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# February 2026 Newsletter

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## Welcome to the February 2026 Newsletter

This month we take an in-depth look at Ireland's new **My Future Fund** — the Automatic Enrolment Retirement Savings System that launched on January 1, 2026 — and what it means for you.



## What's Inside This Issue

- **My Future Fund:** What it is and how it works
- **The 3:3:1 Contribution Model:** How your savings grow
- **Worked Examples:** Projections for a 25-year-old and a 45-year-old
- **State Pension Integration:** How the Future Fund works alongside the State Pension
- **Tax Relief & AVCs:** Strategies to bridge retirement income gaps

## What is the My Future Fund?

**My Future Fund** is the official brand name for Ireland's new **Automatic Enrolment (AE) Retirement Savings System**. Launched on January 1, 2026, it is a state-sponsored initiative designed to ensure that employees who do not currently have a workplace pension are automatically starting to save for their retirement.

It is administered by a new independent body, the **National Automatic Enrolment Retirement Savings Authority (NAERSA)**. Unlike traditional pensions that rely on tax relief, this scheme uses a direct "top-up" contribution from the State.

## How Does It Work?

The system operates on an “opt-out” rather than an “opt-in” basis.

**Eligibility:** Employees are automatically enrolled if they:

- Are aged between **23 and 60**
- Earn **€20,000 or more** per year (across all employments)
- Are **not already contributing** to a qualifying workplace pension via payroll

**The “3:3:1” Contribution Model:** For every **€3** an employee contributes, the employer must match it with **€3**, and the State adds a **€1** top-up. Effectively, for every €3 saved, €7 goes into the pension pot.

Period	Employee Pays	Employer Pays	State Pays	Total Ratio
<b>Years 1-3</b>	1.5%	1.5%	0.5%	<b>3 : 3 : 1</b>
<b>Years 4-6</b>	3.0%	3.0%	1.0%	<b>3 : 3 : 1</b>
<b>Years 7-9</b>	4.5%	4.5%	1.5%	<b>3 : 3 : 1</b>
<b>Year 10+</b>	6.0%	6.0%	2.0%	<b>3 : 3 : 1</b>

Employer and State contributions are capped at a maximum gross annual salary of **€80,000**. The pension contribution is 14% of gross salary after year 10, of which the employee contributes 6%.

Let’s look at two examples. One a 25-year-old retiring at 66 and one a 45-year-old retiring at 66.

## Example: Bridget – Age 25, €20,000 Salary, Retiring at 66

Age	Projected Salary	Cumulative Emp. Contributions	Estimated Fund Pot	Present Value (Today’s €)
<b>25</b>	€20,000	€300	€700	€683
<b>30</b>	€23,185	€2,954	€7,447	€6,421
<b>35</b>	€26,878	€9,454	€25,339	€19,312
<b>40</b>	€31,159	€18,273	€53,068	€35,748
<b>45</b>	€36,122	€28,496	€90,346	€53,791
<b>50</b>	€41,876	€40,348	€139,807	€73,572

Age	Projected Salary	Cumulative Emp. Contributions	Estimated Fund Pot	Present Value (Today's €)
55	€48,545	€54,088	€204,745	€95,230
60	€56,277	€70,016	€289,270	€118,917
65	€65,241	€88,480	€398,505	€144,796
<b>66 (Retired)</b>	—	<b>€88,480</b>	<b>€398,505</b>	<b>€141,264</b>

### Assumptions for this projection:

- **Salary Growth:** A modest 3% annual increase to account for career progression and inflation
- **Investment Return:** A conservative 4% annual growth after fees (assuming a "Standard" risk fund)
- **Inflation:** 2.5% annual rate for Present Value calculation

By age 66, more than half of that €398,505 pot will have come from employer contributions and the State top-up, rather than the client's own pocket. Of the cumulative contributions, the employee only personally paid 3/7ths (approx. €88,480). The present value shows the "real" purchasing power of the pension in today's terms assuming a 2.5% annual inflation rate over the next 40 years.

**NB:** Under the current legislation for the My Future Fund (Auto-Enrolment), the age at which an employee can access their savings is strictly linked to the State Pension age, which is currently **66**.

## What Kind of Annual Income Would the Pension Fund Generate?



€381,884 invested in a balanced/medium risk (ESMA 4) Approved Retirement Fund (ARF) would generate a return of around 5% per year which is €19,904 per annum before tax assuming the original investment is untouched. The present value in today's money of €19,904 is around **€7,413** assuming an average inflation rate of 2.5% over the next 40 years.

## What About the State Contributory Pension?

Employees still qualify for the State Contributory Pension scheme if they pay PRSI. The My Future Fund savings are **in addition** to the State Contributory Pension.

My Future Fund is a **supplementary** private retirement fund. It is designed to sit *on top* of the State Pension to provide extra income, as the State Pension alone (currently around **€299.30 per week** as of January 2026) is often not enough to maintain a person's standard of living.

As long as an employee continues to pay their PRSI (usually Class A) and meets the required number of contributions over their working life, they remain fully entitled to the State Pension (currently payable from age **66**).

By the time the 25-year-old reaches age 66, the State Pension is estimated to be approximately **€50,770 per year**. The present value of €50,770 in 40 years time assuming a 2.5% annual inflation rate, is approximately €18,908.30.

## How Much Are Both Retirement Pensions Together Actually Worth in Today's Money?

The combined total annual pension for a 25-year-old retiring in 40 years time would be €70,674 (€19,904 + €50,770) which is around **€26,312** (€18,908.30 + €7,413) in today's money. For a 25-year-old with a projected retirement income of €70,674 against a final salary of €65,241, you are looking at a replacement ratio of **108%**. This is an exceptional outcome, largely because the State Pension provides a "floor" that is particularly generous relative to lower-to-middle income earners.

The My Future Fund is a Defined Contribution (DC) scheme. This means the benefit is not defined by a formula (like "half your salary"), but by the size of the pot you've built. The Defined Benefit (DB) scheme rules which limit pensions to 2/3rds of salary do not apply to the My Future Fund. It is entirely possible — and legal — to have a higher income in retirement than you did while working.

## Example: Charlize — Age 45, €35,000 Salary, Retiring at 66

Recent arrival Charlize from South Africa, age 45, starts a new job in Ireland. She had no pension from South Africa and no previous PRSI contributions.

Age	Projected Salary	Cumulative Emp. Contributions	Estimated Fund Pot	Present Value (Today's €)
45	€35,000	€525	€1,250	€1,219
50	€40,575	€5,169	€13,293	€11,462
55	€47,037	€16,544	€45,230	€34,471
60	€54,529	€31,977	€94,726	€63,810
65*	€63,214	<b>€49,868</b>	<b>€161,268</b>	<b>€96,017</b>

*\*Figures represent the fund accumulated by the end of age 65, ready for retirement at 66.*

**Assumptions:** Starting Salary €35,000 | Salary Growth 3% | Investment Return 4% (after fees) | Inflation 2.5%

For a mid-career starter at age 45, the combined income replaces nearly 32% of their final salary. While this provides a vital foundation, there is a **43.1% gap** to reach the 75% lifestyle target.

For a retiree holding €161,268 in a medium-risk (ESMA 4) Approved Retirement Fund (ARF), a 5% annual return generates €8,063.40 per annum assuming the capital remains untouched. The present value of €8,063.40 to be received in 21 years, assuming an annual inflation rate of 2.5%, is approximately **€4,800.84**.

Under the TCA, a “full” State Pension is awarded to those with 40 years (2,080 weekly contributions) of social insurance. Charlize will have 21 years. Her pension is calculated as a percentage of the maximum rate — she is entitled to 52.5% of whatever the maximum State Pension rate is in the year 2047 (21 years / 40 years = 52.5%).

The projected State Pension in 21 years is €26,140 assuming the current State Pension grows by 2.5% per year. Charlize will be entitled to a State Pension of €13,724 which is approximately **€8,171.08** in today’s money assuming an inflation rate of 2.5%.

Charlize will have a total pension of €21,784 (€8,063.40 + €13,724) which is approximately €12,969.89 in today’s money. The replacement ratio is only **34%** — Charlize will retire on only 34% of her salary.

## Charlize’s Income Shortfall

Income Component	Annual Amount
<b>Target Retirement Income</b>	<b>€47,411</b>
Projected State Pension (21 Years PRSI)	(€13,724)
Projected My Future Fund Interest (5% Net)	(€8,790)
<b>Annual Income Shortfall</b>	<b>€24,897</b>

To help Charlize reach a retirement income of €47,411 (75% of her €63,214 final salary), we need to bridge the gap between her statutory entitlements and her lifestyle goals.

To generate **€24,897** in annual interest while leaving the capital untouched, Charlize needs to accumulate a private **AVC pot of approximately €497,936** by age 66. To reach that target of roughly €498k over the next 21 years with a 5% net annual return, Charlize would need to make an annual Additional Voluntary Contribution (AVC) of €13,940. At her current salary levels, much of this €13,940 would qualify for 40% tax relief.

## The “Tax Relief Wall”

Irish Revenue limits the amount of pension contributions that qualify for tax relief based on your age. For Charlize (aged 45–49), the limit is **25% of her gross earnings**.

- **Charlize’s Max Relief Limit:** €35,000 × 0.25 = **€8,750**
- **Her Proposed Contribution:** **€13,940**
- **The Excess:** **€5,190**

**The Implication:** Charlize will only receive immediate tax relief on the first €8,750. The remaining **€5,190** is contributed from her **after-tax income**. She will have paid 20% Income Tax, USC, and PRSI on that €5,190 before it even enters the pension fund.

Charlize would be left with approximately **€1,500 per month** to cover rent/mortgage, utilities, food, and life. For a 45-year-old, this is a “starvation diet” for a pension. Most financial advisors would consider this level of contribution unsustainable relative to her current earnings.

## The Carry-Forward Rule (The “Silver Lining”)

While she doesn’t get tax relief on the €5,190 this year, she doesn’t “lose” it forever.

- **Unused Relief:** She can carry forward the “unrelieved” portion (€5,190) and claim the tax back in future years when her salary increases.
- **Future Strategy:** As her salary grows toward that €63,214 mark, her 25% limit also grows (€63,214 × 0.25 = €15,803). In those later years, she can “use up” the relief she banked during her lower-earning years.

## A Better Tactical Approach

Instead of a flat €13,940 per year, Charlize might be better served by:

1. **Matching her 25% Limit:** Start with €8,750 per year now (fully tax-relieved at 20%).
2. **The “Tax Jump” Strategy:** Wait until her salary crosses the €44,000 higher-rate tax threshold. At that point, her pension contributions will earn **40% tax relief** instead of just 20%.
3. **Prioritising the Future Fund:** Ensure she is getting the full €1-for-€3 Government top-up in the My Future Fund before making these massive AVCs.



As Charlize ages, Revenue allows her to contribute a higher percentage of her salary tax-free. Below is a plan that follows these legal “steps” to reach (and slightly exceed) her goal.

## The Revenue-Optimised AVC Plan

Age	Salary (Projected)	Max Tax Relief Limit	Annual AVC (Gross)	Monthly Cost (Gross)	Projected AVC Pot
45	€35,000	25%	€8,750	€729	€8,969
50	€40,575	30%	€12,172	€1,014	€67,571
55	€47,037	35%	€16,463	€1,372	€163,833
60	€54,529	40%	€21,812	€1,818	€313,576
65	€63,214	40%	€25,286	€2,107	€534,931

*Assumes 5% Net Investment Growth and 3% Annual Salary Growth.*

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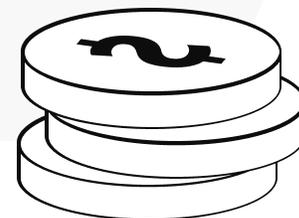
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Tuam Road, Mountbellew, Co Galway, Ireland,  
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+353 9096 79237



info@finneganinsurance.com

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