to contribute.	If you have started a pension already, do you know what type of funds you are invested in? What is their risk profile? Does it match your risk profile?	If you have started a pension already, do you know what type of funds you are invested in? What is their risk profile? Does it match your risk profile?
Get to know a little about your options in terms of pre-retirement and post retirement options.	Are you on track with your expected retirement income?	Consider moving to lower risk funds as your investment horizon shortens.
If you haven't started a pension yet, talk with an independent financial adviser.	Have you met with the Pension Adviser within the last year?	Have you considered and made plans for your options in retirement?
If you have started a pension, check your most recent Pension Benefit Statement to see how your pension is performing and review likely pension benefits at retirement.	Do you take the time to read the Pension Benefit Statement?	Do you take the time to read the Pension Benefit Statement?
If you haven't reviewed your pension in the last year, ask for a review with your pension adviser.	Do you know that you can contribute up to 25% of income to pension and claim income tax relief on the amount paid?	Are you reviewing your retirement plans with your Pension Adviser at least every year?
	If you haven't started a pension, talk to an independent financial adviser who is suitably qualified and can assist you.	Are you claiming the full amount of income tax relief that you are entitled to?
		If you haven't started a pension, talk to an independent financial adviser who is suitably qualified and can assist you.