



Media Q&A

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Unretirement tax and financial considerations

I retired a couple of years ago at the age of 60. I contributed to a Defined Contribution (DC) pension for nearly 30 years and the value of that pension pot was €300,000 when I retired. From this I took €75,000 as a tax-free lump sum and invested the rest in an Approved Retirement Fund (ARF). I've drawn down about €9,000 from that ARF a year since I retired. For financial reasons, I now need to return to work. What tax and other implications for my pension do I need to be aware of now I am returning to work? Having talked to a Financial Broker, I plan to save into a PRSA when I return to work, as I need to do what I can to boost my retirement income when I eventually retire for good – is there anything I need to be aware of around that?

There are several tax implications for your pension which you need to be mindful of now you are 'unretiring', and these largely relate to pension contribution limits, pension tax-free lump sums and the income taxes you are liable for.

When you invest a sum of money in an ARF on retirement, you have to withdraw at least 4pc from it each year once you are aged 60 or over for a full tax year. In your case, as you have indicated, this could work out at around €9,000 a year, assuming you invested €225,000 of your pension fund into an ARF. Withdrawals from an ARF are treated as income and taxed under the Pay As You Earn (PAYE) system. The amount of tax you pay on the annual ARF drawdowns will depend on a number of things, including what other sources of income you have and whether or not you are jointly assessed for income tax purposes with your spouse, if applicable.

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As you have decided to return to work, the receipt of any income from your new employment will be added to the 4pc you are withdrawing from your ARF and does have the potential to alter your tax position.

You mentioned that you are planning to save into a PRSA when you return to work. When you eventually retire and draw down benefits from this PRSA, you will need to consider the pension you drew down at the age of 60.

Under current Irish Revenue rules, a maximum of €200,000 can be taken as a tax-free pension lump sum over your lifetime. So given you have already taken €75,000, any future tax-free lump sum that you draw down would need to be below €125,000 to keep you within the tax-free lump sum lifetime limit of €200,000. You will have to pay tax on any amount drawn down over that €200,000 limit. There is a flat rate charge of 20pc on any amount that falls between €200,000 and €500,000. Any amount in excess of €500,000 is taxed at the marginal tax rate (40pc).

Be aware too that under current Irish Revenue rules you can have no more than €2.2 million in your pension fund from all tax-relieved pension arrangements entered into over your lifetime. This is known as the Standard Fund Threshold (SFT). State pensions are not included in this €2.2 million limit. You have already used up €300,000 of the €2.2 million limit through the previous benefit you drew down at the age of 60.

When you come to invest any future amount into an ARF, or use the funds to buy an annual pension income – also known as an annuity, this will generate a charge to income tax, USC (Universal Social Charge) and possibly PRSI through withdrawals from the ARF and/or receipt of the annuity. You will need to look at this in the context of the income you are drawing down from your original ARF and any possible State Pension you are in receipt of. These will all factor into your overall tax position and may possibly move you into a higher income tax bracket and higher bands of USC.

Assuming you are returning to work as an employee, bear in mind that if you fund your PRSA from your own bank account, rather than through payroll, you can opt in to Auto-Enrolment (AE). Under AE, workers aged between 23 and 60, who earn more than €20,000 a year and don't currently have a company pension or fund a PRSA through payroll, will be automatically signed up to a pension plan co-funded by their employer, the workers and the State. As you are already over 60, you won't be automatically enrolled to AE because you are outside the age criteria for eligibility. All the same, it

would still be possible for you to voluntarily opt into AE up to the age of 66. AE will not impact your ability to claim tax relief on contributions to your PRSA. The self-employed are not eligible for AE. We recommend that you talk to a Financial Broker for independent financial and tax advice before making any decision around your pension fund.

ENDS

Notes to editors

The example contained in the above in no way constitutes legal or tax advice and is based on Royal London Ireland's understanding of current Revenue law and practice as at February 2026

About Royal London Ireland:

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Royal London Ireland's office is based at 47-49 St Stephen's Green, Dublin 2.

*Based on total 2022 premium income. ICMIF Global 500, 2024