

## McCarthy & Associates FINANCIAL CONSULTANTS LTD

Waterville House, Woodquay, Galway | Phone: 091 566022  
E-mail: [info@financialconsultants.ie](mailto:info@financialconsultants.ie) | Website: [www.financialconsultants.ie](http://www.financialconsultants.ie)

We would like to wish  
all of our clients  
and readers  
a prosperous 2009

Inside this issue  
we take a look at:

- **New Years Resolutions!**
- **The changing world of me and my bank!**
- **SSIA's**
- **Life / House Insurance**
- **Redundancy**
- **Investment Property Opportunity**

## 2009 to see major drop in deposit rates

As we are all aware 2008 will be remembered for a number of major financial/economic events, probably for all the wrong reasons. However, one sector that did benefit last year, were bank depositors. Accountholders will have seen the most dramatic rise in deposit interest rates for many years.

### *But will the party last?*

Unfortunately the answer is likely to be no. Economists are forecasting the ECB Rate to fall below 2%, sometime in 2009. Obviously this will be beneficial to borrowers, but an unwelcome event for savers. Deposit rates have also been affected by an unusual occurrence over the last nine months or so. Due to the severe shortage in the supply of money to the financial markets, banks have offered unusually high deposit rates in order to attract funds. As the money-markets free up throughout 2009, the need for banks to pay these high rates to retail customers will diminish.

The net effect of both events will be a considerable drop in deposit rates throughout this year. We are likely to see a return to the type of scenario we experienced for a number of years, namely maintaining funds on deposit is something you should only consider for purposes of convenience rather than as a viable investment option. This will result in a flow of funds from bank deposits into areas such as bonds, term investments, equities etc. as the year progresses.



## MoneyTalk

To listen to current financial issues you can tune into the weekly financial debate called "MoneyTalk" on Galway Bay FM, every Thursday morning at 10:45am with David McCarthy and Keith Finnegan. To



answer any financial questions during the debate, you can telephone Galway Bay FM on (091) 770077 or e-mail your queries to [info@galwaybay.ie](mailto:info@galwaybay.ie)

## Visit our new website!



Last November we launched our new website, which contains a host of new features and financial information pages. Some of these new features include:

- Uptodate press coverage
- Occasional podcasts from Galway Bay Fm
- Podcasts from the City TV Channel

We would invite readers to check our website regularly for new updates. **We would also welcome any suggestions or comments you may have regarding our site, please e-mail us at: [info@financialconsultants.ie](mailto:info@financialconsultants.ie)**

# Some New Year's Resolutions!



We all like to make New Year's resolutions but few of us ever keep to them. We have outlined below some financial ones that you may like to consider and please be assured that we will do everything in our power to assist you in keeping to your "resolution"!

- Did you know that pension contributions are the most tax effective means of reducing your income tax?

This can be done through both personal pension plans for the self employed or AVCs if you are in employment. If you are concerned about the volatility of financial markets, then you may not be aware but you can now place pension monies in a bank deposit account.

- Conduct a comprehensive review of your personal finances. This maybe something you have never considered before but can be beneficial in a number of ways through making your financial structure more economical.
- If you operate a business did you ever consider get-

ting an audit carried out on your banking structure? Yes, it is possible to get a banking audit conducted on the interest and charges you pay, along with making the funds that you have sitting on deposit or in a credit current account more effective.

- What options do I have if I want to move monies from a deposit account into an alternative investment? We suppose a simple answer to that is how long is a piece of string.....! There are hundreds of various options available in the market-place depending on your appetite for risk. However, we like to focus on investment options which provide a capital guarantee or a low level of risk. New investment products are launched all the time, so it is impossible to provide you with a definitive summary on what is available in the market-place. **But if you contact us and wish us to keep you informed of products, as they are launched then we can do so by placing you on our mailing list.**
- Start a regular savings deposit account in order to benefit from the attractive deposit rates currently paid by banks on these type of plans.
- Did you know that most employers will not provide you with an income if you are out for a protracted period of time due to illness? This is an issue that

most people do not consider until the eventual-ity occurs, where they are out sick for 6 months or more. For the self-employed the answer to that question is obvious, but for those in employment you should check with your employer as to what the position is. If you want to address these concerns then – commence an income continuance plan.

Obviously the above is only a short synopsis of the type of financial resolutions any of us can make. You maybe thinking by the time you have got to this stage of the article, as to whether any of these issues are too much trouble for you to look at seriously. The answer obviously is no, you cannot afford not to be financially efficient.



## The changing world of me and my bank!

There is no doubt that the last 12 months has seen a focus on one particular industry that we could never have foreseen, namely "banks". We are now all familiar with terms we never heard of before like "credit crunch", "sub prime", "liquidity" and "recapitalisation", just to name a few.

Human nature being what it is, we are all more concerned with the affect that this has had on us as individuals. Some of the more interesting developments, both positive and negative, have been:

- 30 day notice deposit rates are paying 4.5% gross, the highest we have seen for many years but as we have outlined in another article in this newsletter, that good news is not going to last for long in 2009.
- A particularly interesting feature of the banking market has been the attractive rates paid on regular savings accounts which at the time of writing can vary between 5 to 6 % gross. Some of these accounts lock into a structure connected to the ECB Rate, but we do not see these type of offers continuing indefinitely over the next few months.
- The prospect of mergers within the banking sector will not help competition. However, as a small economy, it seems extraordinary the number of outside players that we seem to be able to attract into the Irish Banking Market. Hopefully, consolidation that happens within the Irish banking

sector can be somewhat offset, from a competition point of view, by the continued operation and expansion of overseas banks in this country.

- We have all been affected by the slowdown and lack of availability of credit. This is a situation none of us could have foreseen, even 9 months ago, but has continued apace throughout the latter half of 2008. The determination of Central Banks worldwide and the flexibility of Governments towards their economic policies, will address this problem and we are confident that this issue will be resolved - the question is when?
- For those of you who are not aware of it, there is now a mandatory reporting requirement that was introduced last autumn by the Revenue, where all Banks have to return interest earned in excess of €635.00 p.a. For the vast majority of accountholders this will have no effect on them. The interest that the Revenue have in obtaining this information, is only related to those individuals who are holding funds on deposit which came from an un-taxed source.
- The banking guarantee scheme that was introduced in September last has stabilised the Irish Banks and taken any concerns we should have regarding the safety of our bank deposits. Whether it is an Irish or foreign institution covered by a scheme in their own country, a positive outcome of the recent crisis has been the peace of mind that

bank depositors now have as regards the safety of their monies.

We have all experienced enough "excitement" in the banking sector throughout 2008. Hopefully 2009 will bring a more stable situation, so that we can all catch our breath and move forward.

*If you need any assistance with any of the above or other issues we are here to assist you.*



# SSIA account holders run into a wall!

Unfortunately the recent turmoil in financial markets has had a devastating affect on some former SSIA account holders. During the years, when the SSIA scheme was operating, we warned readers in our publications about allowing any plan they entered into, to continue beyond the 5 year term of the scheme. This is not an issue of concern to people who placed their SSIA in a deposit account. Our concern is directed at the vast majority of people who operated an SSIA through a Unit Linked Life Assurance savings plan. The problem is that these plans were open ended beyond completion of the 5 year term. We always believed that the SSIA scheme should have been looked at exclusively in the context of 5 years and

on maturity a decision should have been made what to do with your lump sum and any future savings you wished to undertake. Many savers continued with their original Unit Linked Plans and continue to save as they had done previously. Unfortunately they have seen a considerable drop in the value of their savings due to the down-turn in stock market performance.

## So what course of action is open to you?

We believe that you should keep the value of your savings plan under review at least 2 times a year. In some circumstances, if the valuation is close to the original premiums that you have contributed, then it

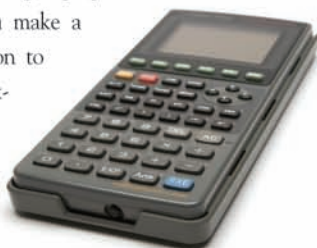
may be prudent to cancel your policy and move the monies to a more secure alternative. **We do strongly suggest however that you cease contributing any further premiums to these Unit Linked Plans, as you are raising the possibility of making matters worse for yourself. At the moment it makes no sense to contribute to these plans when there are such attractive interest rates available on regular savings deposit accounts.**



## Beware of rates offered for Life/House Insurance through mortgage lenders!

We have noticed for sometime that the premiums on Life/House Insurance, offered through some of the mortgage lenders are extraordinarily high. There are a considerable number of mortgage-holders who took out both insurance policies with the lender that was providing them with their loan. For a lot of people this is the most convenient route as they did not have to shop around for cover. The banks also make it more "convenient"! through the arrangement whereby the borrower makes one total repayment each month which covers both the loan and insurance premiums. The problem that has arisen, is that the rates on offer appear to be in, some cases, extraordinarily high.

We believe that lenders have taken advantage of the fact that some borrowers are not "savvy" enough to shop around for the most attractive premiums. Borrowers are free to shop around for this type of cover themselves and cannot be forced into a situation to deal with any particular bank. So if you suspect this might be the case, what can you do? The differential in the marketplace for house insurance premiums is considerable and as a result you should shop around for the most competitive quote. In the case of Life Assurance this is somewhat different, as you may be a lot older now than when you commenced the policy that the lender is currently holding. It is important therefore that you get proper advice before you make a decision in relation to replacing your existing policy.



# What do I do if I am made redundant?

Unfortunately the present economic climate has returned us to a period, where redundancies are now more common place than we have seen for many years. This is a traumatic period, but also one that requires some serious financial planning.

For all of us there are at least 2 major events in our "financial lives" namely, when we purchase our first house and then when we reach retirement age. In addition a lot of us will experience other events which are financial milestones, and unfortunately this includes redundancy. When each of these events occur, it is vital that you carry out a comprehensive review of your finances in order to plan for the future.

For most people redundancy is a negative financial event and it is important that it is planned for properly. At McCarthy & Associates we are all too aware of the importance of this type of planning, through our involvement over the years with a number of private and semi state companies in assisting their staff to cope with redundancy.

The following are a number of the areas that require review, but this is not exhaustive as each individual's circumstances will be different.

- Term Loans/Credit Cards/Overdraft
- Mortgages
- Life Assurance
- Savings/Investments
- Personal Tax situation
- Deciding on how to utilise your redundancy payment.

If you find yourself or a friend/colleague/family member in a redundancy situation, feel free to contact us and we can assist you with planning for this change in your circumstances.

If you wish to receive the newsletter via e-mail, please e-mail us at: [info@financialconsultants.ie](mailto:info@financialconsultants.ie) with newsletter in the subject and we will add you to our e-mail list.

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