Courtesy of cornmarket group financial services ltd

BUDGET 2013

A handy guide for Public Sector employees

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2013 BUDGET IMPLICATIONS

A handy guide for Public Sector employees

Serving the Public Sector for 40 years, we have experienced many budgets, and seen how they can affect our customers.

From a payslip perspective, the only change for the majority of Public Sector employees is the removal of the PRSI exemption. For those paying A1 PRSI, this will mean a reduction in take home pay of **€5.08** per week. For those paying D1 PRSI, this will mean a reduction in take home pay of **€0.24** per week.

To help give you an understanding of this year's Budget, and its implications, we have put together a guide for you which covers the main areas of the December Budget relating to money, pensions and taxes. We have also included examples of how the changes will affect Public Sector employees.

This guide covers:

1. Effect of the Budget on your retirement plans/AVC Plan.
2. Changes to Student Grants, Child Care & Maternity Benefit.
3. Changes to Property and other charges.
4. Top money-saving tips for 2013.

We hope you find our guide useful.

If you would like some additional advice following the Budget, please note that all Public Sector employees can avail of our Financial Planning and Retirement Planning Service, free of charge.

Ivan Ahern, Director

To make an appointment for the Financial Planning Service, please click here

or phone (01) 408 4025.

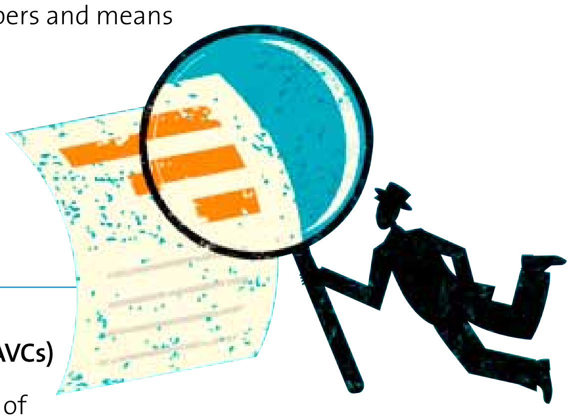
1 EFFECT OF THE BUDGET ON YOUR RETIREMENT PLANS/AVC PLAN

Budget Implications for Pension and AVC contributions

The Budget announced:

1 Tax Relief has been left unchanged.

This means that you will continue to enjoy generous tax relief at the same rate you are currently receiving on any contributions you make. Depending on your salary and tax credits etc., the percentage is either 41% or 20%. This is good news for AVC members and means that you can continue to avail of attractive tax breaks.



Example of tax relief (assuming 41%)	
AVC contribution	€200
Less tax relief	€82
Real cost to you for every €200 you invest	**€118**

2 Pre-retirement access to funded Additional Voluntary Contributions (AVCs)

You will be allowed a once-off option to withdraw up to 30% of the value of funded Additional Voluntary Contributions made to supplement your retirement benefits. Withdrawals will be liable to tax at an individual's marginal rate. The option to withdraw will be available for 3 years from the passing of Finance Bill 2013 which is likely to be in March or April of next year.

We will be in touch with members when it becomes clear as to how withdrawals can be made.

3 New Pension Limit 2014

The minister indicated that from 2014, arrangements will be put in place to cap subsidies if the pension delivers an income of more than €60,000 per annum. As it stands now, the maximum pension fund allowed for **tax relief** purposes is €2.3 million. This will continue for anyone retiring in 2013. Consultation is to continue between the pensions sector and the relevant government departments to clarify the matter further.

4 State pension

There will be no reduction in the State Pension in 2013.

If you have any questions in relation to your AVC/PRSA, please do not hesitate to contact us on (01) 408 4162

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AVCs & THINKING AHEAD

By 2014, public sector employees will not qualify for the state pension until age 66, and, already most early retirement initiatives have been removed! Who can predict what the Government's next move will be with regards to funding the pensions of our increasingly aging population?

The good news is that if you have an AVC Plan, you are keeping your options open. And now you can withdraw up to 30% of your fund! We will be in touch when it becomes clear as to how withdrawals can be made.

Remember, your AVC is your own retirement savings plan and, as such, allows you additional flexibility at retirement e.g. to maximise your tax free lump sum.

AVCs can present a solution if you fall into one of the following 3 categories:

1 I have missed some years of service.

Many public sector employees have missed some superannuated service for a variety of reasons e.g. spent time out of work raising a family, worked abroad etc. There are several ways including AVCs/PRSAs and, in many cases the PNS Scheme (employer scheme) to address this problem.

2 I want to retire early.

Clocking up 40 years superannuated service can seem like a distant target that is just too far away. For this reason many Public Sector employees wish to retire early. The reality is that many Public Sector employees who had hoped to retire early find that, when the time comes, they simply cannot afford to retire. This is becoming a big issue for many Public Sector employees given the removal of many 'early retirement' schemes in recent years. With a little planning, very often AVCs can help to fill the gap. From past experience, many of our AVC customers retire with a 10 year gap in service.

3 I want to maximise my Tax-Free Lump Sum at retirement:

You may be entitled to a maximum of 1½ times your annual salary as a tax-free lump sum. To be eligible to fund for the maximum entitlement, you must have clocked up 20 years worth of superannuable service, 9 years of which must be full-time.

AVCs can help you maximise your tax free lump sum.

AVC helpline

We look forward to continue helping you pursue your retirement goals and would like to thank you for your custom over the years. As part of our commitment to providing all of our AVC members with superior service and advice, we will be making available a team to discuss your retirement plans over the phone or in the comfort of your home.

If you have any questions in relation to your AVC/PRSA, please do not hesitate to contact us on (01) 408 4162

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2 CHANGES TO STUDENT GRANTS, CHILD CARE & MATERNITY BENEFITS

Students

- Third-level registration fees are to rise by €250 every year for the next three years (2013, 2014 and 2015). The fee varies from one institution to another but the maximum rate in 2012 was €2,250 which is set to rise to €2,500 next year.

Child Care

- Child benefit is being reduced by €10 per month. This means that you will now receive €130 per first, second and third eligible child and €140 for the fourth or any subsequent children.

Maternity Benefit

- Maternity Benefit will be treated as taxable income from 1 July 2013 but will be exempt from the USC.

3 CHANGES TO PROPERTY AND OTHER CHARGES

PROPERTY

First time buyers

- Any first-time house buyers in 2013 will be exempt from Local Property Tax for four years.

Buying an unoccupied home

- Anyone who buys a previously unoccupied home will be exempt from Local Property Tax up to the end of 2016.

Removal of the Household Charge

- This charge will cease from 1 January 2013, and the "second homes charge" (NPPR) will cease with effect from 1 January 2014.

Introduction of a Property tax

- A half-year Local Property Tax will be payable in 2013 with a full year payable in subsequent years. The tax will be charged at 0.18% of market value up to €1 million. A rate of 0.25% will apply to any excess value over €1 million. Revenue will strictly enforce the Local Property Tax and they will collect any unpaid Household Charge for 2012. Any arrears that are not paid before 1 July 2013 will be increased to €200 and will be collected through the Local Property Tax system.

- Payment options
  Deduction At Source (DAS) will be available to most Public Sector employees. Alternatively, you can choose to pay by Direct Debit, credit or debit cards, or cash payments.

- How a property is valued
  Property tax will be payable on the basis of the market value of the property as assessed by the owner. The initial valuation will be valid up to and including 2016, which will provide three-and-a-half years of certainty for property owners. The Revenue Commissioners will provide valuation guidance to which owners can refer. Alternatively, owners will be free to use a competent valuer.

- Exemptions
  Certain properties will be exempt from assessment. These exemptions largely correspond to exemptions from the Household Charge.
  See link https://www.householdcharge.ie/Faq.aspx#fk11

OTHER

- The price of 20 cigarettes has increased by 10 cent and roll your own tobacco has increased by 50 cent per 25g pack.
- Excise duty on a pint of beer or cider has risen by 10 cent, on a standard measure of spirits by 10 cent and on a 75cl bottle of wine by €1.
- There is no increase on excise duty on diesel and petrol.

4 TOP MONEY-SAVING TIPS FOR 2013

With everyone feeling the pinch from the Budget, these money-saving tips should help you save money in other areas of your life.

Get a financial health check – for peace of mind.

When was the last time you sat down with an expert to review your finances? Following all the recent changes announced, a review will give you a clear picture of your superannuation, sick pay and tax entitlements and help you plan better for your and your family's future. As a Public Sector employee you can avail of Cornmarket's Financial Planning Service for free. Click here to request your appointment.

Build your budget and stick to it

- Devising a clear budget at the start of the month will ensure you keep stress and money-related anxiety at bay
- There is a handy budget planner on the National Consumer Agency's website, www.nca.ie to help get you started. You will need to record your monthly expenses including mortgage, utility bills, food, family expenses, mobile phone and energy bills, socialising and other living expenses like toiletries and clothes
- Keep your monthly budget in a place where you can easily refer to it, like your wallet. This will help you stay on track.

Be clever with your money

At the beginning of each week, withdraw enough money to cover your costs for the week. Try not to use your laser card or an ATM during the week. This will reduce the risk of over-spending and minimise any bank charges to your account. AIB and Bank of Ireland now charge between 20 and 28 cents per transaction for use of the following; debit card, ATM, standing order, direct debit, cheque, branch/internet/phone transactions.

Capitalise on coupons

Groupon, Pigsback, and Living Social offer daily deals with up to 70% off almost everything from hotels, spa breaks, meals, dental, beauty and even jewellery. And now you can view all the deals available on the market through one website, www.mydealpage.ie.

Save on Petrol/Diesel*

- Before you fill up, log on to www.pumps.ie to find the cheapest petrol/diesel in your area
- Be aware of how you drive – the harder you accelerate and brake, the more fuel you burn
- Drive at a slower speed – this can dramatically cut costs. For example, cutting your speed from 110kph to around 80kph, will burn about 25% less petrol.

Managing Debt

- List your debts in order of priority
- Know the APR and how much you have left to pay on all debts e.g. mortgage, utility bills, medical costs, credit cards, overdraft, personal loans
- The highest APR loans should be paid after your mortgage, utility bills and medical costs
- Know your facts and figures – devise a realistic monthly budget of what you can repay
- Contact your lender/bank to discuss your options if you are finding it difficult to meet repayments, e.g. debt consolidation, payment breaks, extending your loan term, etc.

* Source: www.nca.ie

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