Information on Approved Retirement Funds/Approved Minimum Retirement Funds (ARFs/AMRFs)

Approved Retirement Funds (ARFs) and Approved Minimum Retirement Funds (AMRFs) are retirement vehicles managed by Qualifying Fund Managers (QFMs) in which you can invest the proceeds of your pension fund when you elect to retire. This retirement option will allow you to keep flexibility and control over your retirement fund.

Who can take this option?

Members of Personal Pension Plans qualify for the ARF option. It is also available for members of Defined Benefit (DB)/Defined Contribution (DC) Occupational Pension Schemes in respect of their AVCs or Transferred In DC benefits, and PRSA holders.

Are there Restrictions?

Before investing in an ARF, you must have a guaranteed minimum pension income for life of €12,700 per annum (or more) in payment at the time the ARF begins. This can include your state pension benefits (single person rates only), a pension from your occupational pension scheme or a pension bought with the proceeds of another pension plan.

If you do not meet this minimum income requirement then, after you have taken any cash lump sum (some or all of which may be tax free), €63,500 (or the remainder of the pension fund, if less) must be transferred to an AMRF or used to buy a pension. Any balance over €63,500 can be invested in an ARF or withdrawn as cash. Any cash withdrawn at this stage will be taxed as income at your marginal rates. The current limits of €12,700 and €63,500 may change in the future.

With effect from 1st January 2015, an AMRF holder may elect to draw down an income of 4% per annum from the value of their AMRF at 1st February in that year.

Please note that the AMRF minimum income requirement can be met at any point during retirement. Therefore, if you go down the AMRF route and subsequently meet the minimum income requirement, your AMRF can convert into an ARF at that stage. It should also be noted that you can buy an annuity with your ARF/AMRF funds at any stage in retirement.

How is my ARF/AMRF Taxed?

Regular income and lump sum withdrawals from your ARF/AMRF are taxed at your marginal tax rate.

Since 2007, tax is payable on deemed distributions from an ARF. This means that if you do not take a withdrawal, a tax charge will nevertheless be made to your policy based on a notional withdrawal or “deemed distribution” amount. With effect from 1st January 2015, the deemed distribution percentage depends on your age and the value of your ARF and /or vested PRSA (see table over).

The percentage is applied to your fund value as calculated at 30th November each year. Actual withdrawals made by you will be deducted from the distribution to arrive at a "net" deemed distribution on which tax will apply at your marginal rate. These rules do not apply until you are 60 years of age or over for the entire tax year. The following table summarises how the current rates are applied:

Age attained in 2019	Total ARF and Vested PRSA funds €2 million or less	Total ARF and Vested PRSA funds greater than €2 million
60 or under	Nil	Nil
61 to 70	4%	6%
71 and over	5%	6%

What happens to my ARF/AMRF when I die?

When you die the value of your ARF/AMRF is passed to your legal spouse or registered civil partner (if applicable) and on his/her death, the value is paid to your estate. Depending on who inherits the money, different levels of tax will apply. If your ARF/AMRF is inherited by your spouse, there is no immediate tax. It transfers to an ARF in the name of your spouse and any subsequent withdrawals are subject to income tax at his/her marginal rates. There is a tax liability when your children inherit the ARF and the rate depends on their age at the time of your death (over or under age 21). For further information regarding the tax treatment of ARF/AMRFs on your death or the death of your spouse, please refer to **your tax advisor**.

Disadvantages of an ARF/AMRF

1. Your fund is not guaranteed to last for our lifetime and could "bomb out" before you die. This might be due to poor investment performance and/or making excessive withdrawals.

2. You are taking an investment risk. The value of your fund could fall or rise, depending on where it is invested.

3. Ongoing management of your fund is required which can be time consuming.

4. The lump sum available is 25% of your fund value. The amount available under the annuity option may be higher.

5. You are taxed on the assumption that you take 4% or 5% per annum (depending on your age) from your ARF fund (or 6% if your value exceeds €2million).

Advantages of an ARF/AMRF

1. You have flexibility and control over how your retirement fund is invested. You can invest in a wide range of funds giving it the potential to continue to grow.

2. You can vary your level of regular income to suit your needs.

3. When you die, the value of your ARF/AMRF is passed on to your spouse or registered civil partner (if applicable) and on his/her death is passed to your estate, (children).

4. Investment growth on your ARF/AMRF is tax free.

5. You can decide to use your ARF/AMRF assets to buy an annuity at any stage in retirement. The reverse is not true in that if you opt for an annuity at retirement, you cannot change your mind and opt for the ARF/AMRF option at a later date.

In order to set up an ARF/AMRF, **you will need to obtain independent financial advice**. The CIRT Trustee preferred Independent Financial Adviser is Milestone Advisory DAC. You can contact Milestone Advisory DAC or your own independent financial adviser to assist you when considering your retirement options. You can contact Milestone Advisory DAC at Canal House, Canal Road, Dublin 6, at info@milestoneadvisory.ie or call them on 01 4068020. Their website is www.milestoneadvisory.ie

The alternative to the ARF/AMRF route on retirement is to purchase an annuity. Annuities provide a guaranteed pension for life and with annuities, you are buying certainty regardless of how investment funds perform or how long you live.

If you require further information regarding your retirement options, please contact your CIRT Pension Consultant on (01) 407 1430 or email cirt@cpas.ie.