Special Savings Investment Accounts

1. This paper sets out information on the SSIA scheme as of the end of July 2006, under various headings.

2. Background

The SSIA scheme opened on 1 May 2001 and entry to it closed on 30 April 2002. The accounts are maturing between 1 May 2006 and 30 April 2007 at the end of the five year period. The specific goal of the SSIA scheme was to encourage people to save over a period of at least five years. In order to provide an incentive to save for this period, the Exchequer makes a contribution of 25% of the amount that a person saves. On maturity of the SSIA account at the end of the five year period, an exit tax of 23% is applied only to any interest/gains arising on the account over that period. Any amounts withdrawn during the investment period are subject to the exit tax on the full amount withdrawn.

3. Accounts and Subscriptions

The minimum monthly subscription for the first twelve months after opening an account was €12.50, however after this period there is no statutory minimum contribution requirement. The maximum subscription each month over the course of the scheme is €254. There were 1,083,639 SSIA holders at 31 December 2005 and the average contribution at this time was €196 per month.

4. Exchequer Cost

The Exchequer cost of the scheme for each of the years 2001 to 2005 and for the first seven months of 2006 was as follows:

Year	Cost
2001	€71m
2002	€433m
2003	€532m
2004	€548m
2005	€597m
2006 (to end July 06)	€342m*
Total to date	€2,525m

* This is net of maturity tax of €68m in respect of maturing accounts in May, June and July 2006.

There was an increase in subscriptions during the second half of 2005, as some account holders attempted to maximise their return in the last year of their investment period. In the last twelve months there was an increase of over 10% in the value of the monthly tax credit paid out by the Exchequer, while the increase in the Exchequer payout from mid 2002 to February 2005 was only 8%.

5. Forecast for the yield from exit tax that will arise from the expiration of the scheme

The amount received in exit tax on expiration of the scheme will be dependent, among other things, on the amount of subscriptions made and the income and gains arising as well as the withdrawals and closing of accounts over the duration of the scheme.

The exit tax on accounts that matured in May, June and July 2006 (Opened in April, May and June 2001) was €15.9m, €29.4m and €22.5m respectively. Information regarding the specific contributions made by these account holders (and the associated top-up) over the 5 years is not available.

5.1 Accounts matured in May
The tax deducted on maturity of these accounts was €15.9m, indicating that the total interest earned on these accounts was €69m. This gives an average income of €1700 per account.

5.2 Accounts matured in June
The tax deducted on maturity of these accounts was €29.4m, indicating that the total interest earned on these accounts was €128m. This gives an average income of €1574 per account.

5.3 Accounts matured in June
The tax deducted on maturity of these accounts was €22.5m, indicating that the total interest earned on these accounts was €98m. This gives an average income of €1703 per account.

This gives an average income of €1659 per account for the first 3 months. Using this figure as an indicator of overall income on maturity would result in total income of €1.798Bn, with a corresponding tax yield of €413.5m.

6. Maturity Profile

The table below shows the percentage of accounts due to mature each month

Month of maturity	No. of SSIA accounts (at end of 2005)	% of account holders (2005)
May 2006	40,584	3.8
June 2006	81,327	7.5
July 2006	57,451	5.3
August 2006	41,130	3.8
September 2006	33,455	3.1
October 2006	33,584	3.1
November 2006	38,293	3.5
December 2006	37,581	3.4
January 2007	33,213	3.1

February 2007	51,305	4.7
March 2007	98,523	9.1
April 2007	537,193	49.6
Total	1,083,639	100

7. Numbers of active accounts

The number of accounts held by all qualifying savings managers at various dates was:

Date	No of Accounts	Difference
31/12/2001	398,214	
30/4/2002 (date of closure of entry)	1,170,208	+771,994
31/12/2002	1,143,418	- 026,790
31/12/2003	1,113,880	- 029,538
31/12/2004	1,094,294	- 019,586
31/12/2005	1,083,639	- 010,655

A total of 86,569 SSIAs have been ceased for various reasons (including the death of the SSIA holder) since the closing date of 30 April 2002. This represents 7.4% of active accounts at the closing date.

The initial 12-month subscription rule was a significant factor in cessations in the period 2001 to April 2003. It no longer applied after that date. Cessations are down by 45% in 2005 in comparison with 2004.

8. SSIA Average monthly subscription

The average monthly subscriptions at December 2001, April 2002, December 2002, December 2003, December 2004 and December 2005 are as follows:

Month	Amount	% of max subscription
December 2001	€179	70%
April 2002	€148	58%
December 2002	€158	62%
December 2003	€165	65%
December 2004	€175	69%
December 2005	€196	77%

The average subscription is now at its highest level since the scheme commenced. The amount of €196 represents 77% of the maximum subscription.

9. Average age of subscribers to the SSIA scheme?

The average age in 2005 of an SSIA holder is 43 years. The percentage of cases broken down by age category is:

Age Range (Years)	% of SSIAs
< 20*	0.0% (0 cases)

20 - 29	14.94% (162k cases)
30 – 39	24.77% (268k cases)
40 – 49	23.38% (253k cases)
50 – 59	18.81% (204k cases)
60 – 69	11.75% (127k cases)
70 – 79	5.01% (54k cases)
80 – 89	1.07% (12k cases)
90 or over	0.26% (3k cases)

*Must have been over 18 when account was opened – Last date for opening an account was 30 April 2002

10. Benefit to people on lower incomes

The specific goal of the scheme is to encourage people to save over a period of at least five years. In order to provide an incentive to save for this period, the Government provides a generous 25% top up on savings which is a tax credit. While this is normally a refund of tax, it is nevertheless also paid to those participants who have no income tax liability, such as those on social welfare payments.

To ensure that the scheme has broad appeal and broad benefits, it limits the amount that can be saved per month and provides a standard rate of tax credit so that every person saving the same amount will get the same benefit

11. Income levels that are associated with the account holders

The following are the income levels for those SSIA holders in 2002, 2003 and 2004 who could be matched with the Revenue income distribution tables for the tax year 2002. This is the latest tax year available for income distribution.

Income Category	Income Range (based on income levels for the tax year 2002)	% of account holders 2004 **%**	% of account holders 2003 **%**	% of account holders 2002 **%**
Low	< €20,000	27.7	28.1	28.8
Medium	€20,000 - €50,000	49.1	49.0	48.8
High	>€50,000	23.2	22.9	22.4

12. Use of Funds in Matured accounts (May, June and July maturity)

Specific information is not available at present to answer this question. It has given rise to much comment and speculation over the last period.

13. Standard Life Press Release 18 September 2006

A new survey from Standard Life reveals that more than half (55%) of policyholders, whose SSIA accounts have matured, have continued their savings habit. 28% have reinvested part or all of their lump sum in an investment or pension contract.

Of those who are continuing to save, 77% are saving the same amount or more (53% saving the same amount and 24% saving more). 9% of those continuing to save have chosen a pension plan as their continued savings plan of choice.

Use of matured SSIA funds is stated as: 1. 28% re-investing part or all of the money in an investment or pension product; 2. 26% home improvements; 3. 15% reducing mortgage, loan or credit card debt; 4. Deposit for new home; 5. New car; 6. Second property/ holiday home.

14. Results of Quarterly National Household Survey (SSIA Q4 2005)

In the fourth quarter of 2005 SSIA account holders indicated that they will spend just under one third of their matured SSIA funds on consumer items which includes home improvements, foreign holiday, car and other purchases. A little over 46% will be committed to savings, pensions and investments. Approximately 10% will be directed towards debt repayment with the remainder, just over 12%, being spent on other items

These results are based on the SSIA module which was included in the Quarterly National Household Survey (QNHS) in the fourth quarter of 2005.

15. Pensions Incentive Tax Credit

15.1 Introduction

Under normal tax rules an individual is, subject to certain limits, entitled to have pension contributions deducted from gross income before the income becomes liable to tax.
Section 42 of the Finance Act 2006 provides an incentive for certain SSIA holders to reinvest all or part of their net SSIA proceeds, after maturity, into an approved pension product.

15.2 Eligibility

In order to be eligible to avail of the incentive, an SSIA holder must satisfy the following conditions:

- the SSIA holder's gross income (i.e. before all deductions) in the year before the year in which his/her SSIA matures, cannot exceed €50,000;
- an income tax deduction cannot be claimed under normal tax rules in respect of the amount of the SSIA proceeds up to €7,500, that are reinvested in the pension product; and
- since this incentive is for the purpose of increasing investment in pensions, the SSIA holder cannot use this incentive to replace any amounts that he/she is already committed to contributing to a pension product.

15.3 Incentive

The incentive has two features.

- Firstly: for every €3 of SSIA proceeds reinvested by an eligible SSIA holder in a pension product, the Exchequer will contribute €1 by way of a tax credit. This tax credit cannot exceed €2,500.

- Secondly: the Exchequer will contribute an additional tax credit to the pension product. This additional tax credit will be a percentage of the tax deducted from the SSIA on maturity. If the SSIA holder reinvests all (100%) of his/her SSlA proceeds then the additional credit will be all (100%) of the tax so deducted. If he/she reinvests one half (50%) of the SSIA proceeds in a pension product then the additional tax credit will be one half (50%) of the tax so deducted - and so on.

15.4 Approved pension products

The SSIA proceeds can be reinvested:

- as an additional voluntary contribution to an occupational pension scheme;
- as a contribution to a Personal Retirement Savings Account; or
- as a premium under a retirement annuity contract.

15.5 When must the reinvestment be made?

SSIA holders are obliged to make a subscription to an approved pension product within 3 months of the maturity date concerned. Given that PITC scheme is new, Revenue extended the 3-month limit for SSIAs maturing in May and June in order to give potential investors and pension administrators more time to make the necessary arrangements. The extension is as follows; 31 May 2006 - extra months to 31 Oct 2006: 30 June 2006 - extra month to 31 Oct 2006.

15.6 How to avail of the new pension incentive

To avail of the new pension incentive when the SSIA matures, an individual must -

- obtain an SSIA Maturity Statement from your SSIA manager; and,
- forward the Maturity Statement to a pension provider.

The pension provider will then request the completion of a declaration form and make a contribution to the chosen pension product. Once this has been done, the Government contributions under the pensions incentive will be claimed by the pension provider and invested in the pension.

15.7 Declaration

The declaration requires an individual to declare that:

- Income does not exceed €50,000 in the year prior to your SSIA maturing.
- Tax relief under normal tax rules will not be claimed for amounts up to and including €7,500 invested under the incentive.
- The incentive will not be used to replace any amounts that are already committed to contributing to a pension product.

15.8 Statistics to Date

Amounts

Month	Subscriptions	Top-up Credits	Additional credits
June	€569,300	€187,269	€17,674
July	€2,036,070	€643,915	€57,742

Number of Pensions

Month	Total Pensions	PRSAs	AVCs	RACs
June	78	17	8	53
July	270	142	38	90