



# ARFs

## IAPF RESEARCH

### MARKET SIZE



ESTIMATED MARKET SIZE

**€8 - €10B...**  
**.....growing at**  
**€1b p.a.**

### Reality bites



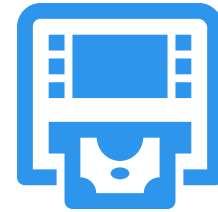
"Members are actually sensible"



"Forecasted returns of 2.5-3% p.a"



"Cheap ARFs do exist"



"Advice must be paid for!"



"Annuities still have a place"



"How do I deal with pensioner who has run out?"

### THOUGHT PROCESS

While maxing out on the net tax free position is widely understood to be the main driver of choosing an ARF over an annuity, private clients view the decision more holistically as part of an estate planning process.

### Managing the transition

## Pre to Post Retirement

### ARF DECISION FACTORS

- ✓ **Max out on tax free lump sum is the main driver** - ARF chosen if tax free lump sum exceeds annuity option of 1.5x final salary.
- ✓ **Estate planning is key for private client's decision** - annuities not normally considered
- ✓ **Dislike of annuities (cost, inflexibility etc) and willingness to take active investment role** - all ranked lowly



Out of market risk can be anywhere from 2 days to three weeks depending on whether the retiree stays with the same product provider or delays their decision.



Most glidepaths target an ESMA 3/4 rated fund at retirement to match a similar risk rated fund for retirement.

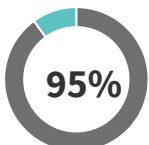


Lifestyling glide paths typically start with 5-7 years out but some executive schemes begin to de-risk from 20 years out

### FUTURE CHANGES

From survey only trustees of 3 group schemes have influenced the ARF purchase price for their retired members. However many noted their intention to play a more active role in future.

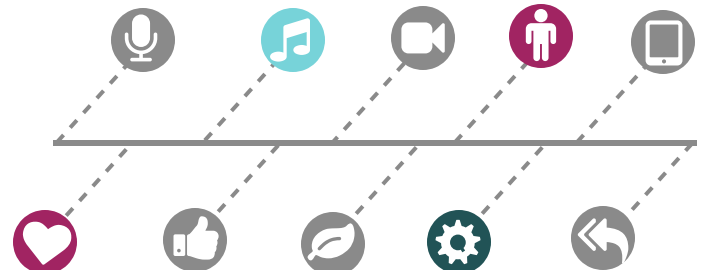
**Imputed drawdown only**



**Schemes helping ARF holders**



**Fee step up**



Most members are met annually for 1:1, have online access and to date over 90% take imputed drawdown only. Fees typically increase from pre to post retirement by 0.40%.