

Davy Approved Retirement Fund

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 **retirement planning service**
- ▶ Access to the Davy **investment platform**

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

CASH	BONDS	EQUITIES
PROPERTY	PRIVATE EQUITY	ALTERNATIVES

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/AMRF funds.

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.

Before you can invest in an ARF, you must satisfy the income test. The test is that you must have a guaranteed annual income of at least €12,700 (as at January 2015). This would include a pension or annuity that is guaranteed to be payable for the rest of your life, including any State guaranteed pension.

If you do not satisfy the income test you can still purchase an ARF on condition that you also purchase an Approved Minimum Retirement Fund ('AMRF'). An AMRF is explained below.

The test does not apply to individuals aged 75 or over, who may invest in an ARF without satisfying the guaranteed income or AMRF requirements.

What is an Approved Minimum Retirement Fund ('AMRF')?

An AMRF is similar to an ARF except that the capital invested in the AMRF is not subject to an imputed distribution (please see 'Imputed Distributions' below) until the individual is aged 75 years.

The amount which must be invested in the AMRF is €63,500 (as at January 2015) of your remaining fund (or the entire fund if it is less). The holder may access up to a maximum of 4% of the value of the AMRF each year as a taxable distribution subject to PAYE.

You should note that when you reach the age of 75, or upon death, the AMRF automatically converts into an ARF.

Transfers In

The only assets which can be transferred into your ARF/AMRF 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/AMRF held by you (or your deceased spouse);
- v. The value of assets transferred to you 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 an approved 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.

Benefits

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 2015 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 or AMRF 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/AMRF 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/AMRF assets after your death is taxed as follows (as at January 2015):

ARF/AMRF 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.

Risks

The value of your investment may go down as well as up. You may lose some or all of the money invested. Past performance is not a reliable guide to future performance. The ARF/AMRF 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/AMRF will meet its objectives of providing for your longer term income needs.

Your ARF/AMRF is exposed to risk associated with its underlying investments.

Charges

- i. There are no set up charges.
- ii. There are no transfer charges.
- iii. There will either be:
 - a. an annual management fee plus Commissions on dealing for Advisory/Discretionary accounts; or
 - b. for Execution-Only accounts, an annual dealing charge for any number of transactions, subject to overseas charges for non-Irish/non-UK listed instruments.

In all cases, other charges apply.

Full information on fees and charges is available at <http://www.davy.ie/legal/terms--conditions>

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