

Personal Retirement Bond



Product providers for financial advisors



.....A simple guide to securing your future

Who are we?

Wealth Options Ltd. is a leading distributor of innovative products to the Irish financial services industry. We were established in 2003. We source, produce and promote a diverse range of products to Ireland's independent financial advisor network. Our customers are financial brokers, financial advisors and other intermediaries. Wealth Options has already established a reputation for introducing innovative investment products aimed at individual, corporate, and institutional customers. We distribute a wide range of self administered pension products which will appeal to employees, company directors, the self-employed and people who have retired.

We fundamentally believe in the value of independent advice and we strongly recommend that if you are reading this document that you also consult your financial broker.

Background

The Irish retirement regime is one of the most liberal and innovative in the world. Coupled with that is the fact that over 90% of all businesses in Ireland are small or medium sized enterprises, run by owner-directors. However, due to many different factors from the economic environment to the individual's personal circumstances, many members of pension schemes have had to cease contributions to their pension fund. Historically these funds have lingered in managed funds or cash in one of the life companies and are subject to the high charges and indifferent performance of these funds. Wealth Options were the first company in Ireland to distribute a self administered Personal Retirement Bond (PRB), where members of paid up company pension plans can transfer their funds into their own name, and with the help of their advisor can invest the funds as they see fit. This gives the beneficial owner complete control over the investment of their paid up pension fund.

The range of investment options are extensive and include assets like: property, structured deposits, direct investment in stocks and shares etc.



What is a Small Self Administered PRB?

A self administered PRB is a pension bond approved by the Revenue Commissioners under Chapter 1 Part 30 of the Taxes Consolidated Acts 1997. It is a flexible arrangement with a very flexible charging structure and is designed to facilitate the investment of paid up company pension funds or existing PRBs by the beneficial owner of the funds.

Who are the parties to the PRB?

You – the Bondholder

You are the beneficial owner of the PRB. You give instructions as to where you want your pension money invested. We recommend that you consult your financial advisor before making any investment decision.

Wealth Options Limited

Wealth Options Limited will administer the PRB on your behalf and will take your instructions as to where you want to invest your money. We will provide all the legal documentation required to set up the PRB and will provide all on going services e.g. annual accounting and valuations etc. Wealth Options Limited will also set up and administer the exempt unit trust which will hold your PRB investment on your behalf. Please note that pension money invested in a unit trust is not subject to the Investor Compensation Scheme which is designed to protect consumers.

What are the Tax benefits of a PRB?

A PRB provides the bondholder with considerable tax advantages as follows:

- 🕒 Investments grow free from Capital Gains Tax and Income Tax
- 🕒 Deposits grow free from DIRT Tax
- 🕒 A tax-free cash lump sum can be taken at retirement (subject to Revenue limits)
- 🕒 Any balance can be transferred into an Approved Retirement Fund subject to AMRF criteria being met
- 🕒 An annuity can be purchased at retirement

The bondholder controls the funds in their PRB. Wealth Options Limited only determines whether an investment is allowable under Revenue rules.



Types of Investments

Here are some examples of what investments can and cannot be made by your PRB. These are not exhaustive lists but give you an indication of the flexibility and range of your investment choice under a PRB. With some of the investments there are specific Revenue rules which you can discuss with your financial advisor.

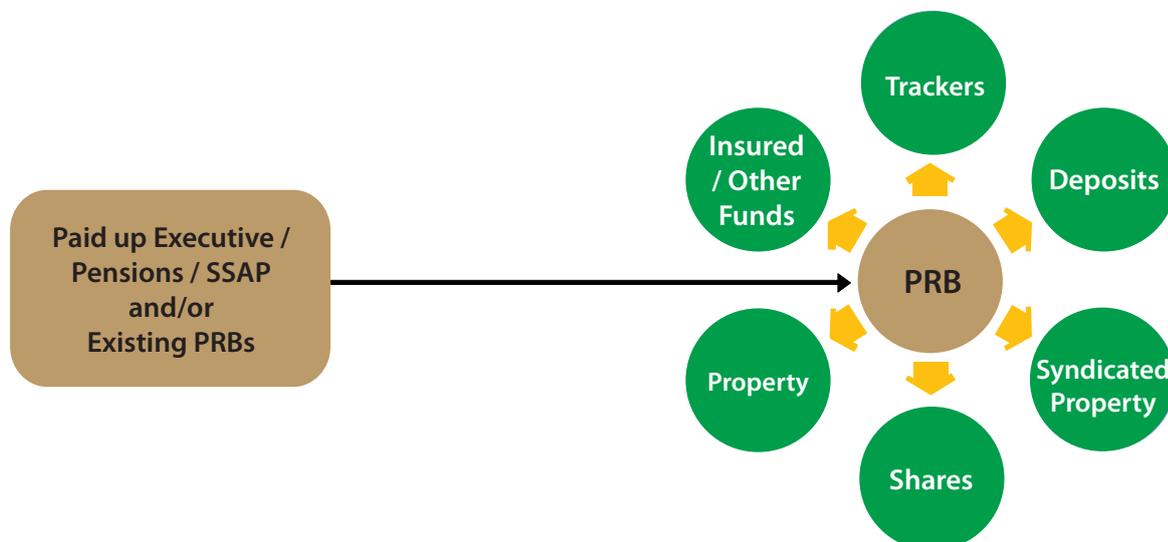
Authorised Investments

- Property
- Land
- Property syndicates
- Shares in private companies (subject to limits)
- Quoted equities on recognised worldwide stock exchanges
- Gilts, bonds and fixed interest stocks
- Investment trusts
- Unit trusts
- Insurance company funds
- Bank and building society deposits
- Offshore managed funds
- Copyrights
- Loan notes

Prohibited Investments

- Holiday homes with personal usage
- Shares in an associated employer
- Rare books and stamps
- Works of art and antiques
- Fine wines
- Loans to bondholders or their families
- Secured and unsecured loans to an associated employer or connected person
- Assets that could be used for bondholders personal gain, e.g. golf membership
- Furniture and oriental rugs
- Yachts and vintage cars
- Jewellery and gem stones
- Gold bullion

The seller of any asset must be at arms length from the bondholder. If the asset is a property the property must be let, and eventually sold, on an arms length basis and all rents received must be lodged to a PRB account. Property development is generally not permitted as the Revenue regards this as trading and not investment.



How are the assets held?

This has become a central issue for clients in light of the financial instability of some of the larger financial institutions. With traditional PRBs, the assets will be pooled with other policy holders and reside on the balance sheet of the insurance company. With a Wealth Options self administered PRB, the bondholder is the beneficial owner of all the assets and the assets may be held in a specific unit trust. The assets are not pooled nor are they held on our balance sheet and are separate from any accounts of Wealth Options. The assets are readily identifiable as assets of the bondholder.

Funding the PRB

Members of paid up company schemes can transfer their funds into a self administered PRB from their previous employers scheme. Anyone that has an existing PRB can transfer this to a self administered PRB. You can bring several of your paid up executive pension schemes together into the PRB which can make it easier to keep track of your pension fund. Both the member/beneficiary and the trustee of the transferring scheme must consent to the transfer to the PRB.

How much does it cost to set up a PRB?

The cost of running a PRB is an important factor to any bondholder. There is an annual administration fee and your financial advisor will advise you of the charging structure. PRBs are very keenly priced when compared to more traditional pension plans.



What are the inheritance considerations?

Death before retirement: your spouse or estate is entitled to up to four times your current salary plus the current value of all personal contributions as a tax free lump sum or benefits based on vesting provisions of the Pension Act.

Death after retirement where you have an Approved Retirement Plan (ARF) in place: your spouse or estate is entitled to the benefits from the ARF. Any draw downs will be taxed.

Death after retirement where an ARF is in place and where your spouse dies: the balance of the ARF forms part of the estate and rules relating to the age of the children affect the tax position. Your financial advisor will explain these to you.

Retirement Options

Normal Retirement Age: The bondholder will have a retirement date already selected under the rules of the transferring scheme/existing PRB. This is normally between the ages of 60 and 70.

Early Retirement: The bondholder may retire earlier than the normal retirement age; this can be at any time from age 50 onwards. If early retirement is taken, benefits may be reduced.

Tax-free Cash: A retiring bondholder may take a lump sum of up to 25% (subject to a maximum tax-free amount of €200,000) of the accumulated fund at retirement. The balance of the fund can be invested in an Approved Retirement Fund under which the retiree can exercise investment control subject to certain Revenue limits.

Or

A retiring bondholder may elect to receive a cash lump sum, up to a maximum of 1.5 times final remuneration (subject to a maximum of €200,000 tax-free, with the balance up to €575,000 taxed at 20%) and the balance of the fund must be used to purchase an annuity i.e. a pension. This will reduce the amount of pension that can be paid.

Pension: Bondholders with ten years' service or more at their normal retirement age may take a maximum pension equating to two thirds of their final pensionable salary. The actual pension payable on retirement will depend upon funds being available within the PRB. The pension may increase in payment at a fixed rate or in line with the Consumer Price Index (CPI), and can also include a spouse/dependants pension.



In Summary Key Benefits of a PRB

Control

A PRB allows the member to control where the assets are invested. There is an unlimited range of Investments* that the beneficiary can choose from.

Security

All assets are held off balance sheet readily identifiable for the beneficiary.

Transparency

A bondholder can clearly see what assets are in the PRB and what the associated costs are.

Charges

A PRB is usually less costly than a traditional pension scheme.

Confidentiality

Not being part of a group/corporate pension scheme give you greater confidentiality in terms of benefits.

Portable

You can easily move the bond from one provider to another without having to liquidate assets. You can transfer the assets to a post retirement self administered Approved Retirement Fund (ARF) without having to liquidate the assets as long as the funds have originated from a defined contribution arrangement.

The above is based on our understanding of Revenue rules and practice.

*Subject to normal Revenue restrictions



Note: The PRB structure is not regulated by the Central Bank of Ireland. The Self Administered PRB is not an insurance undertaking and therefore is not subject to supervision by the Pensions Board. It is however under the supervision of the Revenue. Tax relief and benefits are granted by the Revenue Commissioners under the Taxes Consolidation Acts.



Wealth Options distribute a range of financial services from leading product manufacturers exclusively to intermediaries. Wealth Options Limited does not distribute products directly to the public. For further information please contact your financial broker.

Please note that the provision of this product or service does not require licensing, authorisation, or registration with the Central Bank and, as a result, it is not covered by the Central Bank's requirements designed to protect consumers or by a statutory compensation scheme.

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