

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 give a brief insight into a successful client event that we hosted recently. We then take a look at a problem we often encounter with new clients - they have lots of "bits and pieces" of retirement policies but no retirement plan. An important part of our work is to bring order and strategy to your retirement planning. This is followed by a piece about recency bias - how our expectations for the future can be overly coloured by events in the recent past. 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

Foresthill conference at the RDS Dublin

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We were very fortunate to secure this very diverse group of speakers, who kept the presentations and conversation very lively! In addition to enjoying a very nice dinner, many of the invitees commented later on how they had taken away some really useful insights from the presentations.

The presenters were,

- **Conall MacCoille**, Chief Economist at Davy. Conall presented a General Market Commentary and his views on Brexit.
- **Gary Connolly** from iCubed. Gary presented his thoughts on Investor Psychology and how it can impact investment planning and performance.
- **David Moran** from Twomey Moran Private Client Tax Advisers. David gave a presentation on Succession Planning for individuals and small business owners, and other current market themes.
- **Bernard Jackman**, former Irish International and Leinster Rugby Player. Bernard gave us a review of the upcoming Rugby World Cup and how he thinks Ireland will fare.

How tidy are your retirement affairs?

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As part of our work with clients, one really important element of an overall financial plan is retirement planning. Of course, it happens quite often that clients are some way along this journey before we come into contact with them.

What we see sometimes leaves a lot to be desired... Some people think they are well on the road to a comfortable retirement. However when we investigate, we don't see a plan, we simply see a lot of policies. These clients often don't know what they have – they know they have “bits and pieces” of pensions and are assuming that they all add up to a satisfactory picture. Quite often, this is not in fact the case.

Sometimes of course, having lots of different policies makes perfect sense. That is, when it is part of a planned retirement strategy where it is beneficial to have multiple policies. A client may have multiple sources of income for example, each requiring a different approach. Or a client may have a specific drawdown strategy that is easily facilitated by more than one policy. Sometimes it makes sense in order to pursue a specific investment strategy.

On the other hand, we come across situations where people have multiple policies with no strategy behind them. This happens because they forget about some benefits previously built up or maybe where they get advice from multiple sources and end up with multiple policies as a result.

It always makes sense to get solid advice about your overall retirement plans, and for us to establish whether the range of policies that you have are actually serving you well. While not always the case, we often find that some consolidation of policies makes sense.

So why might you consider consolidating some of your pension policies together?

It's easier to plan

Building a solid retirement plan begins with your aspirations and objectives in life, and then specifically focusing in on those later in life. Once you decide what your desired retirement looks like, we can help you identify the financial goals to achieve that desired retirement. We can see how much you need to save, the best structures to use and the optimal investment approach.

Once all of this is clear, we decide what is best for you in terms of policies **going forwards**. It's not about what you have, we're interested in what you need now. If having all of your existing pensions in place makes perfect sense – great! If not though, we'll suggest a better approach that may mean consolidating some of your pensions. It all comes back to the plan.

Isn't this a lot better than simply blindly saving money with “bits of pensions” all over the place and no end goal in sight?

A more structured investment approach

Another reason for consolidating some pensions together is to achieve a better, or easier to manage, investment approach. Once we identify the very best investment strategy to help you achieve your retirement goals, this then needs to be activated within your pension policies. It also requires ongoing monitoring, rebalancing of the asset allocation from time to time and sometimes some other tweaking. This can become very cumbersome when there are too many policies. Consolidation of policies can result in a more agile investment approach.

More cost effective

This is not always the case, but will always be considered by us when carrying out our due diligence into different potential pension plans on your behalf. Sometimes less policies can be more effective, where structures have the following features,

- Higher entry investment allocations for higher amounts
- Lower recurring charges over a certain asset threshold
- Flat per policy / account charges

Your retirement savings are your money. While some charges will always feature, it is our job to ensure you hold on to as much of your money as possible for yourself!

These are a few headline reasons as to why it might make sense to consolidate your pensions together. To our mind though, it's all about the plan. Get the retirement goals clear and then get the financial plan right. The pension policies are then simply a means to an end – achieving the plan. Whether that's easier achieved with one policy or loads of them, that's our job to tell you.

Is it time for you to empty all those policies out of the drawer and come and see us, and let us build a structured retirement plan for you?

Don't build your future based on what's happened recently

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Let's be honest, everyone in Dublin and most people around the country (at least outside Kerry) thought the Dubs had the All Ireland won before the first match. *Of course* they were going to win, sure hadn't they won it for the last four years! Uninformed people were saying this without considering or even knowing anything about the quality of the Kerry team. Then Jonny Cooper of Dublin got sent off and the whole picture changed, with the Dubs very happy to escape with a draw and go again the second day. While they went on to win, they were lucky to get that second chance. It showed that recent history (the previous 4 All Irelands) doesn't determine the future and that one small factor can change everything. We see it in sport all of the time - the past is the past, and its not always a good guide to the future.

The same rules apply in business. It's very dangerous to base decisions only on what happened recently, which is known as recency bias. It is the phenomenon where people recall and give more credence to very recent events, as opposed to events from the more distant past or indeed other tried and trusted bases for making decisions. And often there is no rhyme or reason as to why recent events are in any way more credible.

It's in the world of investing that we quite regularly see recency bias rearing its head, often with very damaging consequences. Some investors make tactical investment decisions based on how the market has been performing recently, rather than considering the fundamentals of a market. As a result, these investors tend to think that a bull run will continue forever and that they should pile in "because the market has been racing ahead". Bear markets tend to get forgotten about during a good run in the markets. Of course, we know from experience that past performance is not a guide to future performance – but sometimes it is hard to convince investors otherwise... Think of all the Irish investors who were overweight in property and Irish bank share in the early 2000's, because these had been such good performers in the previous years. They saw their wealth wiped out, largely due to their recency biases.

We help our clients guard against recency bias. We plot uncertainties into your financial plan, challenge your assumptions and biases and show a range of different potential outcomes, rather than a single one based on recent events. As a result, we help you plan for every scenario, irrespective of whether your assumptions based on recent events actually come to pass or not. We ensure your plans are not derailed by recency bias.

Using our expertise, we can demonstrate how a continuing bull run will impact your financial plan. But we can also quickly and easily demonstrate how a dip in markets will also affect you. Considering both scenarios brings a greater level of validity to the actual investment assumptions that are ultimately used.

We can also help you manage any potential recency bias in other areas of your life – maybe your employment situation or your health. This is important for us with the client who says, "My company has been growing in recent years and I couldn't tell you when I was last sick"! People can think they are bulletproof, based on recent experiences. We are happy to have the "What if" conversation about the impact on your plan if you were to be involved in an accident or to get sick. You can then see the real impact of these events on your financial plan. Maybe your experience in recent weeks / months / years is not enough...

Recency bias is a very real threat to building a sturdy financial plan and achieving the outcomes that you want. Yes it's worth keeping an eye on what happened in the past. But it's what will happen in the future that will now determine if you will achieve your goals and objectives in life.

How to Talk About Money

At some point, you're going to have to have a conversation about money — with a spouse, a roommate, your kids, your aging parents — but did anyone ever teach you how to talk about money?

Today vs Tomorrowland

I believe that one of the most critical components of financial planning is the delicate, ongoing balance of living in Today while planning for Tomorrow.

Worrying About the Wrong Risk

There are two parts to calculating risk – the probability of an event and the magnitude of loss.

Stocks — Part II: The Market Always Goes Up

To understand why the market always goes up we need to look a bit more closely at what the Market actually is.

Ten steps to putting your money worries behind you

Cash problems can damage your health - so take control of your finances.

People think they will work past 66, here's how employers can plan for an age of longer working

It is anticipated that greater numbers of people will have to work beyond 66 years of age, the current State pension age, in order to pay for their retirement.

Forest hill Financial Planning

J2 Maynooth Business Campus, Maynooth, Co Kildare.

Tel: +353 (0)1 6549020 | Fax: +353 (0)1 6549021

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