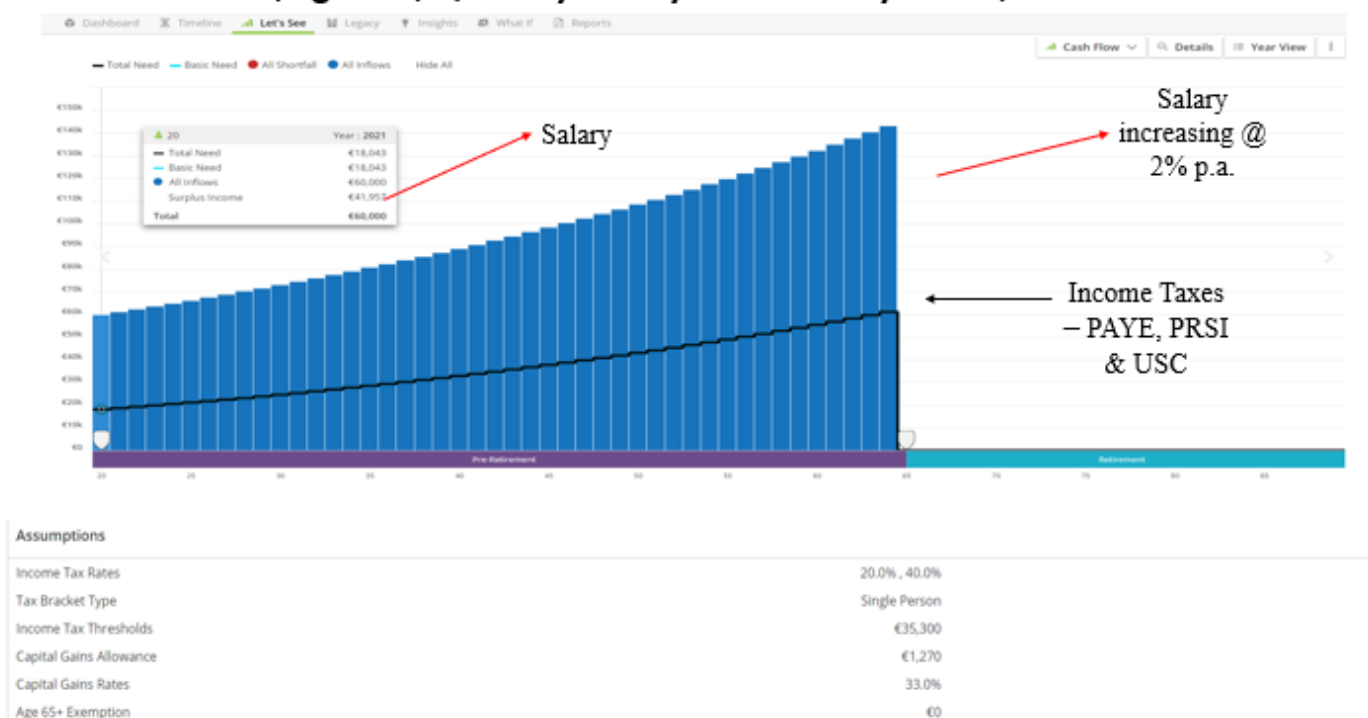


Same Contributions, Different Outcomes. Why starting any savings habit early, matters.

Most people understand, in principle, that saving early matters. Far fewer appreciate precisely why, or what each year of delay actually costs them. This piece works through three forces that when combined, determine retirement outcomes more than almost any other factor: time, tax-free growth, and compound interest. Understanding how they interact is, arguably, the most valuable thing a working person in Ireland can know about their own finances.

To illustrate how these forces interact, consider a single case study: John, a 20-year-old quantity surveyor earning €60,000 a year and salary increasing modestly at 2% per annum. Like most people John's age, retirement is the last thing on his mind, but his financial planner has asked him to consider three different scenarios, each involving the same level of pension contributions over a similar 15-year period. The only variable is when those 15 years begin.

John, aged 20, Quantity Surveyor on a salary of €60,000



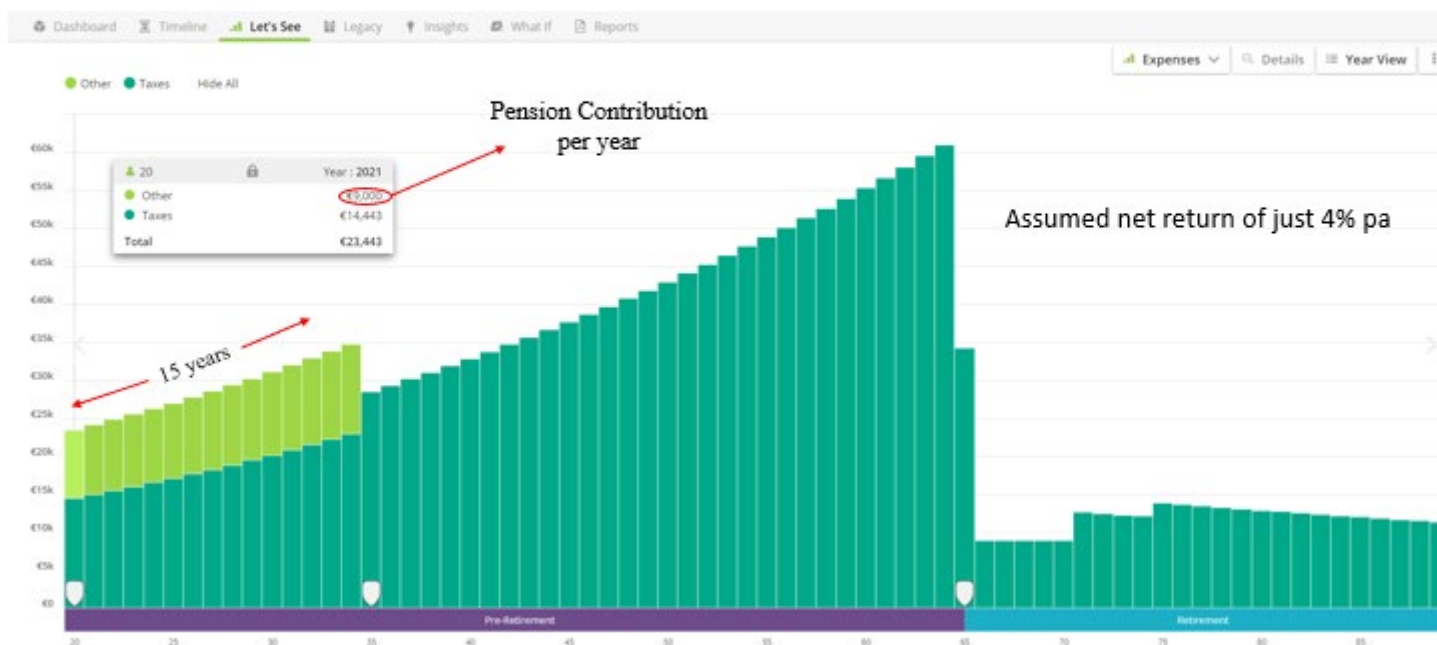
All three scenarios assume a net investment return of just 4% per annum, as the objective is not to paint a rosy picture but to demonstrate what is achievable through structure and discipline alone, without relying on exceptional market performance.

What Pension Contributions Actually Cost

Before examining the outcomes, it is worth understanding what John's contributions actually cost him in practice where he contributes €9,000 per annum.

John's total personal contributions over the 15-year period amount to €155,640. His employer matches this, bringing total gross contributions into the fund to €311,280. John's own €155,640, however, qualifies for income tax relief at 40%, which reduces his actual out-of-pocket cost to **€93,379 over 15 years**, approximately €6,225 per year, or just over €500 per month. The State effectively co-funded the balance through tax relief

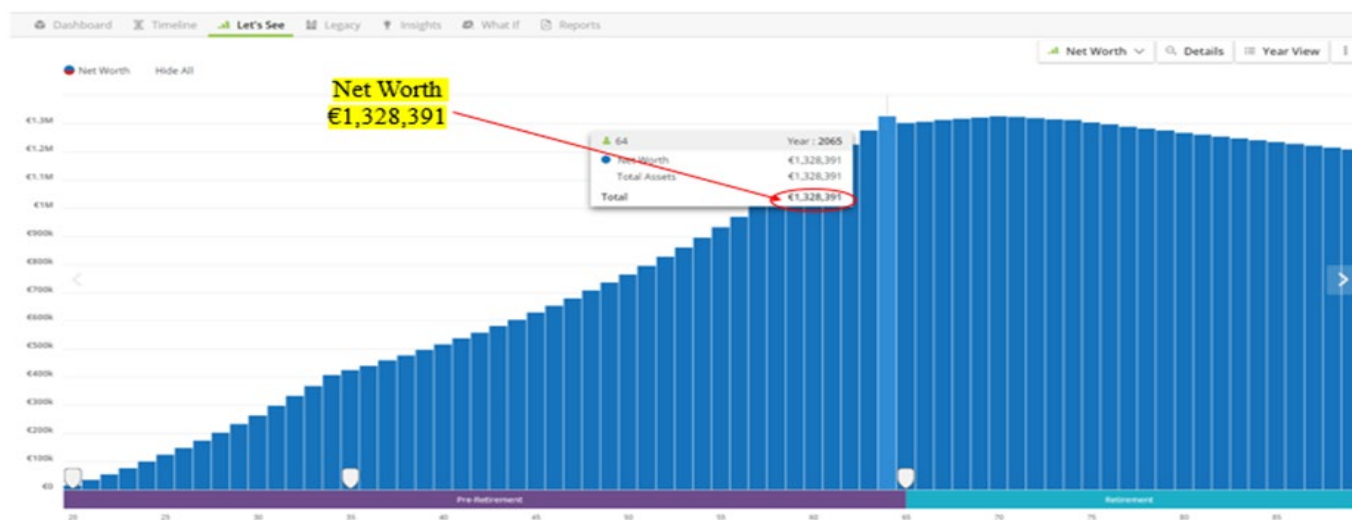
Saving between age 20 & 35 years



Scenario One: Starting at 20

John begins contributing at 20 and continues until 35, 15 years of consistent pension saving. He then stops contributing entirely and allows the accumulated fund to grow, untouched, until he retires at age 65. At retirement, John's fund value from this strategy is **€1,328,391**.

Net Worth @ 65 years



During those 30 years between 35 and 65 when John makes no further contributions, the fund is not idle. It continues to compound at 4% per annum on an increasingly substantial base over a longer period of time.

Scenario Two: Starting at 35

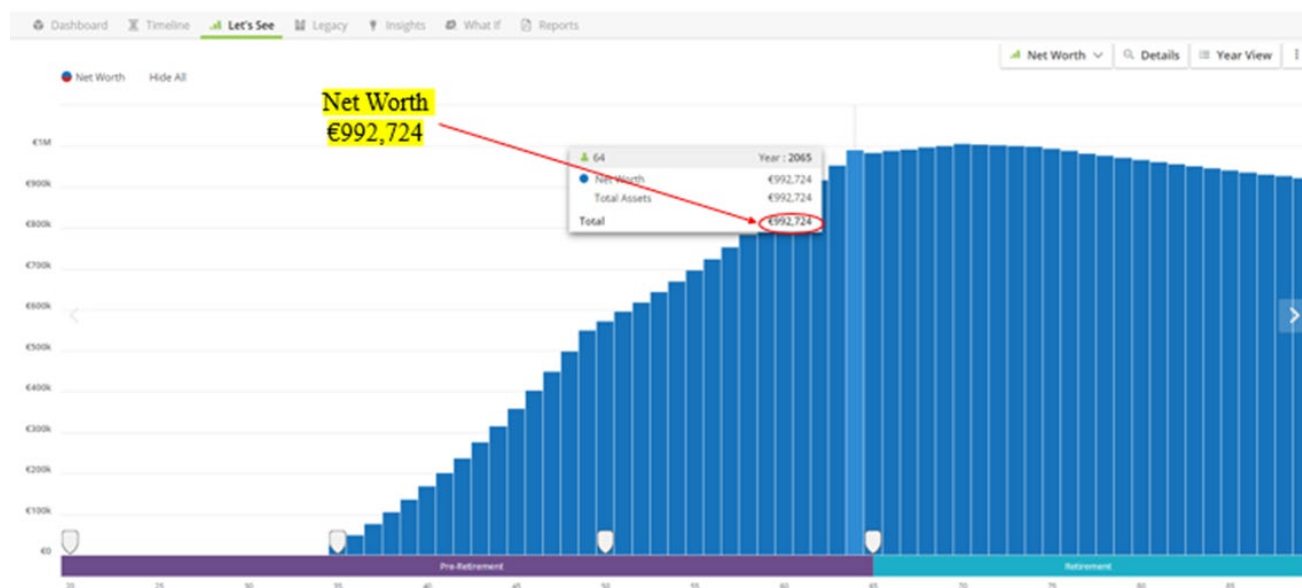
The contributions are identical, the 15 year timeframe is identical and the assumed return is identical. John simply waits 15 years before beginning, saving from 35 to 50 rather than from 20 to 35. At retirement, John's fund value is **€992,724**.

Saving between age 35 & 50 years



The same net cost of €93,379, the same 15 years of effort but the outcome is €335,667 lower, purely because the contributions had 15 fewer years to compound before retirement.

Net Worth @ 65 years



This is the point at which most people begin to appreciate that time is not a neutral variable. Every year of delay is not simply a year of missed contributions, it is a year of lost compounding interest. The money that would have been growing is not merely absent, the growth *on that growth* is absent too, and so is the growth on that, across every subsequent year.

Scenario Three: Starting at 50

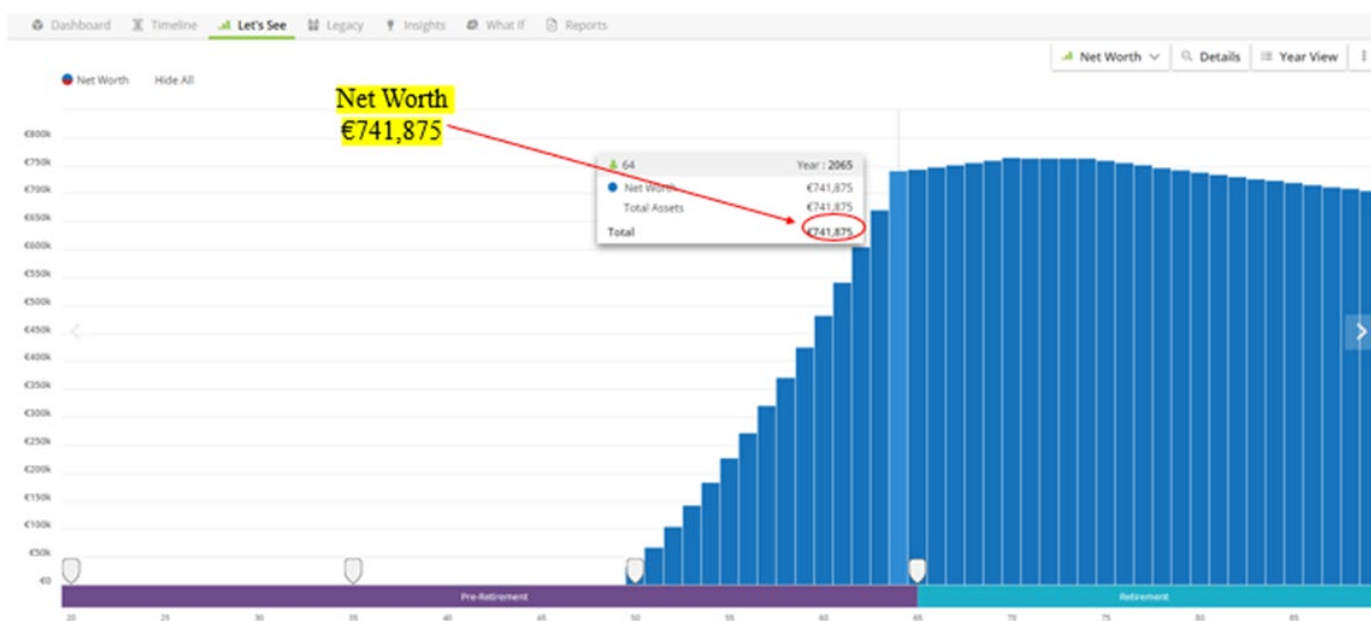
The same exercise, delayed again. John saves from 50 to 65, making identical contributions with identical tax relief, retiring with the same employer support throughout. At retirement, John's net worth is **€741,875**.

Saving between age 50 & 65 years



Compared to Scenario One, the difference is €586,516 for exactly the same net personal cost and the key reason is his investment has less time to compound.

Net Worth @ 65 years



Understanding Why the Gap Is So Large

Three distinct mechanisms produce these outcomes, and it is worth being precise about each.

Time is the foundation on which everything else rests. A euro contributed at 20 has 45 years to work before John retires, whereas a euro contributed at 50 has just 15. Long time horizons allow growth to feed on itself repeatedly, and it is the later years of compounding that are disproportionately productive.

Tax-free growth amplifies the effect considerably. Within an Irish pension structure, investment returns accumulate completely tax-free. Outside a pension fund, returns are subject to a myriad of taxes, from DIRT on deposits to Exit Tax on managed funds to Capital Gains on property, income tax on dividends and everything in between. Inside a pension, the cumulative difference between taxed and untaxed compounding is substantial and it operates automatically once the pension is in place.

Compound interest is the mechanism that ties both of the above together. The principle is straightforward in that you earn returns not only on your original contributions but on every euro of previously accumulated growth. In the early years of a pension, this produces modest numbers but over a 30 or 40-year time horizon, it shows how the curve dramatically steepens in the final years.

None of these three forces requires exceptional investment skill, market timing, or access to sophisticated products. They require only two things: a pension structure (to access tax-free growth) and time (to allow compounding to work). Starting early provides both in abundance.

For those who have not yet started, the practical implication is that each additional year of delay has a calculable cost, as you can see from the figures shown here. For parents considering their children's financial education, the numbers above are also a useful starting point for a conversation.

Postpone no longer, get in touch today!

Financial Cost

Total Gross Contributions (Employer & Employee) $€155,640 \times 2 = €311,280$
✓ Tax deductible Expense for Employer

John's Total Contributions €155,640
Less: Tax Relief (at 40%) (€62,261)

Net Cost to John **€93,379**
(over the 15 years)



Financial Benefit

For a net cost of just €93,379 John will build Cumulative Assets of:

Starting age 20 - €1,328,391
Starting age 35 - €992,724
Starting age 50 - €741,875

So, by starting early and maximising the benefits of the big 3, Time, Tax-Free Growth and Compound Interest, John has accumulated substantial additional wealth...
All for the same level of contributions.

If this piece resonated and you would like clarity on your own position, the confidence to make better financial decisions today without compromising tomorrow, get in touch to [reserve your complimentary Discovery Meeting](#). Email info@lifestylefinancialplanners.ie or call 096-75951

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