

# Funding at the point of retirement



## About John

John has been a 20% director for over 20 years with a very successful business in the service industry. He's now 67 and planning on retiring next year. John's company is cash rich with €750,000 in the company accounts and he wants to know if he can move any of the money into his private ownership before he retires. John has been drawing a salary of €24,000 for the past two years. As he has more than 10 years service, he is entitled to a pension of 2/3 of his final salary.

## The calculations



John needs a Revenue maximum allowable pension fund of €750,000.

As John is a 20% director,\* his adviser calculated he needs an average salary over 3 years of €24,833 to accumulate a pension fund of €750,000:

$$€24,833 \times 2/3 = €16,555 \text{ (maximum pension income)}$$

$$€16,555 / 2.2\%^{**} = €752,500 \text{ (maximum fund)}$$

He then worked out that John needs to draw a salary of €26,500 this year in order for the company to pay a pension contribution of €750,000:

$$(€24,000 + €24,000 + €26,500) \div 3 = €24,833$$

\*Final remuneration for 20% directors is the average of total emoluments for any three or more consecutive years ending not earlier than 10 years before their retirement date.

\*\*Based on current open market annuity rates. Joint life, married, escalating at 3%, 5 year guarantee period.

## Outcome

- John drew a salary of €26,500 in the current year.
- The company set up a new Executive Pension and made a pension contribution of €750,000.
- John retired immediately, took a cash lump sum and the balance was used to purchase an A(M)RF.

Laws and tax rules may change in the future. This information is based on our understanding of Revenue rules in November 2018.





## Benefits

### John:

- John can look forward to a financially secure retirement.

### The company:

- Tax efficient transfer of company money into personal ownership.
- Pension contribution can be offset against corporation tax.

### Adviser

- Max funding gives you another opportunity to provide your clients with real value. Your expertise can help customers build a better future.

## Technical Solutions Team

### Do you have customers that would benefit from this opportunity?

The Technical Solutions team are available for all your queries on extracting cash from companies and turning it into personal wealth through company pension contributions. Talk to them about personalised solutions for your clients.

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