

How to make older people happier with their pension pot

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An Chomhairle Pinsean
The Pensions Council

MAKE THE LUMP SUM
MORE FLEXIBLE



"I think my lump sum was around about €200,000 or thereabouts. I have some of it still saved with the post office because it is state guaranteed. Some of it I spent on renovations to the house and getting a new car. I distributed some of it to my children in particular my last daughter who was getting married."

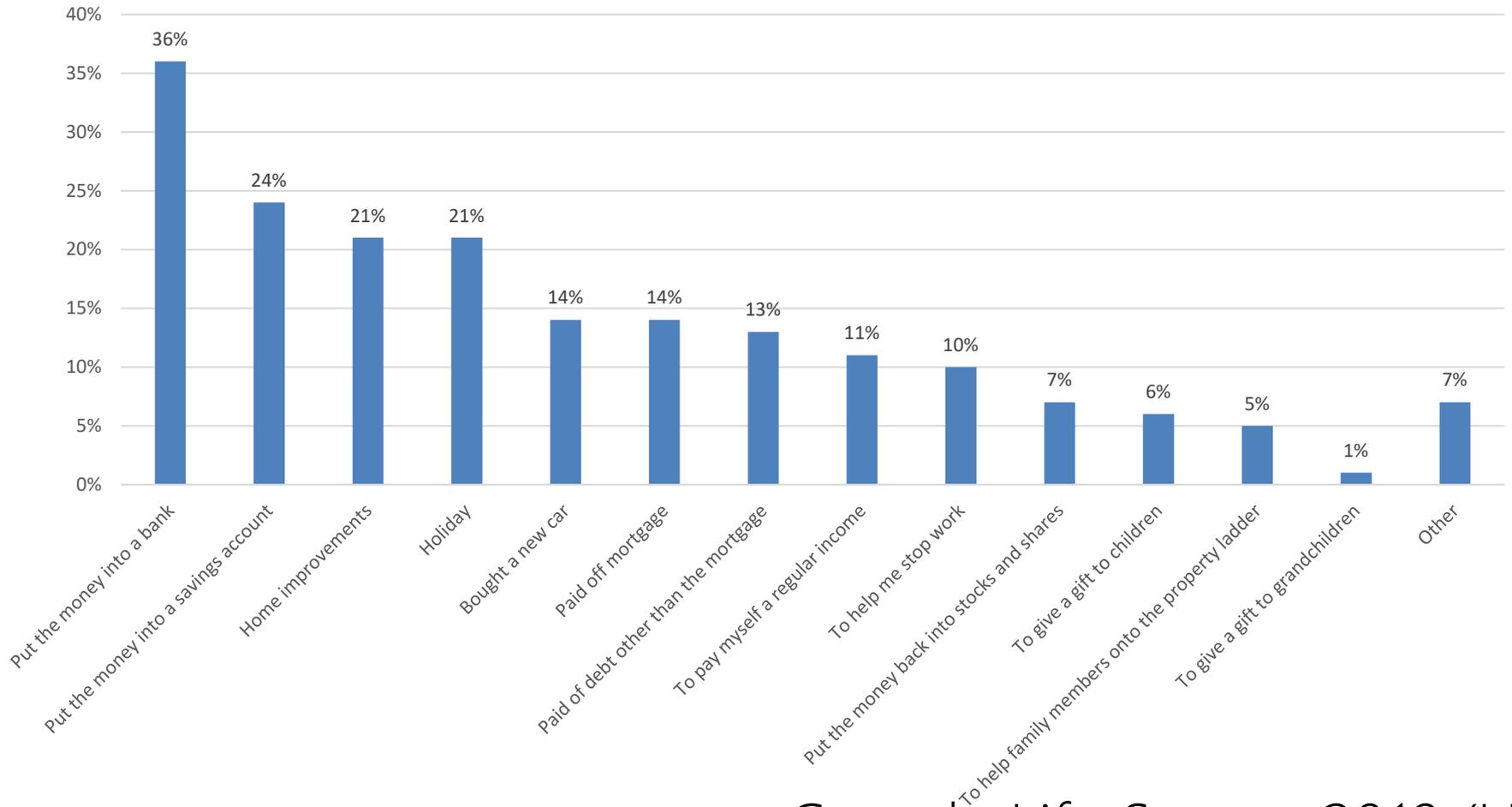
"I didn't get a tax-free lump sum, I didn't look for it."

"We bought a house in the centre of Dublin. It was mainly a house that our children could use while they were in college. The tax-free lump sum was used to repay the mortgage on that house."

"We put a new kitchen into the house so that took €20,000. That was the only thing we splashed out on I suppose."

"I did spend some of the money, I bought a brand-new car."

"I think my tax-free lump sum was about 90 at the time. I put it into the credit union."



Canada Life Survey 2019 (UK)

<https://www.actuarialpost.co.uk/article/what-people-have-spent-their-pension-cash-lump-sum-on-15827.htm>

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Our recommendations

- ✓ Option 1: Access a lump sum of 25% of the retirement savings at the point of retirement and take the rest as an approved retirement fund (“ARF”) or annuity. (i.e. the current situation)
- ✓ Option 2: The retirement savings are transferred, in full, to an ARF. The retiree can then take regular drawdowns from the ARF, 25% of the drawdown would be tax free and the balance would be taxed as income (as usual).
- ✓ Option 3: Put the 25% lump sum into a standalone “lump sum ARF” that could be drawn down in part or full, tax free, at any time; transfer the remainder into an ARF, or use to purchase an annuity.

