O'Sullivan Investments Ltd

QUALIFIED FINANCIAL ADVISORS | INSURANCE & INVESTMENTS BROKERS

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MONEY MATTERS

MONEY MATTERS is an occasional newsletter designed to keep our clients up-to-date with the latest developments in the world of personal financial planning. We invite you to visit us for additional information on the services we provide.

HOW MUCH LIFE ASSURANCE DO I NEED?

For the average person, Life Assurance simultaneously provides solutions to problems caused by dying at a time when others are still financially dependent on them, or providing funds for retirement.

Most people would wish to ensure that should they die while their family is still financially dependent on them, their family's standard of living would be maintained, meaning that they could go on living in familiar surroundings, keep their friends, that the children would continue at the same schools and fulfill the same ambitions as if their parent had remained alive. Without sufficient money, none of this will be possible.

It is not really possible to calculate precisely how much money would be needed, but the following are some of the essentials which need to be taken into account:

1. Cost of hospital charges and funeral expenses
2. Outstanding bills
3. Cost of Capital Acquisition Tax
4. Cost of unforeseen contingencies in the future
5. Provision of adequate income for the dependents
6. Cost of school fees

We recommend that the average person should have their life insured for an average of ten times their annual income.

SERIOUS ILLNESS COVER

The odds of becoming seriously ill, disabled or unable to work are considerably higher than most people think. In a report, from the Irish Heart Foundation, it was disclosed that the Republic of Ireland has the third highest mortality rate for heart disease, in the developed world.

With Serious Illness Cover you can insure yourself and your family under one policy to pay out a capital sum, (e.g. €200,000), should one of you be diagnosed as suffering from a serious illness such as cancer, heart disease or stroke.

With the benefit of say €200,000 lump sum payment, you could pay off a mortgage or other debts and make life easier.

Prevention is always better than cure. We should listen to the experts and change our lifestyle, if necessary, to reduce the risk of developing serious illness such as heart disease.

However, Serious Illness Cover can provide additional peace of mind, at a very affordable cost.

The real question is: Can you or your family afford not to have Serious Illness Cover?

We recommend that the average person should have Serious Illness Cover of at least twice their salary.

Vincent O'Sullivan QFA

MANANGING DIRECTOR
O'SULLIVAN INVESTMENTS LTD

Originally from Kenmare, Co. Kerry, Vincent is a graduate of Holy Cross College. He then emigrated to Boston where he joined Metropolitan Life, one of the biggest insurance companies in America, where he trained and qualified as a licensed insurance broker.

Vincent established and published the *Boston Irish Press* in the early 1980s to promote Irish culture and peace.

When Vincent returned to Ireland he worked with both Standard Life and Friends Provident. He then set up O'Sullivan Investments Ltd in 1986 and has worked in the industry since.

As a qualified financial advisor, Vincent attends lectures and seminars on a regular basis, so you can be assured that he is qualified to give you up-to-date professional financial advice.

O'Sullivan Investments Ltd are members of the Professional Insurance Brokers Association and Vincent O'Sullivan is a member of the Life Insurance Association.

DEPOSITS

We are appointed Deposit Brokers for three banks. We help you get the best rate and advise on the term most suitable to your needs. These banks are:

- KBC Bank Ireland Plc.
- Permanent TSB
- EBS Limited

The most important things to consider when you invest your money is that it is secure and that you are getting the best possible interest rate. You may want a demand account where you have access to your money, or you may be able to put your money away for a term – be it a month, a year or more. We are here to help you. Contact us for information on the best deposit rates.

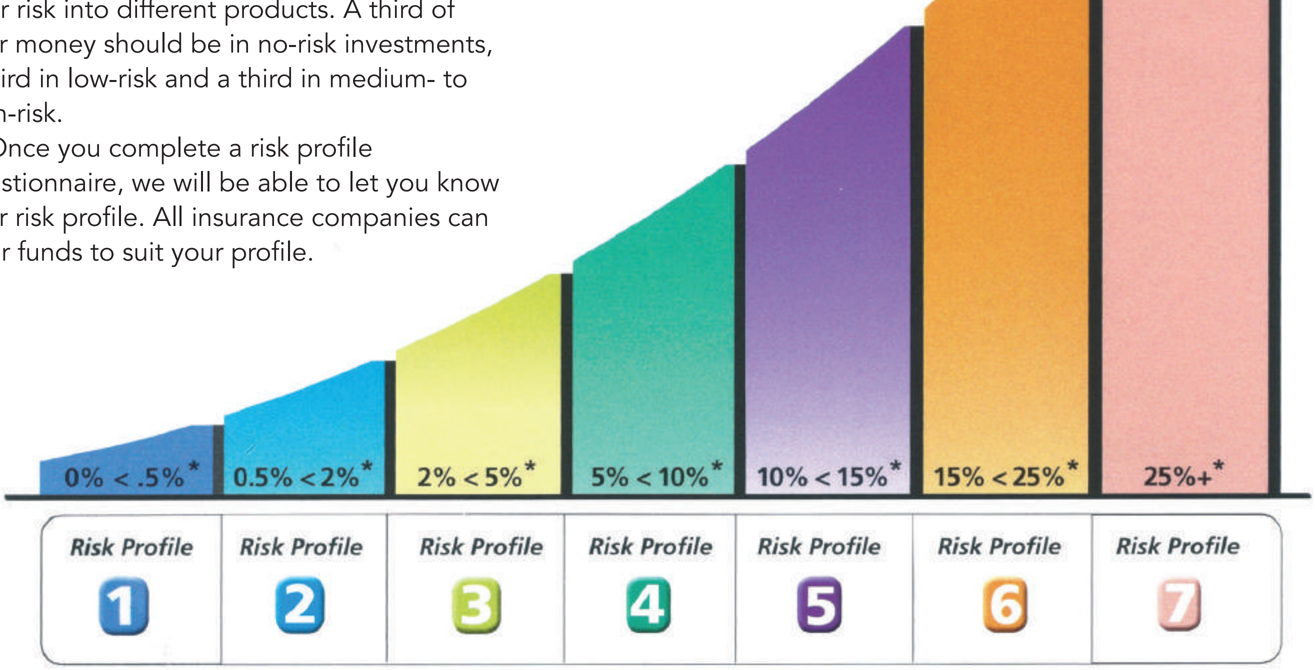
MAINTAINING THE REAL VALUE OF YOUR SAVINGS IS OF VITAL IMPORTANCE

No one wants to take unnecessary risks with their investment. However, there is a trade-off between risk and return. The lower the level of risk you are willing to take, the lower the potential for any investment gains/losses. Likewise the higher the level of risk assumed, the greater the potential for high investment gains, but also the potential for higher investment loss.

We have always advised people to spread their risk into different products. A third of your money should be in no-risk investments, a third in low-risk and a third in medium- to high-risk.

Once you complete a risk profile questionnaire, we will be able to let you know your risk profile. All insurance companies can offer funds to suit your profile.

We have categorised our range of investment funds using a 1–7 scale. Our ratings are based on guidelines issued by the European Securities and Markets Authority (ESMA). The ESMA looks at the funds volatility over a rolling five year period. 1 being the lowest risk (lowest volatility) and 7 being the highest risk (highest volatility).



* ESMA Volatility Band

1. If you are a '**very low risk**' investor, you are not willing to accept any significant risks with your money, accepting the prospect of low returns to achieve this.
2. If you are a '**low risk**' investor, you are likely to accept limited risks with your money and will want to try to avoid large fluctuations in the value of your investment, accepting the prospect of more modest returns to achieve this.
3. If you are a '**low to medium risk**' investor you are likely to accept some risk in return for the potential of higher investment gains over the long term. You will want to try to avoid large fluctuations in the value of your investment, but accept there will be some fluctuation, particularly over the short term.
4. If you are a '**medium risk**' investor, you are likely to accept significant risk in return for the potential of good investment gains over the long term. You accept there will be significant fluctuations in the value of your investment, particularly over the short term. However, you will want to limit the amount of your money held in more risky investments.
5. If you are a '**medium to high risk**' investor, you are likely to understand that the value of your investment can go down and up sharply with the potential for greater returns over the long term.
6. If you are a '**high risk**' investor, you are likely to aim for high possible returns and accept higher levels of risk, recognising that the value of your investment may fluctuate very sharply, particularly over the short term.
7. If you are a '**very high risk**' investor, you are likely to aim for the highest possible returns and accept the highest levels of risk, recognising that the value of your investment may fluctuate very widely, particularly over the short term.

SAVINGS AND INVESTMENTS

Just think of how much money you are going to earn over the next ten to twenty years. Now ask yourself: where does all the money go?

Over the average working life most of us earn a fortune, but of course we also spend a fortune. The problem with most of us is saving for the future.

To achieve goals such as owning your own home or paying for your children's college fees you need to save. You deserve a good return for your savings but you also want security. Now that bank and building society rates have fallen, you need to know where can you secure the best return for your money.

Look how your savings could grow if you invest in a long term savings plan

Monthly	8 years	10 years	12 years	15 years	20 years
€200	22,501	28,087	34,985	46,353	67,859
€300	33,752	42,131	52,478	69,529	101,789
€500	56,776	70,724	88,090	116,717	170,867
€750	85,165	106,086	132,136	175,076	256,301
€1,000	113,553	141,449	176,181	233,435	341,734

Warning: The figures above are assuming 6% growth level in an equity fund, with 1% annual management charge (they are not guaranteed).

Warning: These figures are estimates only. They are not a reliable guide to the future performance of your investment.

For young people starting out in life there are seven basic rules to follow:

1. You should save 10% of your salary
2. Prepare a budget for your spending and write it down
3. Invest your savings and reinvest the interest, so your assets grow
4. Learn how to invest and what risks are involved
5. Purchase your home after you have built up a large savings amount
6. Purchase life insurance and income protection to provide for you and your family
7. Educate yourself to increase your ability to earn more money

Once you have a lump sum of money to invest, be aware that markets can be volatile. By staying invested over the long term you will reap the rewards.

PENSIONS FOR THE SELF EMPLOYED

The major reasons for the growth in personal pension plans, apart from the obvious desire to provide security in retirement, has been the generous tax concessions allowed.

1. You can claim tax relief on your contributions
2. You can take a percentage of your pension as a tax free lump sum when you retire

Savings on your contributions:

For every €100 invested, it would currently cost you just €60, assuming you pay tax at 40%.

€60	+ €40	= €100
Cost to you	Cost to Taxman	Contribution

The more you contribute – the more tax relief you get. So if you want to contribute €500 per month it could cost you as little as €300.

€300	+ €200	= €500
Cost to you	Cost to Taxman	Contribution

The table below indicates the percentage of your earnings which qualify for this tax relief*.

*AS PER CURRENT REVENUE LIMITS AS AT 01.05.17.

Your age now	% of your net relevant earnings
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 and over	40%

RETIREMENT / DIRECTOR'S PENSIONS

There is no better method of converting company monies into personal wealth than through a Director's Pension Scheme.

The most important benefits to you as a director for starting a company pension scheme now are as follows:

1. Contributions are deductible against corporation tax
2. Lump sum death and disability benefit may be included
3. Early retirement from age 50
4. Pension fund grows tax free
5. No benefit-in-kind implication
6. 25% tax free cash at retirement*

*AS PER CURRENT REVENUE LIMITS AS AT 01.05.17.

A proprietary director can invest a substantial amount of company money into a Director's Pension Plan. We will be able to provide you with quotations on the amounts you can invest. You will have options of using insurance companies to manage the money or you can operate your own self administered company pension scheme.

We are the experts at setting up pension plans, why not call us today for additional information.

The sooner you start the more you will have. Invest just €200 per month and watch how it grows, see below:

Warning: This illustration assumes that contributions are invested in a managed fund, with a rate of return of 5.6% and an allocation rate of 100%.

Warning: These figures are estimates only. They are not a reliable guide to the future performance of this investment.

Warning: The value of your investment may go down as well as up.

HAVE YOU MADE A WILL?

Too many people are reluctant to make a will, or have a will that is out of date.

Apart from the personal difficulties this can create, it can give rise to a higher bill for inheritance tax.

We all know we should prepare one, but there tends to be a feeling that there is a lot of legal work involved, this is not the case. In the majority of cases it can be a simple process.

What is most important is to legally appoint someone who will look after your children, and what happens to your estate, should you die.

If you need any advice or assistance on this matter – we would be happy to recommend a professional to assist.