Approved Retirement Funds

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 should also consult your financial advisor.

Background

Wealth Options Limited introduced their self administered ARFs to cater for customers who want to control their own post retirement pension funds. With a self administered ARF the client, with the help of their financial advisor, can take complete control of their fund and can decide where they wish to invest their money.

A self administered ARF can invest in a range of asset classes such as capital secured structured products, direct equity holdings, government and corporate bonds, insurance company funds and various property investment options.

What is a Self Administered ARF?

A self administered ARF is a tax exempt product approved by the Revenue Commissioners. It is designed for maturing personal pension policies, maturing company pension plans, maturing small self administered pensions and transfers from existing ARFs. It is a flexible arrangement with a very flexible charging structure and is designed to facilitate the investment of post retirement pension funds or existing ARFs by the beneficial owner of the funds. It is administered by Wealth Options Limited as the Qualifying Fund Manager (QFM). We are responsible for ensuring that all Revenue requirements are met including deemed and imputed distributions and relevant taxes are paid.

In order to establish an ARF you must first satisfy the Approved Minimum Retirement Fund (AMRF) criteria - to either have a guaranteed income for life of €12,700 p.a. (subject to change) or to place the first €63,500 (subject to change) of the ARF funds into an Approved Minimum Retirement Fund until age 75 or have used €63,500 to purchase an annuity.

Who are the parties to the ARF?

You – the Beneficiary of the ARF

You are the beneficial owner of the ARF. You give instructions as to where you want your pension funds invested.

Wealth Options Limited

Wealth Options Limited as QFM will administer the ARF 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 ARF 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 may hold the ARF investments on your behalf. Please note that pension money invested in a unit trust is not subject to the Investor Compensation Scheme or the Deposit Guarantee Scheme, which is designed to protect consumers.

What are the Tax benefits of an ARF?

An ARF provides the beneficiary with considerable tax advantages as follows:

- Investments grow free from Capital Gains Tax and Income Tax
- Deposits grow free from DIRT Tax
- Benefits can be passed on in a tax efficient manner to the beneficiary's spouse on death

Wealth Options will make all the necessary deductions for tax and remit them to the Revenue Commissioners.

Types of Investments

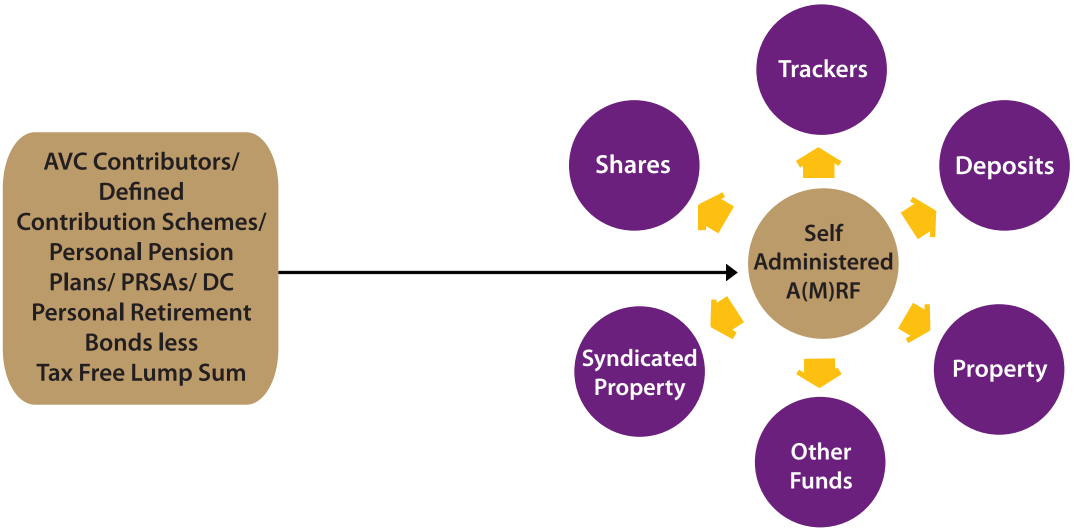
Here are some examples of what investments can and cannot be made by your ARF. These are not exhaustive lists but give you an indication of the flexibility and range of your investment choice under an ARF. With some of the investments there are specific Revenue rules which you can discuss with your financial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

Authorised Investments

- Approved 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

- Holidays homes with personal usage
- Rare books and stamps
- Works of art and antiques
- Fine wines
- Loans to beneficiaries or their families
- Assets that could be used for beneficiary's personal gain, e.g. golf membership
- Furniture and oriental rugs
- Yachts and vintage cars
- Jewellery and gem stones
- Borrowing to invest
- Gold bullion



The purchase and sale of any asset must be at arms length from the beneficiary. 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 the ARF account. Property development is generally not permitted as the Revenue regard 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 a traditional ARF, 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 ARF, the beneficiary 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 beneficiary.

How much does it cost to set up an ARF?

The cost of running an ARF is an important factor to any beneficiary. There is an annual administration fee and your financial broker will advise you of the charging structure. ARFs are very keenly priced when compared to more traditional life company ARFs.

ARF Distributions

Pensions legislation dictates that the QFM must pay over tax due on annual distribution from an ARF to the Revenue. The rate of distribution applied is determined by the Finance Act:

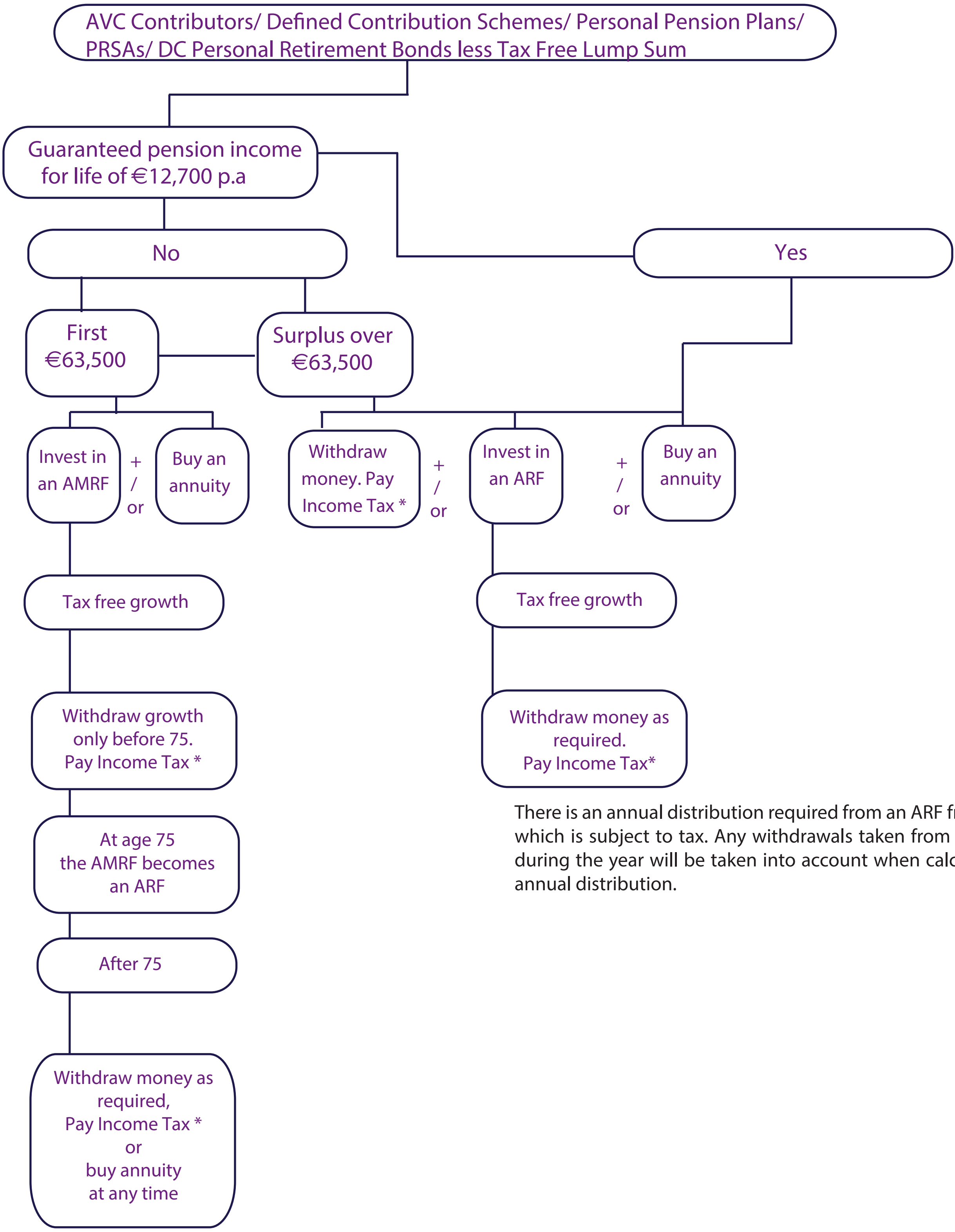
- From age 61 the minimum withdrawal will be 4% of the plan value
- From age 71 the minimum withdrawal rises to 5%
- Combined ARFs & vested PRSAs over €2 million must withdraw 6% per annum

Wealth Options as QFM will deduct tax on this distribution at source.

Liquidity

There is a requirement that a proportion of the assets are always held in liquid form. This is to ensure that management fees can be paid and that the tax due on the deemed distribution can be submitted to the Revenue.

Investment Options at Retirement



There is an annual distribution required from an ARF from age 61, which is subject to tax. Any withdrawals taken from the A(M)RF during the year will be taken into account when calculating the annual distribution.

In Summary Key Benefits of an ARF

Control

An ARF allows the beneficiary to control the assets and more importantly the costs. 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 beneficiary can clearly see what assets are in the ARF and what the associated costs are.

Charges

An ARF is usually less costly than a traditional pension scheme.

Portable

You can easily move the ARF from one provider to another without having to liquidate assets.

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

Note: The ARF structure is not regulated by the Central Bank of Ireland. It is under the supervision of the Revenue. Tax relief and benefits are granted by the Revenue Commissioners under the Taxes Consolidation Acts.

*Subject to normal Revenue restrictions

Product providers for financial advisors

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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