

# THE SOCIETY OF ACTUARIES IN IRELAND

## Press Release

12 March 2007

### **Tax relief on pension contributions is much more valuable than the Government top-up on SSIA's**

#### **Retirement likely to last more than 20 years**

Tax relief on pension contributions is much more valuable than the Government top-up on SSIA's. This reminder was issued this week by the Society of Actuaries in Ireland as part of National Pensions Action Awareness week. "A higher rate taxpayer will effectively get an additional €695 from the Government for every €1,000 they put into their pension: if they make a gross contribution of €1,695 euro, they get tax relief at 41% which amounts to a rebate of €695. A standard rate taxpayer will get an additional €250 from the Government for every €1,000 they put into their pension. All taxpayers will also get a rebate on their PRSI contributions.

"Pension savings benefit from three tax reliefs - tax relief on contributions, tax relief on investment growth and a tax-free lump sum on retirement. The tax reliefs are more of an incentive for people on higher incomes."

The earlier the start the better is the approach to pensions savings and if a person starts saving for retirement at age 30, their pension will be around 50% higher than if they wait until age 40. Those starting saving at age 25, will have pensions around 80% higher. If planning to provide a retirement income of 50% of salary, a person should aim to build up pension savings of around ten times salary by retirement.

Regarding the importance of factoring in life expectancy into our plans, the Society reminds us that when the German Chancellor Otto von Bismarck introduced the world's first State pension in 1889, the average life expectancy of a German man was around 60 years, but the retirement age was set at 65. Today, a man retiring at age 65

will spend around 20 years in retirement and a woman retiring at age 65 will spend around 23 years in retirement. Given improving mortality rates, a 25 year old today can expect to have an extra three years' retirement if they retire at age 65.

Ends

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*The Society of Actuaries in Ireland is the professional body for actuaries practising in Ireland. Actuaries provide advice and relevant solutions for financial, business and societal issues involving uncertain future events. Most of the Society's members work in the financial services industry, and the profession has a number of statutory roles relating to the supervision of pension schemes and insurance companies.*

*The Society seeks to make an impartial contribution to public debate on social policy and public interest matters where an actuarial perspective can add value.*

Issued on behalf of Society of Actuaries by Setanta Communications Ltd