



## How much do you need to save for a pension?

In 2003, the Society of Actuaries in Ireland published recommended contribution rates, as a percentage of salary, for people starting to save for a pension in a “defined contribution” (DC) plan or Personal Retirement Savings Account (PRSA). Our 2003 briefing statement is available [here](#). Below, we have set out updated contribution rates. On the one hand, the cost of pensions has increased because of [increasing life expectancy](#), and lower interest rates. On the other hand, the State pension has increased (from €157 per week in 2003 to €193 per week now), and this has helped to offset the increase in the contribution rates needed to provide the balance of the target pension.

### Recommended contribution rates

- The recommended contribution rates set out below assume that you are entitled to a full State Old Age (Contributory) Pension, payable to a single person (currently €193 a week).
- The contribution rates shown are based on an assumed retirement age of 65. Significantly higher contributions would be needed to retire at an earlier age, and correspondingly lower contribution rates would be sufficient if you plan to retire later than 65.
- The contribution rates shown are the average for men and women. Women need to contribute somewhat more, because their life expectancy is higher, and men can contribute somewhat less.
- The contribution rates shown do not include the costs of any life assurance or disability cover.

### Estimated contribution rates (as a percentage of salary) needed to target a total pension of 50% of salary

Annual salary	Target pension in today's money <sup>1</sup>	Age you start saving				
		25	30	35	40	45
€20,000	€10,000	0%	0%	0%	0%	0%
€30,000	€15,000	6%	7%	9%	11%	14%
<b>€30,784<sup>2</sup></b>	<b>€15,392</b>	<b>6%</b>	<b>7%</b>	<b>9%</b>	<b>11%</b>	<b>15%</b>
€40,000	€20,000	9%	11%	13%	17%	22%
€50,000	€25,000	11%	13%	16%	20%	26%
€60,000	€30,000	12%	14%	18%	22%	29%

<sup>1</sup> including the State pension

<sup>2</sup> An annual salary of €30,784 is equivalent to the average industrial wage i.e. €592 a week (as at December 2005).

**Estimated contribution rates (as a percentage of salary) needed to target a total pension of two thirds of salary**

Annual salary	Target pension in today's money <sup>3</sup>	Age you start saving				
		25	30	35	40	45
€20,000	€13,333	6%	7%	9%	11%	14%
€30,000	€20,000	12%	14%	18%	22%	29%
<b>€30,784<sup>4</sup></b>	<b>€20,522</b>	<b>12%</b>	<b>15%</b>	<b>18%</b>	<b>23%</b>	<b>29%</b>
€40,000	€26,667	15%	18%	22%	28%	36%
€50,000	€33,333	17%	20%	25%	31%	40%
€60,000	€40,000	18%	22%	26%	33%	43%

For lower salary levels, the recommended contribution rates are lower. This is because the State pension provides a greater proportion of the target pension, and therefore the remainder that needs to be funded is smaller.

The economic and demographic assumptions used to calculate the contribution rates are as set out in the Society's Guidance Note [GN31A](#) on projections for PRSAs. The assumptions allow for future improvements in life expectancy.

The rates are based on the pension being paid until the person dies, and after that, a pension of half the amount continuing to be paid to a surviving spouse. Both pensions are assumed to increase in payment by 2% per annum.

**Review your contribution rate regularly**

Actual future experience will be different to the assumptions made. Therefore, you should get regular reviews of the expected pension benefits from your DC plan or PRSA to ensure that it is still on target to provide the level of pension that you want.

You should look for professional advice on the contribution rates that are appropriate to your particular circumstances.

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<sup>3</sup> including the State pension

<sup>4</sup> An annual salary of €30,784 is equivalent to the average industrial wage i.e. €592 a week (as at December 2005).