



Feature Article

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In this first edition of 2018, we start by giving you some tips and ideas about how to maximise your financial resources during a critical period in your life from a financial perspective - your 40s. These are the years when you can consolidate your finances and build a really strong financial platform for later in life. This is followed by an article which explains some often used financial jargon - now you can sound like an expert the next time you're in a discussion about all things financial!

Finally, there is a mix of content that we found on the web that we think will be of interest to you.

Best wishes!

Main Articles

Don't blow your financial future in your 40's – our 10 tips

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1. Keep control of your lifestyle

For a lot of people as they enter their forties, the financial pressure starts to ease a bit. As a result of career progression and increased earnings, the bills (in particular the mortgage repayments) don't look quite so daunting any more. And this is when people's lifestyles can run out of control. Rather than putting their increased wealth to good use, they simply grow their lifestyle until this becomes the new "norm". And as a result, that hard earned extra income ends up delivering zero impact to your long-term financial health. Put that extra wealth to good use.

2. Be careful with debt

Higher incomes and higher available financial resources generally result in people becoming less cautious with their money, as they have the financial firepower to suffer some losses. That's fine, once you can afford these losses. When you borrow for investment purposes, any gains are quickly multiplied. However should you suffer losses with leveraged investments, these losses are multiplied too. Many Irish investors suffered catastrophic losses when the economy crashed in 2008, most of them because they had used debt to fund their investments. Be very careful with debt.

3. Be careful what you spend on your house

We're all for living in comfort, but be careful that your house doesn't become an unwanted millstone around your neck. We've seen a number of examples of people with the back broken on their mortgage, and then deciding that it's time to almost re-build the house or indeed move to a bigger

house. The rationale is usually around higher income levels making this possible, and also because the kids need more space – don't they? This may well make sense, just be clear that the it's hard to recoup money spent on your house, it usually isn't fully reflected in future valuations. Also think past the next 5-10 years – will you want a bigger house when the kids decide it's time to move on?

4. Don't forget about your health and yourself!

It's very easy (and rewarding) to get sucked into and really involved in the lives of your children. However don't let this happen to the detriment of your own health and your other relationships. Not taking care of your own health will probably result in very nasty medical bills down the road. So make sure you keep eating well and exercising regularly to keep yourself in good shape. And make sure you've quality time with your partner away from the kids. Letting yourselves drift apart runs the risk of a nasty (and very costly) separation down the road. Keep the date nights going!

5. Don't let your career drift

With us all living longer and needing to be more self-sufficient in retirement, we're going to be working until later in life. So your 40's are only the mid-point of your career, if even that! This is not the time to take the foot of the pedal and start coasting towards retirement. Acquire new skills, get new qualifications, maybe develop additional income sources. You still have a huge amount to offer the world of work, so put these years to good use.

6. Review your emergency fund

Maybe you were very forward-thinking years ago, listened to the advice and built a nice "rainy day" fund. Now's the time to take a good, hard look at it. A fund built up a few years ago may be quite inadequate today. Do you need to add to this to cover your current level of expenses?

7. These are big years for retirement savings

These are often the critical years for retirement savings. You now have the financial firepower to really turbocharge your retirement fund, and you also still have the time on your side to benefit from the magic of future compound interest. So make these years the high impact years in your retirement savings.

8. Don't lose sight of your protection needs

If you get sick or should die, would your current protection cover fully cover the lifestyle requirements of your family, or did you set up your life assurance and income protection policies back in the days of lower income levels and lower household expenses? These may need to be reviewed, and we would be delighted to assist you in this task.

9. Who are you (or will you be) caring for?

One big challenge facing families today is the multi-generational impact on financial plans. It's not enough to plan solely for your own future. All too often, we see parents playing an important role in helping their children with significant deposits to enable them to get on the home ownership ladder. After all, maybe it's the only way to get them to finally move out! And as we see older people living longer and having more complex care needs later in life, the burden of financing this support may fall on the family. Does your financial plan take account of these costs?

Have you thought about wealth transfer?

Depending on your specific financial situation, now might well be the time to really start looking at the future transfer of your wealth. If you have significant assets to pass on eventually, these can be seriously eroded by our penal inheritance tax environment. Planning for this a long time in advance will allow us to develop financial strategies that will enable you to significantly reduce this tax burden, ensuring your assets go mainly to your loved ones and not to the taxman.

Follow these 10 tips and you'll enter your 50's in great financial shape!

Talk like an investment ninja!

We know there is a huge amount of terminology and jargon surrounding investments, so we thought we'll help you sound like an expert the next time those conversations start up again.



With markets having powered ahead in recent years, in general people are happier talking about the performance of their investment portfolio. After all, it's easier to talk about gains than losses! But we've noticed some conversations shifting towards consolidation of gains as the prospect of a turn in markets probably moves closer all the time. We're not in the business of trying to time markets, but help investors to take a long-term perspective with their investments and to build a portfolio that matches your own attitude to risk.

But back to those conversations... We know there is a huge amount of terminology and jargon surrounding investments, so we thought we'll help you sound like an expert the next time those conversations start up again.

Here are some terms that you might hear (or use!) and what they mean.

Active/passive investment: These are different approaches to portfolio management. Active management is where an individual manager will attempt to outperform through wise asset / stock selection. A passive investment approach is where a manager simply mirrors an index, such as a stock exchange index.

Annual dividend/yield: The dividend is the amount paid out to shareholders during a year, usually based on a share of the profits. The dividend yield is calculated by dividing the dividend amount paid on each share by the share price itself.

Asset class: This is a group of similar types of assets that make up an investment portfolio. The most common asset classes are equities (shares), bonds, property, cash and commodities.

Bear market: This usually refers to a fall of at least 20% from a market peak over a period of time.

Bonds: These are loans made by investors to companies or governments, in return for a fixed rate of interest and a return of the original capital at the maturity date of the bond.

Buyback: When a company believes its shares are under-priced and also has excess cash available, they will often look to buy back their shares and then enjoy the profits themselves when the shares rise in value. This is a way of returning value to other shareholders, as after the buyback, there are now less shares in circulation, increasing existing shareholders' share of the business.

Correlation: The degree to which two securities tend to move in the same direction. A well-diversified portfolio will have lots of non-correlated assets.

Correction: Smaller than a bear market, this term is usually used in relation to a 10% drop in share prices.

Cyclical stock: The stock of a company whose performance rises and falls depending on the economic environment. For example, luxury car manufacturers saw big profits during the boom of the early 2000s... with much leaner times after 2008.

Defensive stock: Different to the above, defensive stocks aren't impacted to the same extent by the economic environment as their demand doesn't fall away. Companies that produce basic foods, energy suppliers and healthcare stocks are often considered to be defensive as there is a demand for these products in all economic conditions.

Equities: Shares, stocks – different names but the same thing. They represent a partial ownership of a business.

Economic moat: This is a relatively recent term, introduced by the investment guru Warren Buffett. He used it to describe a sustainable competitive advantage enjoyed by a company over its competitors.

Hedge: This is a strategy used to offset some of the risks in an investment. Companies use hedging to protect themselves against risks such as currency movements or possible future price rises of a key raw material.

Leverage: The use of borrowings to increase an investment impact. Great when a market rises, a disaster when a market falls. Remember property debts in Ireland in the early 2000s...

Market capitalisation: Market cap for short, this is the total value of the shares of a company. This is calculated by multiplying the number of shares outstanding by the share price.

Premium/discount: These terms are used to describe an exchange traded fund (ETF) that is trading above (premium) or below (discount) its net asset value, or bonds trading above or below their face value.

Real return: The actual return when the impact of inflation is included. An investment that grows by 3% in a period of inflation of 3% delivered no real return.

Sectors: These are used to describe different areas of an economy, such as financial services, construction, healthcare, technology and industrials. A well-diversified share portfolio will usually contain stocks from a wide range of sectors and geographical regions. The reason being to avoid having "all your eggs in one basket".

Stock Exchange: There are locations, not always physical ones, where shares are traded.

Volatility: A measure of the degree to which a fund's performance fluctuates. The basic rule is the higher the volatility, the greater the risk an investor is taking in search for higher returns from their investment.

Yield curve: This portrays the rate at which interest rates change when evaluating bonds with shorter maturities to those with longer maturities.

Of course this is not an exhaustive list, there certainly is no shortage of investment terminology. But we hope that these often used and sometimes misunderstood terms will help you shine in those investment conversations!

Which Stock Market Offers Best Value in 2018?

Value-driven investors Morningstar Investment Management reveal the geographies they believe offer the greatest gains over the next 10 years.

6 Ways to Handle Money Better than Our Parents

What steps should we take to ensure we wind up better off than our parents? And, what should we avoid?

Why the Irish don't 'do' pensions - and what can be done to change that

Auto-enrolment could fix Ireland's ticking time bomb of private-sector workers without nest eggs.

Charlie Weston: Eight top tips to tackle your finances in 2018

Taking time to see how much you can save on household bills or what benefits you might be owed can help ease the cost burden.

Best of Money: Why millennials go on holiday instead of saving

20-somethings feel financially doomed so do not save.

How Much Could I Save By Switching Mortgage? The Big Switcheroo!

What do most of us have.....really really desperately wanted it initially.....but now we really really want to get rid of (a clue, it's not your partner!).....the answer is of course our mortgage!

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