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€? QUESTION OF MONEY

My husband and I have been making plans for early retirement for the past few years. We hope to retire in eight years' time, when he will be 62 and I will be 60.

His current pension is with his employer, KBC Ireland, which is soon to close. With this in mind, we are considering transferring it to a personal retirement bond/ buy-out bond policy as we would like greater control in how the money is invested.

I understand it's based on a single contribution or transfer of his pension pot to date, but is there anything else that I need to know about how it works? Would he be able to top it up at a later stage?

A

Your understanding is correct in that a personal retirement bond (PRB) is a pension plan that receives a single contribution. It aims to provide a fund you can use to buy pension benefits. This plan is designed to receive a transfer payment from your company pension scheme or another PRB that you have. Once it is set up, it becomes your own personal plan in your name. PRBs are also known as buy-out bonds.

The trustees of your husband's current pension scheme will set up the PRB for him if he leaves his job, leaves his current pension scheme, or if his company's pension scheme is winding up. It sounds like he will be able to satisfy at least one of these requirements given that KBC is soon to close. Your husband would apply for the policy in his own name and a single payment, or contribution, would be transferred from his current scheme to the PRB. Once it is set up, the trustees of his previous pension would have no further involvement in it.

A PRB offers good flexibility on the investment of assets, with a choice of funds available. It is important to remember that the value of the fund could fall as well as rise. Your husband will have a high degree of control over how to invest his money, so it would be a good idea to seek impartial financial advice before deciding how the fund should be invested. It is well suited to those looking for a medium to long-term investment plan where they can control their level of risk to a strong degree, generally with a minimum contribution of €10,000.

As the PRB is a single premium contract, unfortunately your husband cannot make additional contributions to it. How he contributes to his future retirement needs will depend on the next chapter in his working life. If he takes a job with a different employer, for example, he may consider joining its pension scheme, or if he becomes self-employed there are a number of different pension structures he could consider.

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Send your personal finance or consumer-related questions to money@sunday-times.ie