

Your ARF in Estate Planning

At retirement, you may opt to establish an Approved Retirement Fund (ARF) with your pension fund rather than purchasing an annuity. One of the main advantages of the ARF is that you retain the capital value at retirement and any balance remaining on your death can be passed to your Estate. How it is eventually distributed is something that you should consider and include in your Will.

Your ARF is a personal asset. Unless it is specifically disposed of by your Will, it is included in the residue of your Estate and paid to the beneficiaries.

Once the funds are distributed, by your decision, as the ARF holder, in your Will or by the Qualifying Fund Manager (QFM)/Trustee, the tax treatment set out below will apply. The QFM for the ARF is responsible for deducting income tax. The beneficiaries are responsible for paying any CAT due directly to Revenue.

Death of ARF Holder

Who inherits the ARF	Income Tax	Capital Acquisitions Tax (CAT)
Spouse's ARF	No – Subsequent withdrawals subject to PAYE	No – Spouse / Civil partner exemption
Child under the age 21	No	Yes – Taxable Inheritance
Child over age 21 (at date of death)	Yes – Subject to 30% tax regardless of fund size	N/A
Others (Including spouse or civil partner directly)	Yes – Income of deceased in year of death. Qualified Fund Manager (QFM) deducts higher rate tax under PAYE	Yes – Taxable Inheritance (spouse exemption applies to legal spouse)

As outlined in the table, the tax treatment of the value of the ARF will be different depending on the age of the child receiving it. **A child over age 21 will be subject to tax at 30%**, regardless of the size of the fund. This may present some planning opportunities for individuals with larger Estates.

To ensure your Will correctly reflects your wishes, we recommend that upon next reviewing it with your solicitor, **your ARF policy be clearly and separately identified** – leaving it, or a stated percentage or share of its value on your death, by means of specific legacy to one or more named beneficiaries.