MINISTER URGES SSIA SAVERS TO TAKE ADVANTAGE OF GOVERNMENT INCENTIVES TO INVEST UP TO €10,000 IN PENSIONS

"Government Gives €1 for Every €3 of SSIA Savings You Invest"- Seamus Brennan

Minister Asks Pensions Board for Speedy Conclusion To Mandatory Study & Announces National Forum

The Minister for Social Affairs, Séamus Brennan T.D., today urged people with maturing SSIA schemes to maintain the savings habit by availing of new Government incentives which encourages using at least part of their savings to start personal pensions that will help to significantly boost their incomes in retirement.

Minister Brennan said that the Government will pay a bonus of €1 for every €3 transferred directly into a pension account of SSIA holders who are taxed at 20% - and significantly in the case of those who are not in the tax net to begin with - up to a maximum of €2,500. A further incentive is that the exit tax on the SSIA growth on maturity will be refunded in proportion to the amount of SSIA savings transferred into a pension account.

The Minister announced that the Government has estimated an Exchequer cost of €250 million for the incentive scheme but the final cost will depend on the level of take up. He said arrangements are well advanced to have the scheme operating from 1st June.

Regulations are being finalised and draft guidelines will be circulated to the pensions industry within the next week. In order to qualify for the pension incentives, savers have 3 months from the date their SSIA's mature to invest in a pension product.

"The incentives are creating an ideal opportunity for thousands of people on middle and low incomes to improve their pensions position as it allows for a maximum once off contribution of up to €10,000", the Minister said. "I would urge people to avail of this opportunity as a way of investing in securing a decent income for their later years. This incentive represents a substantial statement from the Government of how seriously it is taking pensions and of its commitment to developing pension policy that will address critical issues facing this country on pensions coverage and adequacy".

Minister Brennan was speaking when launching The Pensions Board National Pensions Action Week 2006 in Dublin. Prior to the launch the Minister attended a regular meeting of the Pensions Board. The Minister also announced that a National Pensions Forum will be held in Dublin on Friday, 5th May to allow for robust debate on the major pension challenges facing this country in the years and decades ahead. Following publication of the National Pensions Review in January, the Minister said he wanted the report to be considered and debated throughout Irish society before calling together all interested parties to a national forum to debate the central issues.

"The Forum will be of enormous importance in informing policies on pensions that will impact on the shape of society for decades to come. It is now time to face up to the major pensions challenge and to take hard and difficult decisions. In this regard, I have asked the Pensions Board to bring a speedy conclusion to their deliberations on the issue of mandatory or quasi mandatory pensions".

Minister Brennan said the new Government incentives were a determined and practical effort to tap into the success of the SSIA scheme and to build on the savings habit that has been created by the scheme.

"The incentives announced by the Minister for Finance signal the start of a wider and even more determined resolve on the part of the Government to target, in particular, those least likely to have made adequate provision and who, as things now stand, are in danger of facing into older age and retirement, relying only or mainly on the state pension. While the State pensions have increased substantially in recent years - and are now heading for one of the highest in Europe at €200 a week - they were never meant to constitute the total income for people in their later years".

The Minister said it takes a cold look at some hard facts and figures to jolt many people into the realisation that the decisions they take now on pensions will be a major factor in determining how secure and rewarding their retirements will be. The reality is that out of a workforce of some 2 million more than 900,000, more than half of them women, do not have personal pensions. The number of people aged over 65 will more than treble from a current level of 464,000 to 1,500,000 by 2056.

At present there are over 4 workers contributing to the support of every pensioner. This will fall to 2.7 in 2026 and to less than 1.5 workers per pensioner in 50 years time. Also, the cost of our social welfare and state pension system will increase over the same period from 4.3% of GNP to 13.8%. This forecast of spiralling costs is far ahead of any estimates done to date and will come as a major surprise to those who would play down the challenge faced.

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