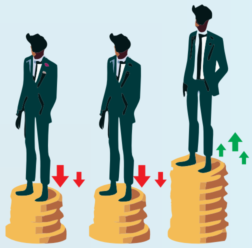
PENSION COVERAGE GAP

In Ireland, 1 in 3 workers lacks pension coverage outside of the State pension, which is €14,419.60 annually as of Budget 2024.



SIGNIFICANT INCOME DROP

Workers earning the average income of around €47,000 without private pension coverage would experience a nearly 70% drop in income upon retirement.

PENSION INADEQUACY

Many Irish workers aren't financially prepared for retirement, even those with private pensions may not have sufficient savings.

AUTO-ENROLMENT INTRODUCTION

Ireland plans to introduce auto-enrolment in the second half of 2024 to address pension coverage gaps.

ELIGIBILITY CRITERIA

To qualify for auto-enrolment, individuals must not have an existing pension scheme, earn over €20,000 per year, and be aged between 23 and 60.

AUTOMATIC CONTRIBUTIONS

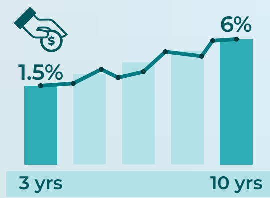
Auto-enrolment deducts pension contributions directly from paychecks before reaching bank accounts, resulting in lower take-home pay.

EMPLOYER AND STATE CONTRIBUTIONS

For every €3 contributed by the employee, the employer matches with €3, and the Irish state adds €1, making a total of €7 contributed for every €3 from the employee.

CONTRIBUTION PHASES

Contribution rates start at 1.5% of gross pay in the first three years and increase gradually to 6% after ten years.

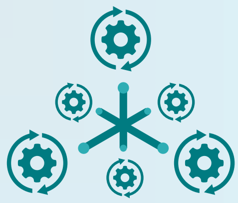


OPT-OUT OPTION

Employees can opt out after six months but only during specific periods after each contribution rate increase.

AUTO-ENROLMENT ARCHITECTURE

Auto-enrolment offers limited investment options with four managers and four investment choices representing a risk spectrum from 1 to 4.



EMPLOYEE EXAMPLE

An employee contributing over 43 years could accumulate a pension fund of €564,384 under auto-enrolment, including employee, employer, state, and investment returns contributions.

TAXATION TREATMENT

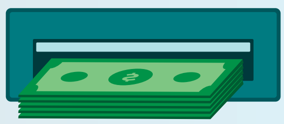
Employee contributions to auto-enrolment are subject to income tax, USC, and PRSI, which maybe less favorable than traditional pension contributions for higher-rate taxpayers.

CONTRIBUTION LIMITS

Auto-enrolment imposes fixed contribution rates, limiting the amount employees can contribute compared to traditional pension schemes.

DRAWDOWN OPTIONS

Auto-enrolment funds become accessible at the State pension age, and the only retirement drawdown option is a combination of a tax-free lump sum and taxable cash withdrawals.



EMPLOYER OBLIGATIONS

Employers must match employee contributions and may face penalties for non-compliance. There's an earnings threshold of €80,000 for contribution calculations.

TAX BENEFITS

Contributions made by employers are deductible for corporation tax purposes, reducing their tax liabilities.

TECHNICAL REQUIREMENTS

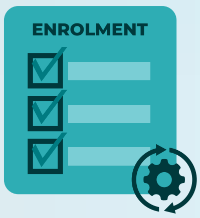
Employers must ensure their payroll systems can handle auto-enrolment instructions and manage contributions.

EMPLOYEE CHOICE

Employees with existing PRSAs won't be eligible for auto-enrolment, allowing them more control over their pension contributions and investment choices.

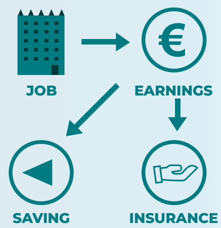
FUTURE OF AUTO-ENROLMENT

Ireland aims to launch auto-enrolment in the second half of 2024, but the exact date may be subject to change.



PENSION ADEQUACY

Auto-enrolment helps individuals have a pension but may not provide enough savings for a comfortable retirement, emphasizing the importance of proactive retirement planning.



Conclusion :

While auto-enrolment is a step in the right direction for Irish pension coverage, it may not fully address the issue of pension adequacy. Individuals are encouraged to consider alternative pension options, such as PRSAs or occupational schemes, for more substantial retirement savings.