

Davy approved retirement fund

This factsheet is provided by Davy Select

An Approved Retirement Fund (‘ARF’) is a personal tax efficient investment fund into which you can transfer all or part of the balance of your pension fund after you receive your retirement lump sum.

The Davy ARF Service:

- An **ARF Contract** approved by the Revenue Commissioners
- Full **administration** services
- Access to the Davy **investment platform**
- Davy will act as **Qualifying Fund Manager (“QFM”)** to your ARF

With a Davy ARF, you will be given access to a wide range of asset classes, including:

| CASH | BONDS | EQUITIES |
|---|-------|--------------|
| PROPERTY | | ALTERNATIVES |
| <p>In addition, you can also invest with other investment managers through your ARF. The selection of investments must be in line with prevailing restrictions on eligible investments for ARF funds.</p> | | |

What is the key purpose of an ARF?

The key purpose of an ARF is to provide benefits over the duration of your life from retirement and they should be viewed as long term investments.

Eligibility

An ARF is available to members of an Occupational Scheme (assuming scheme rules allow) and individuals that hold a Personal Pension, Personal Retirement Savings Account (‘PRSA’) or Retirement Bond and have reached Normal Retirement Age or have taken Early Retirement.

Transfers In

The only assets which can be transferred into your ARF are:

- i The value of retirement benefits not taken as a lump sum at retirement, arising from a defined contribution occupational pension scheme or defined benefit scheme where you are a 5% director of the sponsoring employer;
- ii The value of Additional Voluntary Contributions (‘AVCs’) at retirement not taken as a lump sum;
- iii The value of a Retirement Annuity Contract (‘RAC’) or Personal Retirement Savings Account (‘PRSA’) or Retirement Bonds not taken as a lump sum;
- iv The value of assets transferred from another ARF held by you (or your deceased spouse);
- v The value of assets transferred to your ARF under the terms of a court order.

Transfers Out

The full value of your ARF is available to transfer to another ARF provider.

Structure

Under an ARF, you will enter into a contract with a Qualifying Fund Manager (‘QFM’). The role of the QFM is to ensure your ARF is managed in line with prevailing Revenue guidelines and legislation and to account for any tax that may be due on distributions from ARFs. J&E Davy (‘Davy’) has been approved by the Revenue

Commissioners as a QFM and your ARF is held in your name by Davy as the QFM.

You should be aware that you will remain the beneficial owner of all assets in your ARF.

You can withdraw funds from your ARF when you require (please see ‘Imputed Distributions’ below). You may make regular withdrawals or single ad hoc withdrawals from your ARF.

Imputed Distributions

Legislation has introduced an annual taxable ‘imputed distribution’ which will be applied to the value of assets in ARFs. This means that PAYE will be payable on an amount which is assumed to be taken out of your ARF by you. The imputed distribution amount as at January 2023 is:

- 4% for individuals with combined ARF and vested PRSA assets less than €2 million and who are between 60 and 69 for the full tax year
- 5% for individuals with combined ARF and vested PRSA assets less than €2 million and who are 70 or over for the full tax year
- 6% for individuals with combined ARF and vested PRSA assets more than €2 million and who are 60 or over for the full tax year

This imputed distribution is applicable to ARF holders who are 60 or over for the full tax year. Actual distributions made during the year from the ARF may be deducted from the imputed distribution to arrive at the net imputed amount, if any, to be regarded as a distribution.

Death Benefits

In the event of your death, your ARF becomes an asset of your estate and will therefore be subject to the terms of your will or should you die without leaving a valid will, it will be dealt with in accordance with the intestacy provisions of the Succession Act 1965.

A transfer of ARF assets after your death is taxed as follows (as at January 2023):

| ARF inherited by | Income tax due | Capital Acquisitions Tax ('CAT') due |
|--|---|---|
| Surviving spouse | None where transferred into an ARF of the surviving spouse. | None |
| Child aged 21+ at date of your death | Yes. Income tax at 30%. | None |
| Child aged less than 21 at date of your death | None | Yes. Normal inheritance tax rules will apply. |
| Non-blood relative (anyone else not being your surviving spouse or children) | Yes. This will be treated as a distribution by the deceased in his/her year of death. | Yes. Normal inheritance tax rules will apply. |

Source: Revenue

Risks

Product risk

You are responsible for making all of the investment decisions in relation to your Approved Retirement Fund. Your choices may not be the best options. As a result, there is a risk that the value of your Approved Retirement Fund may be insufficient in retirement so that your long-term retirement needs may not be met. It is important that you seek independent professional advice prior to making any decisions which have tax, legal or other financial implications.

Investment risk

The value of your investment may go down as well as up. You may lose some or all of the money invested. The investment return is not guaranteed and past performance is not a reliable guide to future performance.

The ARF may be invested in particular securities, such as stocks or bonds, which can fall in value at any time due to the value in global stock markets.

There is no guarantee that the ARF will meet its objectives of providing for your longer term income needs. Your ARF is exposed to risk associated with its underlying investments.

Inflation risk

Approved Retirement Funds are a long term investment and the effect of inflation can erode any 'real' investment returns over time.

Charges

- vi There are no set up charges.
- vii There are no transfer charges.
- viii For Execution-Only accounts, there will be an annual dealing charge for any number of transactions, subject to overseas charges for non-Irish/non-UK listed instruments.

Other charges apply.

Full information on fees and charges is available at <http://www.davyselect.ie/charges/fees-and-charges.html>

WARNING: The information in this factsheet is not a recommendation or investment research. It does not purport to be financial advice and does not take into account the investment objectives, knowledge and experience or financial situation of any particular person. Investors should determine whether an investment is appropriate to their own personal circumstances.

WARNING: The value of your investment may go down as well as up.

WARNING: The information contained herein is in line with current Irish Pension legislation and Revenue guidelines. It is not comprehensive and is for information purposes only. The information is subject to change without notice and is not a substitute for professional advice. Please consult your professional advisor for the rules that apply in your individual circumstances. This is not applicable to UK residents.

The information contained herein does not purport to be comprehensive, all inclusive or to contain all of the information that a prospective investor might reasonably require in considering the Investment. It is strictly for information purposes only and must be read in conjunction with your Application Pack. No one in receipt of this document shall treat any of its contents as constituting advice or a recommendation in any way.


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