QUEST CAPITAL TRUSTEES

Your Path to Financial Independence

The Quest Approved (Minimum) Retirement Fund

A flexible, cost efficient retirement investment vehicle that puts you in complete control, designed specifically for your retirement.

Many people feel that planning for their retirement is done when they invest in a pension. It isn't, investing for your retirement is extremely important however it is only the first step. The second and equally important step is collecting and investing your pension fund.

Approved Retirements Funds (ARF's) are the second stage of the 'pension cycle' and offer an alternative to buying in an annuity with your retirement fund.

What is an Approved Retirement Fund (ARF)?

An ARF gives you complete freedom as to where you invest your retirement fund and how much you want to draw from your retirement fund (subject to certain minimum drawdown conditions imposed by the Revenue Commissioners). It also allows you and your estate to remain as the ultimate owner of the capital value of your retirement fund while being able to draw down income as and when required.

Subject to a few conditions you can invest your 'cashed in' pension fund in an ARF. An ARF is a flexible cost efficient vehicle that lets you place some, or all, of your pension fund, depending on your choice, in an extremely wide range of investments.

What is the difference between an ARF and an annuity?

Before ARFs were introduced there was no option at retirement but to buy an annual income (annuity) from an insurance company. Therefore you effectively handed over your retirement fund (less any tax-free lump sum you were entitled to) to an insurance company and in return the insurance company provided you with an annual income for life. An ARF offers you a viable alternative to investing in an annuity.

What advantages does an ARF have over an annuity?

In a number of words – flexibility, control and ownership

Flexibility

You chose how much you want to draw from the fund (subject to certain minimum drawdown conditions imposed by the Revenue Commissioners).

Control

You control the investments of the ARF.

Ownership

You own the funds in the ARF, on death the value of ARF forms part of your estate.

What can I invest in with my ARF?

Here are examples of some of the assets you can invest in with your ARF. This is not an exhaustive list and other investments are also available. There are also a number of investments that cannot be made through your ARF. If you have any queries your financial advisor will be able to assist you.

Allowable Investments

Property - residential / commercial
Syndicated Property
Land
Shares in Private & Public companies
Corporate & Government Bonds
Unit Trusts
Insurance Company Funds
Deposit Accounts
Loan Notes
Gold Bullion

Prohibited Investments

Property with personal usage
Purchases of assets from Beneficiaries or Connected Persons
Sales of assets from the ARF to Beneficiaries or Connected Persons
Loans to Beneficiaries or Connected Persons
Direct Borrowing

What are the Benefits of the Quest Self Invested ARF?

The Quest Self Invested ARF allows you to decide how you wish to invest your retirement funds. The Quest SIARF can invest in a broad spectrum of investments including bonds, shares, cash, ETF's, managed funds, direct property and private equity subject to current Revenue guidelines and restrictions.

The assets of your Quest ARF are held on a fully segregated basis and the decision of what to invest in remains with you and your advisor. Our technical expertise combined with our exceptional level of service aims to simplify the investment and ongoing management of ARF's for our clients.

Who are Quest Capital Trustees Ltd?

Quest Capital Trustees Ltd was set up in 2007 to specialise in providing self administered pension based products and solutions to financial advisors, investment providers and their clients.

We partner with our clients and their appointed advisors to provide the pension structures, technical advice and support to ensure clients maximise their retirement provision, to provide the 'path to financial independence'.

Who can invest in an ARF?

Almost anyone can invest in an ARF:

> Personal Pension Plan investors
> Personal Retirement Savings Plan (PRSA) investors
> Personal Retirement Bond investors
> Members of employer sponsored Defined Contribution pension schemes (including members of small self administered pension schemes)
> Additional Voluntary Contributors (AVC)

What are the tax advantages of an ARF?

An ARF is a tax-free post retirement vehicle. Investments in the ARF are allowed to grow free of Irish Income Tax and Capital Gains Tax.

Income drawn or deemed to be drawn from your ARF will be liable to income tax in the same way a salary is. In the same way an employer is obliged to deduct tax at source on salary under the PAYE rules so is an ARF provider obliged to deduct income tax on any income taken from your ARF under the PAYE rules.

Do I have to draw a minimum amount from my ARF every year?

Yes, a certain amount of your ARF (depending on your age and value of your ARF(s)/any Vested PRSAs you have) must be drawn every year.

- From the year you turn 61, tax is payable on a minimum withdrawal of 4%* of the value of your ARF at that 30th November. This withdrawal is liable to income tax, Universal Social Charge and PRSI, if applicable. From the year you turn 71 the minimum withdrawal is increased to 5%*.
- Where the value of your ARF(s), including the value of any Vested PRSAs you have, is greater than €2 million* the minimum annual withdrawal in increased to 6%* p.a..
- Where a greater withdrawal is made during the year, tax will be paid on the greater withdrawal amount.

If you do not draw the minimum Income every year % noted above, income tax, Universal Social Charge and PRSI, if applicable, will be deducted and remitted to the Revenue Commissioners as if income were taken, even if no income is taken in a particular tax year.

** Amounts and the valuation dates may change in line with changes in legislation. (May 2018).*

Are there any conditions to be met when you invest in an ARF?

Yes to invest in an ARF you must have a 'Specified Income'* in retirement of at least €12,700 per annum.

If you do not have this level of specified income then an amount, €63,500 must be placed in a special ARF called an Approved Minimum Retirement Fund (AMRF). Alternatively this €63,500 can used to buy an annual income (an annuity) from an insurance company.

If you are already in receipt of the State Pension (Contributory), only the personal rate can be taken into account for the purposes of the €12,700 p.a. income test, regardless if you are married and receiving a higher amount of State Pension. The €63,500 requirement for investment in an AMRF is reduced by any amount of retirement funds previously used to buy an annual income (annuity) or previously transferred to an AMRF.

** Section 784C Taxes Consolidation Act 1997 defines 'specified income' as - "For the purposes of this subsection 'specified income' means a pension or annuity which is payable for the life of the individual, including a pension payable under the Social Welfare (Consolidation) Act 1993, and any pension to which the provisions of section 200 apply".

What is an Approved Minimum Retirement Fund?

An Approved Minimum Retirement Fund (AMRF) is similar to an ARF in that the funds can be invested in any number of ways.

The main difference between AMRF is the drawing down of benefits. The original €63,500 capital invested in the AMRF cannot normally be accessed until age 75. However If, before age 75, you reach the required level of specified income, your AMRF becomes an ARF and can be drawn down. With effect from the tax year 2015 (1 January 2015), the beneficial owner of an AMRF may draw down up to 4% of the value of the assets of the AMRF as at 1st February each year, subject to taxation at the marginal rate.

Note, income earned from an AMRF can be drawn down at any stage but will be subject to income tax in the same way income from an ARF is.

What happens on my death?

The tax treatment of an ARF on death depends on to whom the ARF/AMRF assets are passed to.

If passed to a spouse, the spouse can 'step in to the shoes' of the deceased ARF investor without any income tax or capital acquisitions tax liability, note however that any draw downs of income from the ARF by the spouse will be liable to income tax in the normal way.

An ARF can only pass as an ARF to a surviving spouse, in all other cases the ARF will end and the assets of the ARF must be distributed to the particular beneficiary.

If passing to a child the tax treatment will depend on the age of the child,

Under age 21 – No income tax but potentially liable to Capital Acquisitions Tax

Age 21 or over – No Capital Acquisitions Tax but liable to Income Tax at a rate of 30%

If passing to anyone other than a spouse or child the tax implications are more severe. Income tax will be levied on the value of the ARF at the date of the death of the ARF investor and the net proceeds will be liable to income tax in the hands of the recipient.

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Please note that the provision of this product or service does not require licensing, authorisation or registration with the Central Bank and, as a result, is not covered by the Central Bank's requirements designed to protect consumers or by a statutory compensation scheme.

Next Steps

If you believe an ARF is a suitable pension vehicle for you then please contact your financial advisor. Alternatively you contact Quest directly at:

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