

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 a few thoughts on how we can play a really helpful role as you plan for all significant events in your life as "money moves when life is in transition". This is followed by our thoughts on some very insightful research that we reviewed lately. 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

We'll help you plan for life's events

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We came across a quote recently that has really got us thinking, as it hit home on one of the most important aspects of financial planning. The quote is, "*Money always moves when life is in transition*".

The reason the quote had such an impact is because it makes financial planning *real*. When some people think about financial planning, they think only of life assurance, income protection, pensions and investments. This is a mistake, as these are simply products that are sometimes used to enable a financial plan to be implemented. Financial planning itself is about helping you to identify what you want to do with your life, and then devising a plan to help you financially achieve that life. Yes, we might suggest that some products as mentioned above are used – but these are simply vehicles to help you achieve your goals.

And when we talk about your financial goals, we're not talking about some random figures such as, "My goal is to have €800,000 in my pension plan when I retire". Because that means nothing... It's far more important to know what you want your money **to do** for you. When you know what you want your money to do, you can then put a price on these events. Your financial plan is then about generating enough money to enable these events to become a reality.

All our lives go through a series of "transitions"

While of course we can trace life events (or instead call them **transitions**) right back to birth, for the sake of financial planning we can start with transitioning from being a student to working, and then progressing through life. Transitions are those significant life events that cause a relatively significant change in your life. Each of these changes will have a fundamental impact on your financial situation and include the likes of,

- **A new job:** Usually this will result in an income increase (hopefully!) and probably a change in your employee benefits.
- **Marriage:** A very significant financial change where you and your better half marry your fortunes together. Also now your financial goals and needs substantially change.

- **Moving House:** A new home usually results in new debt and changed regular expenditure.
- **Children:** Apart from the obvious immediate costs, your attention will soon turn to increased living costs and future education costs etc.
- **Retirement:** A significant financial event as the income tap turns off and it's time to live off savings.
- **Death:** This could be your own death or the death of your spouse or parent. Each of these events will have a significant financial impact.
- **Other events:** And then there are lots of other possible events – buying a holiday home, a significant gift for children, the world tour, winning the lotto or maybe a divorce! Whatever it might be, there will be a significant financial impact.

The point to remember is that every time there's an event, money moves. Think about it. The question is, who is going to help you financially plan through these transitions?

We will.

We passionately believe that we are best placed to help you financially manage your way through these transitions. Yes, you will need a solicitor when buying a house, or an accountant when selling your business. But because we focus on your financial picture **for all of your life** and not just a single point in time, we can help you plan strategically for all of life's transitions.

We'll help you to capture all of these goals, desires and events in your financial timeline. We'll then help you to draw up a financial battle plan to achieve the life you want. So, when you actually come to that major life event, your financial situation is an enabler rather than a problem.

Of course, we don't ignore the positive impact of products – investments, pensions and protection products. They may well be needed to achieve some of these events, but they are simply vehicles to drive the plan. The real value that we can bring is helping you to live your life, to move your money wisely in preparation for and during each of the transitions throughout your life.

So, focus on the events that are important in your life. And then let us help you achieve them to the full.

What our investment research is telling us

We carry out a lot of research throughout the year, whether it's attending conferences and seminars, meeting investment managers and product providers and also carrying out desk-based research. Inevitably from time to time, our reading pile gets a little higher! However this is now a great time of year to make real inroads into that reading.



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When scanning through some recent research, we reviewed again two particular articles that we've shared with you previously. Both of them are worthy of further comment and while the overall topic of each of them is different, they both in fact finish with similar conclusions.

The first piece that we wish to discuss is from Dalbar, who are a world renowned and independent expert for evaluating, auditing, and rating business practices, customer performance, product quality and service. The research that caught our eye from them is, "U.S. Investors Lost Twice As Much As The S&P 500 In 2018".

The second piece is a superb infographic called "The Anatomy of a Market Correction" from Visual Capitalist.

So what have we learned?

First of all, the basic tenet of the Dalbar study is that investor behaviour has the single biggest negative impact on investment returns over time. Investors who continue to dabble with their funds usually end up seriously undermining the performance of them. This happens largely as a result of bad timing in entering and exiting markets. The last paragraph says it all, "*year after year, the firm has found that investors are often their own worst enemy, failing to exercise the necessary discipline to capture the benefits markets can provide over longer time horizons, while succumbing to short-term strategies such as market timing or performance chasing as they did in 2018*". We see it time and time again – trying to time markets is simply folly.

The market correction research has a different focus. It examines the regular ups and downs of markets,

with market corrections typically happening about once per year, with the impact of them felt on average for over 70 days. What happens then? Worried investors believe a full bull market (greater than 20% decline) is on the way and exit the market. But only 14% of corrections between 1980 – 2018 resulted in a full bear market, the rest were just blips on the radar. So investor behaviour gets in the way again...

The final section of the infographic is very interesting, comparing 3 investors, one who times the market perfectly, another who doesn't try and time the market and a third who times it wrong each time. It's not surprising that the third investor significantly lags behind the others in terms of returns. However what is surprising is the very small gap between an investor with perfect timing and one who doesn't try and time it at all. It shows very little reward for market timing, which we've also seen is extremely difficult to get right!

So what have we learned overall? We take four lessons away from these pieces of research,

1. Timing markets is folly and is not significantly rewarded even when you get it right
2. Taking a long-term approach and relying on the efficiency of markets is usually the best strategy
3. The key is to understand your goals and build your strategy around them, get your asset allocation right and then let markets get to work
4. Accept there will be bear markets along the way

Follow these thoughts and you're more than likely improving your prospects of investment success.

Around the Web

A new financial dawn for millennials

Rising interest rates will pose a challenge for millennials that they have not encountered before.

Who must sign an enduring power of attorney?

What is the position with regard to a relative having to sign an EPA?

'Treat your money like a bold child': 5 simple tips that'll change how you look at your finances forever

Treat your money like a bold child (but also as a best friend)

8 Simple Tips to Live Longer and Healthier

Turns out extending your lifespan is pretty easy. Just follow these definitive, scientific, time-tested methods.

Retired people share the secrets of early retirement

The idea of retiring early might sound heavenly, but there's plenty to learn before taking the leap.

Most workers aren't saving for retirement - fuelling fears of 'pension time bomb'

Most workers are not saving towards a pension, new figures reveal.

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