WINTER 2015

INSIGHT

ISSUE 2

YOU DO THE BUSINESS AND WE TAKE CARE OF YOUR BUSINESS

PENSION SAVINGS

How big will your pot provide in your retirement?

WHERE THERE'S A WILL THERE'S A WAY

WHAT NEXT FOR ECONOMIES AND MARKETS?

Important themes for investors to consider in 2015

IS IT TIME TO RUN YOUR FINANCES LIKE A BUSINESS?

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BUCKLEYKIELY
WEALTH MANAGEMENT
Independent Financial Advisors

IN THIS ISSUE

Welcome to the latest issue of '*Insight*' magazine from Buckley Kiely Wealth Management.

The start of a New Year is the perfect time to take stock of your financial position, and to compare your personal financial situation to that of running a business. Both have concerns for profit, income and expenses, and spending decisions affected by anticipated circumstances. And as with every successful business there is a reliance on a financial system to carefully control income and expenses. Turn to page 03 to see how personal cash flow management can be designed to handle your financial situation like a business, enabling you to function as the controller and plan for your future requirements.

Six years after the banking and global financial crash that wiped more than 50% from its property market values, Ireland has experienced some of the fastest-growing house prices in the world. With average prices up 15% in a year, Ireland is top of an influential global house price index, ahead of the UK and Dubai. Read the full article on page 05.

Finding sources of income in today's low-yielding market environment remains a pressing challenge for investors. An unbalanced portfolio can concentrate risks and limit rewards, so investors may have to look beyond bonds for income opportunities and diversification benefits. With bond yields remaining near record lows – for now – on page 06 we consider the challenge of building a portfolio with the potential to deliver a sufficient level of income without assuming undue capital risk.

Even with a crystal ball it's difficult to predict what will happen to economies and markets throughout 2015, but one thing is sure and that is Ireland will be the fastest growing economy in the European Union this year, according to the European Commission's autumn economic forecast. On page 07 we look at the important themes for investors to consider in 2015.

On page 4 we also look at how your Will lets you decide what happens to your money, property and possessions after your death. In the event that you die without a Will, your money and property is distributed in accordance with the rules set out in the Succession Act 1965, which may not reflect your wishes. Without one, you lose control as to who inherits your money - so your loved ones, relatives, friends and favourite charities may not get what you would have intended. I hope you enjoy this issue and welcome your comments.

Kind Regards,
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IS IT TIME TO RUN YOUR FINANCES LIKE A BUSINESS?

How you could meet your financial goals and change your life with cash flow planning

Your personal financial situation is comparable to that of a business. Both have concerns for profit, income and expenses, and spending decisions affected by anticipated circumstances. And as with every successful business there is a reliance on a financial system to carefully control income and expenses.

Consequently, personal cash flow management is designed to handle your financial situation like a business, and you will function as the controller.

MODELLING YOUR FINANCIAL FUTURE

No matter how much money we have, or what stage of life we are at, we all have to make decisions about cash each and every day. Some of these are small, and others are much bigger, like buying a new car or house, or setting up an investment portfolio. All of these decisions, big and small, highlight the importance of managing your cash flow.

Cash flow forecasts can be as simple or complex as your financial needs dictate. Most families have regular monthly fixed inflows and outflows of cash that are easily identifiable and can be projected more or less precisely, for example: monthly salary, pension, interest, and household bills.

It's the irregular payments that can cause problems while reconciling your actual results with your forecast, which is why it's important to account for any likely changes in your family's future budget while applying historical data to your forecast. Making cash flow forecasts is like modelling your financial future, therefore you should be careful with the information you use to build your models.

Cash flow forecasting can bring you many benefits, namely because:

- Cash flow forecasting makes it possible for you to get a glimpse of your financial future before it happens and promptly react to any possible concerns
- It gives you advance warning on potential money problems. You can efficiently use the available time to work out solutions to overcome the anticipated financial troubles without having to overstretch your budget
- It helps you to predict upcoming cash surpluses that can be used towards your financial goals or to make profitable investments
- It provides key data for 'what if' modelling. You can run various 'what if' scenarios, assess the changes in your cash balance and readjust your forecast based on the results. Testing different strategic scenarios will help you prioritise your needs and make better money management decisions

SO HOW DO YOU GET THERE?

To achieve genuine financial independence, and all the lifestyle benefits that go with it, you need to make sure you handle your cash so that it grows. You need to create positive cash flow by investing in cash-creating assets. This means you can create an additional source of income, over and above the income you earn by working, to help you reach financial independence sooner.

Although this process is based on assumptions and predictions, cash flow forecasting provides a valuable insight into the likely future evolution of your personal finances. Cash flow forecasting is a powerful money management tool that encourages you to plan ahead, prepares you financially for what the future holds and ultimately helps you improve your personal finances. ■

TIME TO TALK TO BUCKLEY KIELY WEALTH MANAGEMENT?

Getting the cash flow forecasting basics right can help you reach your financial goals more quickly. To find out how Buckley Kiely Wealth Management can assist you, please contact us on telephone +353 (0) 21 4350777 or email: wealth@buckleykiely.ie – we look forward to hearing from you.

BUCKLEYKIELY
WEALTH MANAGEMENT
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WHERE THERE'S A WILL THERE'S A WAY

An essential part of financial planning that provides peace of mind about what happens to your wealth

Your Will lets you decide what happens to your money, property and possessions after your death. If you make a Will, you can also ensure that beneficiaries in your estate don't potentially pay more inheritance tax than they need to. It should form an essential part of your financial planning strategy. In the event that you die without a Will, your money and property is distributed in accordance with the rules set out in the Succession Act, 1965. This may have the effect of your loved ones, relatives, friends and favourite charities not inheriting from your Estate.

LEGAL ARRANGEMENT

It is particularly important to make a Will if you are a Cohabiting couple who is unmarried or not in a registered civil partnership (a legal arrangement that gives same-sex partners the same status as a married couple). Cohabiting couples have no legal rights to each other's estates but may be able to apply for redress when one of them dies.

A Will is also vital if you have infant children or dependants who may not be able to care for themselves. Without a Will, there could be uncertainty about who will care for or provide for them if you die.

PEACE OF MIND

No one likes to think about it, but death is the one certainty that we all face. Forward planning can give you the peace of mind that your loved ones can cope financially without you and, at a difficult time, helps remove the stress that monetary worries can bring. Planning your finances in advance should help you to ensure that, when you die, everything you own goes where you want it to. Making a Will is the first step in ensuring that your estate is distributed exactly as you wish it to be.

The benefit (the gift or inheritance) is taxed if its value is over a certain limit or threshold. Different tax-free thresholds apply depending on the relationship between the disponer (the person giving the benefit) and the beneficiary (the person receiving the benefit). There are also a number of exemptions and reliefs that depend on the type of the gift or inheritance. If you receive a gift or inheritance from your spouse or civil partner, you are exempt from Capital Acquisitions Tax.

As and from 5th of December 2012 the thresholds are as follows:

GROUP A: €225,000

Applies where the beneficiary is a child (including adopted child, step-child and certain foster children) or minor child of a deceased child of the disponer. Parents also fall within this threshold where they take an inheritance of an absolute interest from a child.

GROUP B: €30,150

Applies where the beneficiary is a brother, sister, niece, nephew or lineal ancestor or lineal descendant of the disponer.

NEED TO STRUCTURE OR PRESERVE YOUR ASSETS?

With numerous options available, you can be confident of making the right decisions with our advice. To review your situation and discuss your options, please contact Buckley Kiely Wealth Management on telephone +353 (0) 21 4350777 or email: wealth@buckleykiely.ie for further information.

GROUP C: €15,075

Applies in all other cases.

WHERE THERE'S A WILL THERE'S A WAY

There are many reasons why you need to make a Will:

- You can decide how your assets are shared – if you don't have a Will, the law determines who gets what
- If you're an unmarried couple (whether or not it's a same-sex relationship), you can make sure your partner is provided for.
- If you're divorced, you can decide whether to leave anything to your former partner.
- You can endevaour to ensure your beneficiaries do not pay more inheritance tax than necessary
- You want to include a trust in your Will (perhaps to provide for young children, person with special needs, save tax, or simply protect your assets in some way after you die)

Before you make your Will it is a good idea to think about what you want included in it.

You should consider:

- How much money and what property and possessions you have
- Who you want to benefit from your Will
- Who should by appointed Guardians of any children under 18 years of age
- Who should be appointed Trustees in cases of infant/dependent relatives.
- Who is going to administer your estate and carry out your wishes after your death (your executor)

ADMINISTERING YOUR ESTATE

An executor is the person responsible for administering and distributing your estate. You can appoint an executor by naming them so in your Will. Once you've made your Will, it is important to keep it in a safe place and tell your executor, close friend or relative where it is.

REVIEWING YOUR WILL

It is advisable to review your Will every five years and after any major change in your life, such as marriage (separation or divorce), having a child, or moving house.

IRELAND INFLUENCES GLOBAL HOUSE PRICE INDEX

House prices grow ahead of the UK and Dubai

Six years after the banking and global financial crash that wiped more than 50% from its property market values, Ireland has experienced some of the fastest-growing house prices in the world. With average prices up 15% in a year, Ireland is top of an influential global house price index, ahead of the UK and Dubai.

AMAZING CHANGE IN FORTUNE

According to the residential and commercial property consultancy Knight Frank, who compiled the index, Ireland has had an amazing change in fortune over the past 12 months. As recently as summer 2012, it was ranked 54th out of 55 countries surveyed, when house prices were falling by almost 10% a year following the damage caused by the economic crash of 2008.

STRONG PERFORMANCE

Ireland's strong performance could largely be due to the strength of the property market in Dublin, especially in desirable neighbourhoods such as Ballsbridge and Ranelagh. Over the past year, the market has seen the return of bidding wars, and properties are frequently being sold for as much as 20% above the asking price.

HOUSE PRICE BUBBLE

Ireland looks set to become the fastest growing eurozone economy for 2014, with Brussels predicting it will achieve 4.6% growth, although the latest data could potentially heighten fears of a new house pricing bubble.

Knight Frank's data showed that house prices in Ireland were still 39% below their pre-crisis peak of 2007, despite the 15% surge. However, considering the fact that it was languishing at the foot of the table for most of the period from 2009 to 2012, this can be seen as a remarkable comeback.

NEED ADVICE?

As part of our service, we take the time to understand our clients' unique needs and circumstances, so that we can provide them with the most suitable solutions in the most cost-effective way. Contact us today on telephone +353 (0) 21 4350777 or email: wealth@buckleykiely.ie to find out more.

Source data: Knight Frank

GENERATING INCOME

Understanding the investment, risk and potential returns fully before committing any money

Finding sources of income in today's low-yielding market environment remains a pressing challenge for investors. An unbalanced portfolio can concentrate risks and limit rewards, so investors may have to look beyond bonds for income opportunities and diversification benefits. With bond yields remaining near record lows – for now – the challenge is to build a portfolio with the potential to deliver a sufficient level of income without assuming undue capital risk.

RISK AND POTENTIAL RETURNS

There are a number of different investments available which produce an income. They will use different methods to generate that income and may or may not have income as the primary objective. Some products will be riskier than others. It is therefore important to understand the investment, risk and potential returns fully before committing any money.

When thinking about income-producing products, it is always good to start by asking yourself what your objective is and therefore what you want to do with that income. Do you want to take the income or do you want to reinvest it for growth? What is your risk appetite for a particular product? The answer to these questions will depend on your individual financial circumstances.

You may want, or need, to take an income to help pay monthly bills, or to supplement retirement income. The important thing to remember, if taking an income, is that different products will pay income at different times – monthly, quarterly or annually, for example – and it may not be a guaranteed amount. This is a particularly important consideration if you plan to pay bills with your investment income.

GENERATING AN INVESTMENT INCOME

The following asset classes may be suitable for investors who are investing for income.

CASH

Cash savings accounts, which pay an income in the form of an interest rate, can vary widely, but they generally fall into two categories: easy access and fixed-term savings.

BONDS

Bonds can be issued by governments or companies and are like a loan. Investors will loan the issuer an amount of money for a fixed period of time (maturity) and be paid a regular income (gross of tax), or yield as it more commonly called. At the end of the period, the capital is returned to the investor. It is important to remember that yields can fluctuate and, unlike cash investments, your capital is not guaranteed.

EQUITY INCOME

Another way of obtaining an income is from dividend payments. Dividends are a way for a company to distribute some of its profits to its shareholders in the form of an income payment (gross of tax).

PROPERTY

There are different types of property funds and they generally fall into two categories. Firstly, those investing in physical property – sometimes referred to as bricks and mortar funds – which will aim for a yield from rental income, as well as capital growth. Then there are those investing in property equities (property securities funds). It is usually the first category which generates the higher yield, although some property securities funds use covered call options to enhance their yield.

IMPACT ON YOUR INVESTMENTS

Choosing an income investment can be a tough decision, but getting it right or wrong could have a huge impact on your investment. With such a large number of income paying funds available, it can also be a daunting task, so we strongly recommend that you obtain professional financial advice. ■

COMBINING EXPOSURE

Generating income today requires a broader opportunity set. The key to generating higher income isn't to avoid the safest investments or to over-allocate to the riskiest. It's combining exposure to many of them in a portfolio that pursues your desired returns while diversifying and managing risks. For more information, please contact Buckley Kiely Wealth Management on telephone +353 (0) 21 4350777 or email: wealth@buckleykiely.ie

WHAT NEXT FOR ECONOMIES AND MARKETS?

Important themes for investors to consider in 2015

Even with a crystal ball it's difficult to predict what will happen to economies and markets throughout 2015, but one thing is sure and that is Ireland will be the fastest growing economy in the European Union this year, according to the European Commission's autumn economic forecast.

Ireland will continue to decouple from the euro area according to the European Commission and announced that Ireland in 2015 will continue to grow because of its export links to trade partners such as the UK and the US, which have stronger growth than the EU average.

SUSTAINED GROWTH

It is forecast that sustained growth is set to continue in 2015 and 2016 at around 3.6%, with some stimulus provided by tax cuts and expenditure increasing measures.

Unemployment should fall to 8% for some time, with inflation remaining low, although it may increase slightly more than the euro area average. Commission officials have said that Irish households will continue to pay down debt, and that this would mean that the growth in private consumption would remain 'gradual'.

GROWTH OUTLOOK

The EU has already sharply cut its growth forecasts for the euro zone as a whole, warning that France and Italy remain huge problems for the sluggish European economy. The EU has predicted that the growth outlook for 2015 will fall to 1.1% from the previous forecast of 1.7%.

It became clear during 2014 that one of the major themes to emerge has been the uneven rate of global growth, with the strength of the UK and US standing in stark contrast to Japan's need for yet more stimulus and Europe's continued weakness.

Going hand in hand with this would be continued demand for bonds over 2015, causing prices to rise and yields to fall – this is despite predictions that investors would turn away from lower-risk assets.

So, looking ahead to 2015, what could be the most important themes for investors?

DEFLATION THREAT

Inflation is at low levels in many developed economies, particularly the eurozone, raising concerns about the threat of deflation. We have already seen deflation in a number of European economies in 2014, and the region as a whole saw its inflation rate fall to 0.3% during the year. While there has been improvement among the eurozone's peripheral economies, anaemic growth and a lack of inflationary pressures remain.

Should Europe fall into deflation, it would have a dramatic impact on growth and investment returns, and would also have a negative effect on the UK economy as European demand for British exports would fall. Despite this, we expect the eurozone to return to growth and see rising inflation in the coming year, albeit at a slow pace.

CENTRAL BANKS

An uneven economic recovery has resulted in central bank policy around the world taking divergent paths. At the same time that the US Federal Reserve ended its quantitative easing (QE) programme, the Bank of Japan shifted its monetary easing programme into overdrive. Meanwhile, in Europe, the president of the European Central Bank, Mario Draghi, continued to hint at further easing measures.

So what will happen to QE globally in 2015? While the US will continue to recover, the fact remains that global growth remains sluggish. We expect to see continued central bank support for the markets, but believe it is unlikely that the ECB will introduce full-fledged QE. Instead, it will most likely try to achieve its goals through communication instead of a broad sovereign bond-buying initiative.

INTEREST RATES

If there is anything that we can learn from 2014, it is that we should not rely on an interest rate rise taking place any time soon. At the beginning of the year, the question on many people's minds was how soon an interest rate rise would take place. That all changed when both the US Fed and the Bank of England determined that their respective economies were not yet back to full health.

The consensus now is that the first interest rate rises on both sides of the Atlantic will be in late 2015. But given the environment of low inflation and worries about a slowdown in growth, we might see the first rate rise delayed further.

BOND MARKETS

At the end of 2013, the consensus call was for rising bond yields as the economy improved and the US Federal Reserve wound down its stimulus programme. But despite the US and the UK delivering solid economic growth in 2014, low inflation, worries about growth in Europe, a slowdown in China and a raft of geopolitical tensions weighed on sentiment and supported lower-risk assets.

For the same reasons why we believe that the first interest rate rise might not even happen in 2015, we also do not rule out the likelihood that the bond market could continue to see high demand in 2015 if we continue to experience economic uncertainty. Government bond yields might already be low, but this does not mean that they cannot fall further.

STRONG FUNDAMENTALS

After a period of weakness and instability, Asia is back. Valuations appear cheap, the fundamentals are strong and a wave of reforms across the region has lifted spirits. While we are being cautious in our approach to the US and have worries about the health of Europe's economy, our view of Asia Pacific is positive.

Given the amount of structural change taking place in the region and the demand for goods and services coming from its burgeoning middle classes, this is a region that is likely to outperform in 2015. Even though we believe that the UK remains good value in the current climate, it is unlikely to match Asia Pacific's growth in the coming year. ■

A YEAR OF NEW OPPORTUNITIES

Economic growth and monetary policies are diverging across the world, and 2015 is likely to be a year for volatility spikes and new opportunities. To discuss your requirements for the New Year please contact Buckley Kiely Wealth Management on telephone +353 (0) 21 4350777 or email: wealth@buckleykiely.ie



PENSION SAVINGS

How big will your pot provide in your retirement?

A Standard Life survey[1] of 1,000 respondents revealed that the average Irish adult would like to retire on almost €40,000 p.a. (€38,629) but is saving towards an income of approximately €6,000 p.a.[2] – a fraction of this amount. The average monthly pension saving is just €137.

HOW MUCH DO YOU CONTRIBUTE MONTHLY INTO YOUR PENSION SCHEME?

- 35 per cent save over €100 p.m.
- More than a quarter (28%) of respondents save less than €50 p.m.
- 22% - don't know
- Only 11% save over €250 p.m.
- Average Irish pension saver saves just €137 per month towards their retirement

HOW MUCH TOTAL ANNUAL INCOME DO YOU NEED TO HAVE A COMFORTABLE RETIREMENT?

- 16% said €20,000 p.a. or less
- 12% said €20,000 p.a. to €25,000 p.a.
- 72% said €25,001 to over €50,000 p.a. (21% of those surveyed want to live on over €50,000 p.a. in retirement).

HOW MUCH DO YOU NEED TO SAVE PER MONTH TO GIVE €440K AT AGE 65 OR €22,000 P.A.[3]

Age	Monthly premium (gross)
30	€400
35	€543
40	€754

IT'S YOUR MONEY, SO YOU SHOULD ALWAYS BE IN CONTROL

To find the right options to best suit your needs and stay on top of your retirement plan, contact Buckley Kiely Wealth Management on T: +353 (0)21 4350777 or E: wealth@buckleykiely.ie. We look forward to hearing from you.

Source data:

[1] The survey results are based on an online survey of 1,000 adults aged 18+ in the Republic of Ireland conducted by Research Plus Ltd on behalf of Standard Life between 25 September and 2 October, 2014.

[2] Based on the average monthly amount of €137 being saved over thirty years, assuming 1% annual management charge and a 6% growth p.a.

[3] Assuming an annuity rate of 5% for a 65-year-old male.

Past performance is not a guide to future performance. The value of investments may fall as well as rise and investors may not get back the amount invested. Income from investments may fluctuate. Currency fluctuations can also affect performance.

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