

Transferring retirement benefits overseas

Why it is still important to save for retirement



With workforces currently more globally mobile than ever before, the focus on saving for retirement needs to be given greater consideration by pension scheme members who take up employment in different countries. We understand the need to save for retirement regardless of where in the world we are currently working and where we are likely to retire.

The key concept of the **earlier you start saving for retirement the easier it is to reach your retirement goals** still applies. Perhaps you are currently living and working in Ireland but are not sure what country you will be living in when you decide to retire, or you've stayed in Ireland for longer than you had originally planned. If this is the case, you're not alone.

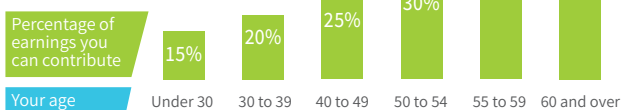
Why it is important to save for retirement when working in Ireland

You may not know how long you will be living and working in Ireland and may stay for a shorter or longer time than originally planned. Therefore, it is important to start saving for retirement when you start working in Ireland. If you have not already started then now is the time to start.

There are a number of key benefits to saving for retirement in Ireland. The top 3 benefits from a pension scheme member's perspective are:

- 1 Access to tax savings on personal pension contributions (up to 40%). Revenue allows members to avail of tax relief on any personal contributions they make up to Revenue limits. These Revenue limits are age related and increase as you get older.

Maximise your income tax relief



The limits also have an earnings cap in place of €115,000 and tax relief is not available on earnings above this amount.

- 2 Maximise the amount of money (employer pension contributions) you get from your employer by maximising the matching contribution structure in place under the scheme. This means that you should look to contribute at the required level to get the most contributions possible from your employer.

- 3 Benefit from a tax free lump sum at point of retirement.

Your retirement savings will always be yours and you will be able to use them when you decide to retire regardless of where you are living.

What happens with my pension if I leave service and move abroad?

If you leave service with your employer and move abroad you have two main options: one is to leave your retirement savings in Ireland, while the other is to look to transfer your retirement savings overseas to the country you are moving to or retiring in. Let's take a further look at both options.

1 Leaving your retirement savings in Ireland

If you move abroad you can leave your retirement savings in Ireland. Different options are available to you, you can decide to leave your retirement savings in your employer's pension scheme (subject to Trustee consent) where the value of your retirement account will remain invested in the fund(s)/strategy you are currently invested in, unless the employer decides to close the pension scheme. In this instance, your options will be communicated to you.

You also have the option to transfer your retirement savings into a Personal Retirement Savings Account (PRSA) or a Personal Retirement Bond (PRB) in your own name.

It is important to seek financial advice before looking to transfer your retirement savings outside of your employer's pension scheme as fund management fees are often higher for personal policies/arrangements. There can also be restrictions and tax implications if you look to transfer to another country from a PRSA or PRB.

If you decide to retire outside of Ireland but have retained your retirement benefits in Ireland, you can take your retirement benefits from Ireland at any time once you reach the age of 50, subject to the consent of your employer and the scheme Trustees.

You will be entitled to take a tax free lump sum as per the normal rules of the scheme. The balance of your retirement account can be used to purchase an annuity. It is important to understand that while Trustees can purchase an annuity on your behalf, it will be taxed subject to Irish tax law unless there is a double taxation agreement in place with your country of residence at the point of retirement.

Please note that we cannot set up an Approved Retirement Fund (ARF) for non-Irish residents. You could look to other providers in the market to see if this is possible. Taxation of ARFs would be similar to that of annuities in that tax would be deducted in Ireland and then it would be up to the you to see if you can claim back a rebate under the double taxation agreement.



Things to remember when retaining your pension in Ireland:

- a. Keep your PPSN number as you will need it on retirement.
- b. Maintain an Irish bank account for ease of payments.
- c. You can take your retirement benefits once you have left the scheme at any time from age 50, subject to the consent of your employer and the scheme Trustees.

2 Transferring your retirement savings abroad

Transferring your pension

You also have the option to look to transfer the value of your retirement account after leaving service to an overseas arrangement.

It is important to note that there may be restrictions on transferring your retirement benefits overseas depending on the country you wish to transfer your benefits to and transfers may be subject to the following conditions:

- a. Retirement benefits are provided under the overseas arrangement which are 'relevant benefits' as defined by Irish occupational pension legislation.
- b. The overseas arrangement has been approved by an appropriate regulatory authority for the country concerned.
- c. Evidence of approval in the state to which the transfer is to be made will be required confirming that the receiving scheme only provides relevant benefits and only when the transferring member has retired from employment.

In Ireland, the earliest retirement benefits can be accessed is age 50.

Generally, from our experience, overseas transfers are not permitted to countries where retirement benefits can be accessed before age 50.

This rules out transfers to Australia, New Zealand and the US, amongst others, as retirement benefits can be taken earlier in these countries in certain circumstances.

Transferring retirement benefits to the UK is becoming increasingly difficult.

In order for an overseas transfer to be considered, the overseas trustee/provider or administrator will need to provide written confirmation on these points:

- a. If transferring to another EU country, the overseas scheme must be operated by an IORP II (Institution for Occupational Retirement Provision), as set out under the EU IORP II directive, or an overseas scheme that has been approved by the Irish Revenue Commissioners as being able to receive the transfer. If transferring retirement benefits within the EU there is no requirement for the individual to be resident and/or working in the state that the transfer is going to.
- b. If transferring outside of the EU, a transfer can only be made to a country in which you are currently employed.

You will have to sign a declaration stating that the transfer conforms to the requirements of the regulations, as outlined above and Revenue rules. The transfer of funds must be for the purpose of retirement and not for the purpose of circumventing pension tax legislation and Revenue rules.

It is important that you understand the financial consequences of transferring the value of your retirement account overseas. This would include considering:

- a. If the overseas pension/scheme has been approved by the appropriate regulatory authority?
- b. The charges involved and have you compared projected retirement values and costs under the

overseas scheme in comparison to the Irish pension scheme.

- c. The investment fund choices available and the risk level involved.
- d. How the overseas pension scheme is taxed upon retirement or death.

Other potential risks to consider prior to transferring retirement benefits outside of Ireland are:

- a. Uncertainty of taxation consequences.
- b. Potentially higher and non-transparent costs.
- c. Dealing with unregulated intermediaries.
- d. Difficulty obtaining legal redress should it become necessary.
- e. No longer having the protection of Irish regulation.

Benefits of saving for retirement

It is important to save for retirement regardless of where you currently live, where you intend to retire and what age you are. The earlier you start saving for retirement the more likely you are to achieve your retirement savings goals.

You should always save for retirement especially when you have access to a company pension scheme through your employment and your employer is going to contribute to the pension scheme on your behalf.

Information correct as at December 2021.

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