



Fordel

The maximum pension: Ireland's new Standard Fund Threshold

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The maximum pension: Ireland's new Standard Fund Threshold

The ceiling on tax-efficient pension saving in Ireland is moving again. The Standard Fund Threshold (SFT) - the lifetime cap on pension benefits you can draw without a 40% excess tax charge - rose to €2.2 million in January 2026 and is set to rise again in January 2027 to €2.4m, climbing to €2.8 million by 2029.

After ten years frozen at €2 million, that's welcome news for anyone funding hard into a pension. But "the limit is rising" is only the headline. The real opportunity and the real risk sit underneath it in details most people never see: how the threshold is actually used up, why your effective ceiling is higher than the published one, and why the date you retire your pension pot can be worth hundreds of thousands of euro.

If you're a business owner or executive on track to hit the maximum, this changes how you should be funding, timing, and structuring your pension right now, not in 2029.

Key takeaways

Standard Fund Threshold (SFT) changes

The SFT is rising



2027 to 2029, then indexed to earnings growth from 2030, the first increase since 2014.

€2.4m → €2.8m

Your true effective threshold is higher



The real ceiling before a Chargeable Excess Tax bill, this year through to 2029.

€2.35m → €3m

Percentage used is what's fixed



Not the euro amount. Early crystallisation may leave you more headroom than you think.



Delaying a drawdown adds up



Even a few years can be worth six figures, purely from riding the threshold higher.

Six figures

Lump sum limits are not moving



The gap between the SFT and the lump sum cap matters more with every year the SFT rises.

€500k

Business owners have more headroom



Through correctly structured company contributions, max funding is still very much on the table.



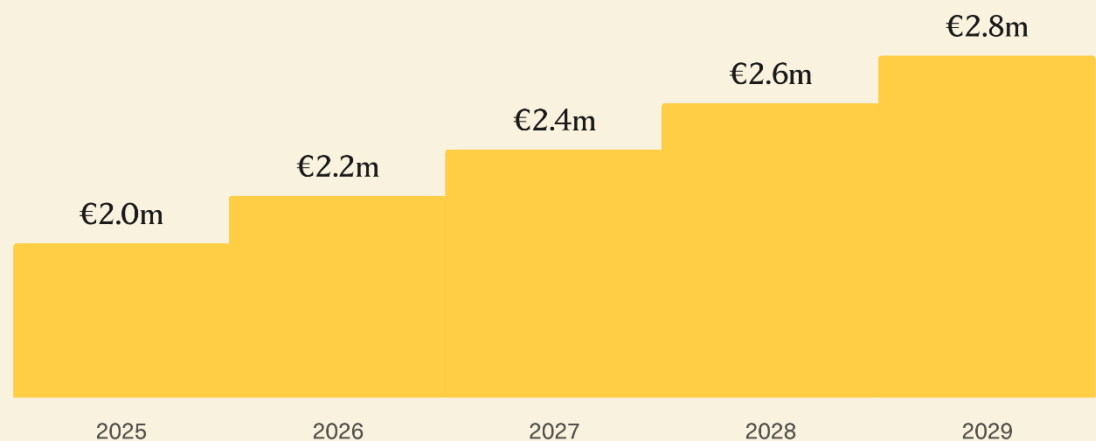
A number that was never really about you

The Standard Fund Threshold doesn't have the most inspiring history, and it's worth knowing where it came from before you plan around it. Introduced in 2005 at €5 million, it was cut to €2.3 million during the financial crisis and then to €2 million in 2014, where it sat, untouched, for a decade¹.

The SFT didn't move simply because ordinary savers were asking for change. There was also growing concern that it was affecting senior public-sector professionals, including hospital consultants, principal officers and senior Gardaí. For some, promotion or a pay rise could push the value of a defined-benefit pension over the SFT, potentially triggering a 40% tax charge on the excess and seriously reducing the financial benefit. When a pension regime starts to discourage experienced people from seeking promotion or remaining in senior roles, there is a strong case for reform.

The phased schedule

Standard Fund Threshold, 2025 to 2030



2030 onwards: indexed to average earnings growth (CSO data)

Following an independent review by Dr Donal de Buitléir, the Department of Finance announced in September 2024 that the SFT would rise in phases from last January². The point isn't to be cynical about it. It's to understand that this is a structural fix to a structural problem, not a favour - and structural fixes tend to have edges and exceptions worth knowing about.

Any pension value above your threshold at the point you draw down - be it an occupational scheme, PRSA, buyout bond, executive pension, AVCs, the lot - is a Chargeable Excess, taxed at 40% before a cent of income tax is even considered³. What follows is often quoted as a combined 70%+ effective rate once income tax on ARF withdrawals is layered on top. That figure is a worst case, not a certainty - it

assumes you draw down the entire excess in your lifetime - but 40% off the top is punitive enough on its own to plan around properly.

The real number: Your effective SFT

Here's the detail almost every article on this topic misses, and it's the one that matters most if you're maximum funding.

The rules on retirement lump sums haven't changed. You can still take up to €500,000: the first €200,000 is tax-free, the next €300,000 is taxed at 20%. That 20% tax paid on the second slice - €60,000 on a full €500,000 lump sum - can be used to offset Chargeable Excess Tax. As CET is charged at 40%, that €60,000 offset effectively shelters an additional €150,000 of excess pension value from the 40% charge.

Run that through each year of the phased increase and your practical, effective SFT - the point you actually start feeling a CET bill, assuming you take the maximum lump sum - looks like this:

Year	Published SFT	Effective SFT (with lump sum offset)
2025	€2,000,000	€2,150,000
2026	€2,200,000	€2,350,000
2027	€2,400,000	€2,550,000
2028	€2,600,000	€2,750,000
2029	€2,800,000	€2,950,000

By 2029, the number that actually matters to you is closer to €3 million than €2.8 million. It's a modest gap, but it's real, and most people funding towards the threshold have never had it explained to them. It's exactly the kind of detail that separates a pension being managed for you from a pension sitting on autopilot.

Timing is now a financial decision, not a life event

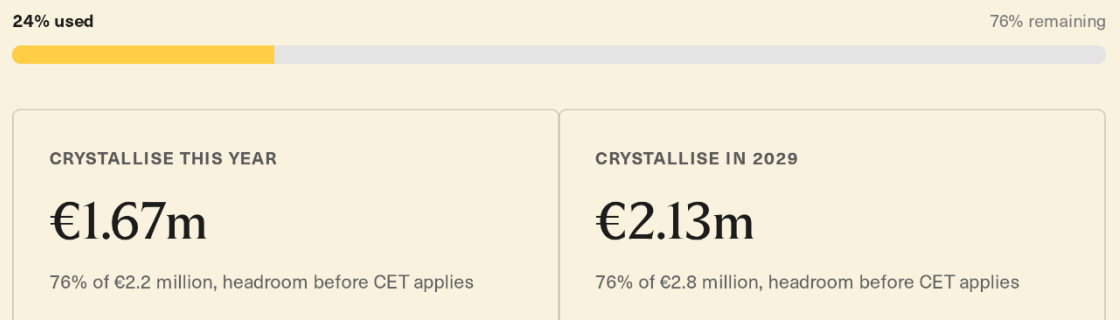
This is the part of the SFT that catches even switched-on clients off guard: the threshold isn't measured in euro terms when you crystallise a pension pot, it's measured in percentage terms, fixed at the point you draw it.

When you take a lump sum, start an income, or otherwise trigger a pension pot, what Revenue calls a Benefit Crystallisation Event (BCE), you use up a percentage of that year's SFT, not a euro amount. That percentage is locked in and as the SFT keeps rising through to 2029, the euro value of your remaining headroom rises with it.

Worked example

Standalone PRSA crystallised in 2025

You crystallised a standalone PRSA worth **€480,000** in 2025, when the SFT stood at **€2 million**. You used **24%** of the threshold. You have **76% remaining**, but 76% of what, exactly, depends entirely on when you draw the rest.



That's close to €460,000 of additional tax-free-of-CET headroom, generated purely by sequencing your drawdown around the phased increases, not by taking on more investment risk or contributing another cent. For anyone with multiple pension pots, an old occupational scheme, a PRSA from a previous role, an executive pension from the current one, this turns retirement timing into an active planning decision with a real price tag attached, not simply a life-stage event that happens whenever you feel ready.

Defined benefit: The blind spot nobody warns you about

If you're in a defined benefit scheme, the SFT is invisible until it isn't. Your annual statement quotes a projected income, say €90,000 a year. What it won't tell you is what happens if that income, capitalised using Revenue's age and service-related valuation factor, breaches your threshold.

We've seen scenarios where a quoted €90,000 DB income effectively becomes closer to €75,000 gross once the SFT bites - a material gap between what the statement promises and what actually lands, with no warning printed anywhere on the page. If you're offered a transfer value instead - commonly in the region of 20 times the annual income - that opens the door to PRSAs, sequenced drawdown, lump sum flexibility, and a fund that passes to your spouse or estate on death. It also means giving up a guaranteed income for one exposed to markets, costs, and your own discipline in managing it. Neither option is automatically right, but you can't make that call from a statement that doesn't mention the SFT at all. You should ask your scheme trustees directly for your SFT-adjusted projected income, not the headline figure. It should also be noted that an evaluation of age-related valuation factors for DB schemes was recommended in the de Buitléir report.

Max funding as a business owner: The gap nobody talks about

For company owners and professionals operating through service companies, the SFT conversation looks completely different because the funding gap between employee and owner is enormous, and it's still very much open.

An employee on €125,000 approaching retirement is broadly limited to personal contributions in the region of €40,250 a year. A company owner on the same salary, structured correctly, can access company contributions running into hundreds of thousands per annum, alongside the option of a substantial once-off lump sum contribution ahead of retirement⁴. That's not a loophole, it's the system working as designed for owner-directors who plan ahead, and it means the SFT question for business owners is often "how quickly can I get there," not "will I ever get there."

Where this gets genuinely sophisticated: right-sizing director salaries to maximise allowable contributions, funding legitimate spousal pensions where a spouse is on payroll, and particularly for those approaching a sale by building pension provision *before* exit, since funds trapped in a holding company post-sale are far harder to extract tax-efficiently than pension assets built up while trading. If a sale is on the horizon, this window closes the day you sign.

Risk management

What to do if you're overfunded or on track

Hitting or approaching the SFT isn't a problem to panic about: it's a signal to change gear.

A few principles we come back to repeatedly with clients in this position.

01 Stop funding blind

Once you're within reach of your effective threshold, further contributions may do more harm than good: the income tax relief you get going in can be largely cancelled out by CET coming out. Model it before you contribute another cent.

02 Sequence your crystallisation events

As the worked example above shows, when you draw a pot matters as much as how much is in it. Multiple pots give you multiple decisions to get right, not just one.

03 Get an SFT-adjusted DB projection

Not the headline number, and revisit any transfer value offer with full visibility of both the guaranteed and flexible paths.

04 Look beyond the pension

Once you're genuinely maximum funded, surplus capital deserves a home outside the pension wrapper: direct investment structures, company-level planning, or in some cases considered emigration and bona fide pension transfer strategies for those already established abroad.

05 Plan for your spouse and estate

Not just yourself. PRSAs and ARFs generally pass more efficiently to a spouse than a DB income does, a material factor in the transfer value decision.

The Fordel view

The SFT increase is a genuinely positive development - the first real acknowledgement in a decade that Ireland's pension tax regime had fallen out of step with salaries, growth, and inflation. But "the ceiling is higher" isn't a plan. Between now and 2029, the difference between a good outcome and a costly one comes down to sequencing, structure, and knowing where the real numbers sit, not the headline ones.

If your pension arrangements are approaching, at, or beyond €2 million combined, the time to model your position is now, while every year still adds meaningful headroom. Waiting until 2029 to think about it means giving up the planning window that makes the phased increase valuable in the first place.

Interested in a conversation?

Get in touch with the Fordel team to have your pension position modelled against the SFT schedule, or read our full Ireland's Pension Reckoning report for the wider context on how Irish pensions stack up.

To learn more:

- Download our latest Market Outlook and Wealth Insights reports at www.fordel.ie
- Connect with our team via fordel.ie
- Follow Fordel on [LinkedIn](#) for insights tailored to Ireland's high earners

Sources

1. Department of Finance (2024). Minister Chambers announces changes to the Standard Fund Threshold. Available at: gov.ie
2. de Buitléir, D. (2024). Report to the Minister for Finance on the Standard Fund Threshold. Department of Finance.
3. Revenue Commissioners. Chargeable Excess Tax. Available at: revenue.ie
4. Revenue Commissioners. Pensions Manual, Chapter 4. Available at: revenue.ie
5. Fordel (2025). Ireland's Pension Reckoning. Available at: fordel.ie

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