

## Feature Article

Welcome to this latest edition of our newsletter!

*Welcome to this latest edition of our newsletter. In our first article this month, we set out some thoughts about the importance of keeping a long-term perspective in your financial life and not to expend all your thinking and energy on costly short-term tactical decisions. This is followed by a few thoughts on how you might guide your children to live successful financial lives. Finally, there is our usual mix of content that we found on the web that we think will be of interest to you.*

*Best wishes!*

## Main Articles

What's your financial plan for the next decade?

*How has this happened? Surely we can't already be facing into a new decade! Many of us remember fondly the big party we were at on New Year's Eve as we entered the new century – and all the worries about the Y2K bug that was going to bring the end to many IT systems across the globe. We're coming up to the 20<sup>th</sup> anniversary of that now...*



How has this happened? Surely we can't already be facing into a new decade! Many of us remember fondly the big party we were at on New Year's Eve as we entered the new century – and all the worries about the Y2K bug that was going to bring the end to many IT systems across the globe. We're coming up to the 20<sup>th</sup> anniversary of that now...

Time just relentlessly marches on. It never changes pace and before we know it, another year or another decade has slipped by. As we entered the current decade, the world was struggling to emerge from the deepest economic crash in a generation. Many people in Ireland had lost their jobs, had lost a lot of money in investments – particularly in property ventures and bank shares and were really struggling under enormous piles of debt. Many were simply hanging on at that stage.

The last decade has been a period of re-birth for many, but certainly not all people in Ireland. Personal debt issues have reduced, but this is still an enormous issue unfortunately for many people. Investments and pension funds have made up lot of ground over the last 10 year with the S&P500 returning on average 10% p.a. over the period.

Probably the single biggest positive change that we have seen in the financial advice community in recent years is the realisation that financial success comes from long-term strategic planning, as opposed to short-term bets. You don't hear as often any more the stories of the latest and greatest property opportunities in far flung places in order to make a quick buck.

So what can you learn from the last 10 years that will help you plan better for the 2020s?

### Keep a long-term perspective

Successful financial planning tends not to be achieved by short-term tactical decisions, instead the route to success is by working closely with a financial planning expert, understanding your long-term goals and objectives and then devising a bespoke plan based on your unique circumstances to help you achieve your goals. Once a plan is built around this longer-term perspective and you are committed to staying the course, you are significantly increasing your chances of overcoming all of the slings and arrows of investment markets that are thrown at you along the way.

## Stay diversified

There's nothing new in this one... but diversification is still an important element of investing today. One thing we learned in the previous decade is that there certainly is no such thing as a "sure bet" – think of all the unfortunate Anglo Irish Bank investors and indeed also that particular bank's staff, where many had their wealth, investments and their incomes tied to a single company. We saw people wiped out by the property crash as their debts did not disappear along with their property portfolios. The key is to be diversified – across asset classes, sectors and geographies.

## Timing markets is a fool's game

A lot of people accept both of the above two principles. But still, they believe that they can eke out a little more return on their money by taking short-term bets that the market is about to decline or increase. Don't do this – trying to time markets is simply folly. Every study and piece of research that we see tells us that the greatest destroyer of value in an investment portfolio is often the tinkering of the investor him/herself. Yes of course you will get some calls right. But more often than not, you will not exit the market at the top or buy in at the bottom. Markets track an upward path over the long-term – let them travel their course and live with the ups and downs along the way.

## Don't forget the short-term too

This is not at odds with having a long-term strategy. We simply advocate that you don't tie all of your wealth up in illiquid long-term assets. Because we don't know what's around the corner – possibly an illness, a job loss, a sudden desire to take time out of work or wanting to help a family member or a friend. Always maintain a short-term emergency fund that you can tap into immediately as needed.

Hopefully you are entering the 2020s in better financial shape and with greater financial confidence than you did in the last decade. We would love to help you to build your plan and then maybe you can enter the 2030s that much closer to financial freedom.

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## 8 important principles to teach your kids about money

*In today's era of consumerism on a grand scale, it can be hard to maintain a clear and constant perspective about the value of money. Many of us muddle along, surviving, making mistakes and getting by. However this is no example to give to the next generation who are likely to pick up on our behaviours and habits. Instead we need to carefully teach our children about how to act responsibly with money and to give them the best chance of building positive financial habits for life.*



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We've set out a few areas that you might like to talk to them about as they begin their lifelong relationship with money.

### 1. Establish a savings routine

This can start as soon as children start to receive pocket money. Encouraging them not to spend it all as they receive it and instead to save for a bigger treat to be bought every few weeks or months can set in place the benefits of delayed but ultimately greater rewards. We all know the benefits as we've got older of saving for holidays and cars instead of borrowing and paying back far more than the actual cost.

### 2. Look after the pennies and the pounds will look after themselves

Another old saying that many of our parents used but it's also one well worth remembering and passing

on to our children. This tip is all about small amounts eventually making a big difference, teaching children the value of not getting complacent and wasting what seem like insignificant amounts of money to them.

### **3. Understand debt**

Borrowing money is a part of life and often makes good financial sense. Getting a mortgage to buy a home or even a loan for a car are often necessary. However borrowing money simply to support a lifestyle you cannot afford is a recipe for disaster.

Credit cards can feel cool to children! That is until they get their bill and suddenly realise the rates of interest being charged... Children should be taught about the dangers of credit cards in particular and loans in general, and that they are only suitable as part of a structured financial plan.

### **4. Share your own war stories**

Unfortunately we've all made financial mistakes over the years. Maybe too much property in the boom, maybe we didn't get proper independent financial advice early enough in our lives. Tell your children about lessons you've learned and how they can learn from them, and avoid making the same mistakes as you.

### **5. Don't be afraid to haggle**

Your children need to understand that they have real buying power in relation to a lot of the products and services that they purchase. They offer the potential of being very long-term customers, the types that brands really want to attract. So whether they are opening a bank account, booking a hotel, getting car insurance, buying a car, some electronics or even just clothes, they should get into the habit of making sure they get the best price by a bit of good old-fashioned haggling.

### **6. Plan your financial future**

This is probably the most important lesson of them all... Financial planning shouldn't start when people hit their forties and start worrying about retirement. Financial planning should start at a very young age; when children are thinking about all the things they want, but can't afford! Choices have to be made, careful decisions need to be taken and a plan needs to be put in place to manage their limited resources to achieve the maximum effect and/or enjoyment.

### **7. Fund your pension early**

Every 10 years earlier that you start a pension, your fund approximately doubles. So children need to be taught that pensions are not for old people! They are for savvy young people who have planned their financial futures and who want to make their financial objectives throughout life easier to achieve.

### **8. Get cover while it's cheap and accessible**

Life assurance, income protection and other such products are much cheaper and easier to get (younger people are healthier, underwriters take a more benign approach) so young people should get cover in place early. They should look potentially at convertible policies that they can maintain cover on, into the future. These could be very valuable, particularly if they are unfortunate to suffer from ill health as they get older.

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## Time the Market Game

*Here's a little toy to play with that shows the difficulty of beating the market!*

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## 7 Pieces of Financial Advice That Forever Changed My Life

*Some very wise financial thoughts...*

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## ESRI Pension Income in Ireland

*A nice and simple infographic about pensions in Ireland*

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## Financial Markets Are Made Of Events, Not Things

*If you're looking for order in the markets, good luck with that.*

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## The Best Thing Money Can Buy Is Financial Freedom

*Repaying debt means security and peace of mind. It gives us options and frees up cash flow.*

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## What is the Value of Financial Advice?

*Financial advice provides "meaningful" beneficial changes in behaviour, performance and financial outcomes.*

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