



Davy Self-Directed PRSA

Control, manage and invest your pension
online or by telephone

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DEFINITIONS

PRSA: A Personal Retirement Savings Account ('PRSA') is a tax efficient investment account designed to enable you save for retirement in a flexible manner.

AVC: An Additional Voluntary Contribution ('AVC') is a voluntary contribution made by employees in addition to the required contributions, if any, that are to be made to their company pension schemes.

AVC PRSA: A PRSA set up to enable you make Additional Voluntary Contributions (AVCs).

ARF: Approved Retirement Fund: a tax-exempt investment fund into which you can transfer the balance of your PRSA fund, excluding any amount withdrawn as a tax-free, lump sum, on retirement. This option is subject to investing the required € 63,500 in an AMRF or annuity. This requirement can be waived if you have a guaranteed annual income of at least € 12,700.

AMRF: Approved Minimum Retirement Fund. An AMRF is very similar in nature to an ARF. The main restriction is in relation to drawing down benefits. The original € 63,500 invested in AMRF cannot be accessed until age 75 at which point the AMRF becomes an ARF.

Annuity: An income payable for the remainder of your and/or your spouse's lifetime, purchased with the balance of your PRSA fund after tax-free cash has been taken.

Take control of your pension investment

Pensions remain one of the most tax-efficient means of investing and accumulating assets over time. When investing, it is important for some investors to have the freedom to choose how, when and where to invest and the flexibility to change investment choices whenever required.

With the development of the self-directed pension market and the introduction of PRSAs you now have the ability to manage and control the investment of your pension assets.

Introducing the Davy Self-Directed PRSA

- 4 The Davy Self-Directed PRSA enables you to control and manage your pension online or by telephone. The cornerstone of this product is the investment flexibility that it provides you in respect of your pension assets. You remain in control of your investments including how and when you invest.

A Personal Retirement Savings Account ('PRSA') is a tax efficient investment account designed to enable you save for retirement in a flexible manner.

The Davy Self-Directed PRSA is most suitable for those who; want to invest in a tax-efficient way through their pension; understand the dynamics of investing in the stock market; and who don't require professional advice.

What are the benefits of the Davy Self-Directed PRSA?

DAVY TRADING PLATFORM

- ▶ You can buy and sell shares, Exchange Traded Funds (ETFs)¹ and bonds on 38 international markets.
- ▶ 24-hour online access to your pension account.
- ▶ Competitive commission and charges.
- ▶ Access to Davy's award-winning research.

TAX-EFFICIENT INVESTING

- ▶ Tax-free pension contributions (subject to Revenue restrictions).
- ▶ Tax-free investment returns.
 - *No Capital Gains Tax when you sell your assets.*
 - *No Exit Tax when you exit a fund.*
 - *No Income Tax on dividends or coupon payments.*
- ▶ Tax-free cash on retirement.

FLEXIBILITY & CONTROL

- ▶ Choose how and when you make contributions.
- ▶ Choose how and when you invest your assets.
- ▶ Choose how and when you take retirement benefits (subject to Revenue restrictions).

¹ An ETF is a security that tracks an index, commodity or a basket of assets like an index fund but trades like a stock on the exchange.

Personal Retirement Savings Account

6 What is a Personal Retirement Savings Account (PRSA)?

A PRSA is a tax efficient investment account designed to enable you to save for retirement in a flexible manner. It allows you to make either regular or once-off contributions which are tax deductible and can be transferred from job to job.

The Davy Self-Directed PRSA is a non-standard² PRSA contract approved by the Pensions Board and the Irish Revenue Commissioners.

Who can take out a PRSA?

Anyone can take out a PRSA, regardless of their employment status, including part time employees, professionals, self employed, contractors, employees or partners in a partnership.

If you are a member of an Occupational Pension Scheme through your company, you can only take out an AVC PRSA.

Who contributes to my PRSA?

You contribute to your PRSA. If you are an employee, your employer may contribute but is not obliged to do so.

How much can I contribute to my PRSA?

Contributions paid by you and/or your employer will be considered for the purposes of determining maximum contribution limits for tax relief purposes. You will receive full income tax relief at your marginal rate on contributions within the limits set out in the table below:

Age in Tax Year	Maximum Contribution as a % of Net Relevant Earnings *
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
Over 60	40%

Source: Davy

* Net Relevant Earnings: Earnings from a trade, profession, office or employment which are subject to income tax. Net relevant earnings are capped at €150,000 for 2010. (Part 30 of the Taxes Consolidation Act (TCA) 1997 as amended)

The rate of 30% applies to certain specified occupations irrespective of age.

² If you have a Standard PRSA, you cannot be charged more than 5% on the contributions you pay and 1% a year on the managed funds; you can only invest in pooled funds, except for temporary cash holdings. If you have a Non-Standard PRSA, there is no limit on charges and you can invest in a range of funds, including (but not restricted to) pooled funds.

Can I transfer in other pension benefits?

Transfers can be accepted from other pension providers. The value of any AVCs can be transferred from an Occupational Scheme without restriction.

Can I transfer my PRSA out of Davy?

The full value of your PRSA is available to transfer to another pension provider. There are no charges for transferring your benefits out of the PRSA.

What happens when I retire?

The amount of benefits on retirement depends on the level of contributions paid and the investment return earned on those contributions.

The Davy Self-Directed PRSA offers flexible retirement options. You can normally start taking your benefits from age 60 (and up to age 75). In certain circumstances, you can take benefits earlier such as if you retire from employment at age 50 or over or if you can no longer work because of a serious illness or disability.

You are entitled to the following benefits on retirement the first time you draw funds from your PRSA:

- ▶ A once-off tax-free lump sum of up to 25% of the value of the assets (current limit €1.35m).³
- ... **and either**
- ▶ Retain the balance of your funds in the PRSA making taxable withdrawals
- or**
- ▶ Transfer the remaining funds to an Approved Retirement Fund (ARF)
- or**
- ▶ Purchase an annuity
- or**
- ▶ Purchase an annuity for your spouse in the event of your death
- or**
- ▶ A combination of the above.

The options available to you at retirement will depend on the size of your PRSA fund and on legislation applicable at that time. See the Davy Self-Directed PRSA Application Form for further details.

What benefits are payable on my death?

If you die before you first draw on your PRSA, your PRSA fund will be transferred to your estate tax-free but could be subject to tax in the hands of the beneficiaries as an inheritance from you.

If you die after taking your benefits, the benefits payable will depend on your chosen retirement option as above.

³ This limit may be increased annually from a base of €1.25 million by a rate determined by the Minister for Finance. For AVC PRSAs maximum tax-free lump sum is subject to the limits applicable to your occupational or statutory scheme and limits set down by the Irish Revenue Commissioners.

Investment Options

- 8 The Davy Self-Directed PRSA allows you to create the investment portfolio that is right for you. There are a number of investment options on offer.

The following is a non exhaustive list of some disadvantages in investing in the options outlined:

- ▶ The value of your investment may fall as well as rise
- ▶ You may lose some or all of the initial capital invested
- ▶ With ETFs there are no dividends paid
- ▶ Where an investment is denominated in a currency other than euro the investment may be affected by changes in currency exchange rates

International Shares in publicly quoted companies

With the Davy Self-Directed PRSA you can access 38 international markets and thousands of stocks providing you with the opportunity to diversify your investment portfolio.

Some of the advantages of investing in shares include the potential for capital growth and/or the potential of investment income through dividends.

Exchange Traded Funds (ETFs)

With the Davy Self-Directed PRSA you can access an extensive range of ETFs. An ETF is a security that tracks an index, commodity or a basket of assets like an index fund but trades like a stock on the exchange.

There are a number of reasons why you might consider investing in ETFs:

- ▶ **Simple** - bought and sold just like stocks, they are highly liquid and easy to trade.
- ▶ **Transparent** - the components of the ETF are fully visible to you the investor.
- ▶ **Flexible** - trade in global markets and assets that are otherwise difficult to access.
- ▶ **Diversification** - access a whole country index through a single share.
- ▶ **Low cost** - as ETFs trade like stocks, standard commission rates apply.
- ▶ **No stamp duty** - tax treatment depends on your individual circumstances.

There are a number of different types of ETFs:

- ▶ **Country, regional stock market indices**
- ▶ **Specialist sectors such as small/mid/large cap securities**
- ▶ **Commodities**

Bonds

With the Davy Self-Directed PRSA you can access an extensive range of domestic and international Government and Corporate Bonds, which pay out a fixed amount of interest rather than a variable dividend like equities.

They are, in effect, loans to an organisation rather than stakes of ownership. However, like equities, their prices can fluctuate.

For further information on these options, please visit www.davy.ie

10 **Default Investment Strategy**

Under the Pensions Act, each PRSA product must provide a Default Investment Strategy (DIS), **which is the investment approach to be used unless you specify otherwise**. The DIS is designed to meet the reasonable aims of a typical PRSA contributor for the purposes of saving for retirement.

The DIS for this PRSA product is New Ireland's range of Individual Retirement Investment Services (IRIS). If you adopt this strategy, it is assumed that you intend to use your PRSA assets mainly to purchase an annuity.

Initially, when the term to retirement is greater than 20 years, the fund invests predominantly in equities and property with smaller holdings in fixed interest securities and cash. As the term to retirement approaches the amount of the fund held in equities and properties is reduced until the fund holds only fixed interest and cash at retirement.

Please refer to the Default Investment Strategy section in the Davy Self-Directed PRSA Application Pack for further details.



WARNING: The value of your investment may go down as well as up. You may lose some or all of your initial invested capital. Past performance is not a reliable guide to future performance.

Commissions and charges

There is no charge for either setting up or closing a Davy Self-Directed PRSA, or increasing or decreasing contributions.

There is an annual administration fee of 0.75%. This is levied on a half yearly basis based on the value of your funds in May and November. In addition, it may be possible to invest in funds, structured products or unit trusts through your PRSA, an additional product charge of up to 3.0% per annum will apply depending on your choice of investments. The charges for online share dealing and telephone share dealing are as follows:

Per Trade	Online Transaction	Phone Transaction
FREQUENT TRADER* Online Rates		
Min. commission	€15	€100
	<i>or</i>	<i>or</i>
	0.50% on first €25,000	1.65% on First €15,000
	0.25% on Balance	1.00% on Next €15,000
		0.50% on Balance
STANDARD** Online Rates		
Min. commission	€25	
	<i>or</i>	
	a 0.75% on First €25,000	
	0.50% on Balance	

* More than 20 trades per calendar year

** 20 trades or less per calendar year

You may also incur charges for stamp duty or overseas transactions.

Opening an account

- 12 To avail of the Davy Self-Directed PRSA you will need to complete the following steps:

Step 1

Complete the Davy Self-Directed PRSA Application Form **and** the Davy Direct Online Account Application Form **or** the Davy Telephone Share Dealing Application Form.

These application forms can be completed on-screen via www.davy.ie. This may be convenient if you prefer to type in your details before printing, but it does not allow you to electronically submit the form to us.

Alternatively, email us at davydirect@davy.ie, or call us on +353 1 614 9000 and we will post you an Application Pack.

Step 2

Other documents and information:

- ▶ Proof of identity
- ▶ 2 proofs of address
- ▶ PPS number

Step 3

Send in all documents and information to

**Davy Direct, Davy House,
49 Dawson Street, Dublin 2.**

Risk Factors

Investment risk

The value of your PRSA at retirement will depend on the contributions made and the investment return achieved on these contributions. The investment return is not guaranteed. The value of investments can fall as well as rise. In particular it is worth noting that short-term investment returns can be quite volatile particularly in equity and property based funds and this needs to be taken into account in your investment strategy as retirement approaches.

Please note that your PRSA is intended to enable you to save for retirement. Your investment strategy should be considered in relation to your retirement objectives and income requirements.

Level of contributions and maintaining contributions

The value of your PRSA at retirement will depend on the contributions made. The more you contribute, the larger your expected fund at retirement. If you do not pay regular contributions or if you stop paying contributions your fund at retirement may not be sufficient to meet your income requirements in your retirement.

Access to funds

In most cases you cannot access your PRSA funds before you reach age 60. In certain circumstances, you may be allowed access to your PRSA fund before age 60 if you either retire from employment or need to retire as a result of serious ill health. It is worth noting that if you retire any earlier than expected then, not only will your maturity value and tax free cash be lower than illustrated, but purchasing an annuity is also likely to be more expensive. This is due to the fact that you are taking benefits at a younger age and would be expected to live longer in retirement; consequently you would be expected to receive more payments from your pension.

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If you are interested in learning more about the Davy Self-Directed PRSA or other Davy services, please email davydirect@davy.ie or call (01) 614 9000.

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