

Ring the Bells That Still Can Ring



This line is usually read out by Leonard Cohen when he starts performing his wonderful song, Anthem. It is a song full of meaning but to me it talks of taking responsibility and doing what you can, when you can.

We are living in the most extraordinary times – a virus we had not heard of four months ago has brought the World to a grinding halt, cost thousands of lives, made millions extremely ill and caused untold human suffering. On a far less important note, global industry and trade have been brought to their knees, millions of jobs have been lost and trillions have been wiped off the value of companies. How much of what we have seen could we have changed? The answer is very little. How much of it could we have avoided or controlled? The answer is none.

While we could not control these factors and events, they have had enormous ramifications for customers, their lives and their businesses. Some of us have had time to stand back and take stock, to evaluate what we have and do not have, at many levels. One area which we sometimes can be too busy to consider is our financial reality. Some of this reality is dictated by decisions we have made such as buying a house, having children and working in a chosen industry. To an extent, we control these. Some of it is decided for us, such as how much we are paid, the cost of living, how much time we will spend in work. We do not really control these things.

Some find facing financial reality a bit daunting which can lead them to shy away from really examining it. We can fall into the "Sure, it will be ok" trap. Or worse, we assume that somebody else is looking after this for us. If it feels a bit much, then break it down into bite-sized, controllable chunks. I love the phrase "if you take it on one drop at a time, eventually your bucket will overflow."

We can capture the essence of financial reality using three pillars of advice – making money, saving money and protecting your future. We can forget about products and funds and policies when we keep those three pillars to the fore. We can look at what we can control.

Making Money

It continues to amaze me that people continue to accumulate cash deposits at a time when interest rates are at record low levels. Not only have rates been low but our expectations are that they will remain low for a long time into the future. In February this year, net household deposits increased by €662m. On an annual basis, the excess of household deposits over withdrawals increased by €7.3 billion (source: CBI February 2020). So people are saving, but are they using their money wisely?

In the past, savings would typically have been placed in fixed-term deposit accounts. Today, the reality is that with interest rates low across the board, people see little incentive in extending the term of their holdings and the majority is held in instant access, on demand accounts. While inflation is low, it is eroding the buying power of the money you worked so hard to accumulate.

Everyone should aim to keep adequate money on deposit to meet short and medium term needs, even at such low rates. But you can get a better return on the remainder of your money through careful investing in real assets, once you follow a few cardinal rules – do not put all of your eggs in one basket and allow sufficient time for your money to grow.

While we have seen very high levels of nervousness in investment markets in recent months, we know that over the long term, company shares deliver the best returns for our customers, even with some difficult periods along the way.

Today, there are many ways to manage your money that can reduce the impact of periods of high market nervousness, while delivering real growth over the medium to long term. You cannot control the movement in stock markets in the short term but you can achieve better returns over time.

The key point is to get your money to grow. You have worked hard to accumulate it and now you want to get it working for you and your loved ones.

Saving Money

Many of you are isolating at home. We hear that painting and decorating, gardening and baking are proving very popular as people spend more time at home. What about doing some spring cleaning of your finances? Take some time to look at your bank statements or recent transactions to see how you are spending today and to look for ways where savings can be made. Are you holding cash balances and expensive short term debt at the same time? Do you understand each of those monthly direct debits? Are you getting value for money for your utility bills or can you research the market to find them better value for money? Have you old insurance policies that could be switched to save you money?

Have you a number of older pension plans from previous employment? Is it appropriate to amalgamate some of these and achieve efficiencies in terms of administration and fees? More modern plans often offer far more competitive fees. This can also allow you to take real control over how your money is invested, if you want. This can be an effective segway into a more comprehensive discussion on your retirement savings plans. Are they on track? Is your expected retirement date still what you want it to be or does your plan need to be revised now? Is this within your control or can you wrestle it back?

Protecting Your Future

If ever we needed a reminder that “rainy days” can and do happen, then we have got one this year. The COVID-19 crisis shows us how suddenly we can become ill, how we can lose our primary source of income and how tragically, some have passed away in such an untimely manner. This reminds us that while we may have a Plan A, we also need a Plan B. There are some situations you can save for but there are others that you need to plan for.

If we are feeling more vulnerable today, let us not suffer in silence. While affordability of additional cover may be a challenge for some, most of us will realise that insuring ourselves and those that are important to us has never been so important.

We should not assume that we have an appropriate level of cover for when something goes wrong. It feels good to get real clarity about what we have in place, getting an understanding of ideally what position we want to be in and then having a plan about how to fill in any gaps.

We know intuitively that there are plenty of steps we need to take to improve our personal finances. Most people tell us they want help to understand what to do and then how to do it in a straightforward manner. You just may need a nudge to get started, to help you overcome the inevitable inertia.

While we cannot control much of what is happening in the World today, we can control how we react to it, how we can get financial confidence and how we can achieve better outcomes for ourselves and our families. The good news is that it feels really good to do this – your steps are lighter and you know the direction in which you are walking. You are taking control. Do not feel overwhelmed – you do not have to take it all on in one go. The key thing is to start by understanding the issue and to get on the journey to achieving the outcomes that you want for yourself and your family

To finish, let us go back to Leonard Cohen's Anthem – “Ring the bells that still can ring, forget your perfect offering, there is a crack, a crack in everything, that's how the light gets in.”

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