

# WORRIED ABOUT YOUR CHILDREN'S EDUCATION COSTS? WE CAN HELP

You want your children to have the best education possible, yet school and college expenses can be costly.

€10K	estimated annual cost of sending your child to college away from home <sup>1</sup>
€5K	estimated annual cost of sending your child to college while living at home <sup>1</sup>

## HOW PREPARED ARE YOU FOR EDUCATION COSTS?

According to Aviva's Cost of Education<sup>1</sup> report:

- Half of Irish parents feel completely unprepared for the high cost of putting children through third level education.
- Over a third of families intending to put children through third level education have savings earmarked for this purpose.

Interestingly, 59% of Irish deposit holders have no idea what interest rate they earn. And when they are aware of this rate, 93% say they are very unsatisfied with the interest rate they're earning<sup>2,3</sup>.

## HELP YOUR SAVINGS MAKE THE GRADE

When it comes to your child's future, you'd do all you can and more. We understand how a regular savings plan allows you to gradually build up the funds necessary to support your children's third level education. You can save from as little as €100 a month through a Regular Saver. Investment Bonds gives your built up lump sum the potential to grow over the medium to long-term. You can invest from as little as €10,000 through an Investment Bond.

## 5 REASONS TO CHOOSE REGULAR SAVER AND INVESTMENT BOND

### 1. HIGHER GROWTH POTENTIAL

Your money has the potential to generate higher returns than deposits<sup>3</sup> over the medium to long-term.

### 2. CHOICE AND FLEXIBILITY

Two ways to invest:

- Pick a ready-made **managed** fund.
- Pick your own funds.

### 3. EASY ACCESS

You have access to your money when you need it<sup>4</sup>.

### 4. COST-EFFECTIVE INVESTMENT OPTIONS

### 5. ONLINE ACCESS

To check the value of your investments anytime.

1. Source: Aviva Cost of Education Report. For more information on this report please see the media section on [www.aviva.ie](http://www.aviva.ie).

2. RedC research undertaken on behalf of Aviva May 2017. Base: All Adults Aged 18+, sample size=2,561.

3. Qualifying terms and conditions apply to fixed deposits. The capital and interest earned in a fixed term deposit account are guaranteed (subject to credit risk). When you invest in a deposit account you may qualify for compensation under the Deposit Guarantee Scheme should the bank be unable to meet their obligations to you.

4. Annual fund charges apply and early encashment charges apply on certain Investment Bond product options. For details of the charges that apply to your product option please see either the relevant Summary Details Insert for Investment Bond, or the Regular Saver brochure. Property investments cannot be sold as easily or quickly as equities or bonds - so, in order to protect the interest of the remaining investors, in some circumstances, encashment of units from funds that invest directly or indirectly in property may be deferred for a period not exceeding six months. For all other funds, encashment of units may be deferred for up to three months.

## THE REGULAR SAVERS...

*Alice and John...*

Let's say Alice and John have decided to invest €140 a month in a Regular Saver account to help pay for their child Annie's education. If we assume their fund returns 3%, 5% or 7% per year, the following table shows what their return could potentially look like after 18 years excluding the impact of tax. Now that wouldn't be a bad return for a **€4.60 investment a day**.

<b>€140 invested each month:</b>			
	<b>3%</b> per year growth less 1.25% annual fund charge	<b>5%</b> per year growth less 1.25% annual fund charge	<b>7%</b> per year growth less 1.25% annual fund charge
After 18 years	€35,520	€42,959	€52,275

1. Source: Aviva 15 August 2017. The above example is hypothetical and does not represent any investors particular experience.
2. The above example excludes the impact of product charges and tax.

## THE LUMP SUM INVESTORS...

*Mary and Vincent...*

Let's say they invest €10,000 for their child Alex's education in Investment Bond. If we assume their fund returns 3%, 5% or 7% per year, the following table shows what their return could potentially look like over different time periods excluding the impact of tax.

	<b>3%</b> per year growth less 1% annual fund charge	<b>5%</b> per year growth less 1% annual fund charge	<b>7%</b> per year growth less 1% annual fund charge
Year 1	€10,200	€10,400	€10,600
Year 10	€12,190	€14,802	€17,908
Year 20	€14,859	€21,911	€32,071

1. Source: Aviva 15 August 2017. The above example is hypothetical and does not represent any investors particular experience.
2. The above example excludes the impact of product charges and tax.

### Warning:

**All figures are estimates only. They are not a reliable guide to the future performance of this investment.**

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

**If you invest in these products you may lose some or all of the money you invest.**

**These products may be affected by changes in currency exchange rates.**

To find your local financial broker  
and learn more about these products

# THE POWER OF 'AVERAGING'

Understandably, pensions and savings investors are often reluctant to invest new money when markets are volatile. However, it is possible to make volatility **work in your favour...**

## NO NEED TO TIME THE MARKET

Market timing (buying when the market is low and selling when it is high) is notoriously difficult – mis-timing your move by just a day can mean taking some unnecessary losses or missing out on substantial gains. Regularly investing small amounts of money into the market means you can benefit from something known as 'euro-cost averaging'.

### EURO-COST AVERAGING

*An illustration*

Let's say you invest a monthly sum of €500 into a fund.

- In a month in which the market falls, you will get more shares for your money.
- If the market rises, you will of course buy fewer shares, but your existing shares will also be worth more.

Your contributions buy more units when prices are low.

So, provided that the market subsequently improves and you then encash, all the units purchased by your plan will benefit from this recovery.

The hypothetical example overleaf shows the extra benefit of paying contributions of €500 a month during a 6-month period of stockmarket volatility.

### Investing €500 a month during a 6-month period of stockmarket volatility

When contribution paid	Amount invested	Unit price	Number of units bought
Month 1	€500	€5.00	100
Month 2	€500	€4.50	111
Month 3	€500	€4.00	125
Month 4	€500	€4.00	125
Month 5	€500	€4.50	111
Month 6	€500	€5.00	100
<b>Total after 6 months</b>	<b>€3000</b>	<b>Average €4.50</b>	<b>672</b>

It's important to remember that markets can fall or rise at any time and it will only be on surrender of your policy that real gains (if any) will be accumulated.

### Investing a lump sum of €3,000 at the outset

When contribution paid	Amount invested	Unit price	Number of units bought
Month 1 – Lump Sum	€3000	€5.00	600
<b>Total after 6 months</b>	<b>€3000</b>	<b>Average €5.00</b>	<b>600</b>

**Warning:**

These figures are estimates only. They are not a reliable guide to the future performance of these type of investments.

## TURBO-CHARGE YOUR SAVINGS OR INVESTMENTS WITH THE POWER OF COMPOUNDING!

With time and patience, compounding can give your saving or investment efforts a **massive boost**. Find out more about this little-known financial marvel...

When it comes to saving and investing, the key to making serious money is to start as early as you can. Why? Because the sooner you begin, the more time your money has to benefit from a phenomenon known as 'compounding' – reportedly once called 'the Eighth Wonder of the World' by a certain Mr A. Einstein.

### HOW COMPOUNDING WORKS

Often known as 'compound interest' or 'compound returns', depending on whether you're saving or investing, compounding works a lot like a snowball rolling down a mountain. While we may start off with a small, fist-sized ball, we can end up with something much bigger as it gradually gains momentum.

### START NOW TO MAKE THE MOST OF COMPOUNDING

Whether you're saving or investing, the phenomenon of compounding can really help your money grow. As we've seen above, however, you need to give it plenty of time to allow it work its magic – so if you can, it pays to start sooner rather than later. As the saying goes, the early bird catches the worm. Or in this case, the returns.

#### Thinking about investing?

You can start a Regular Saver with as little as €100 a month, or a lump sum of €5,400.

You can start an Investment Bond with a lump sum of €10,000.

#### Warning:

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

If you invest in this product you may lose some or all of the money you invest.

These products may be affected by changes in currency exchange rates.

### HERE'S HOW THE CONCEPT WORKS IN PRACTICE...

- Let's say you put some money into a bank savings account.
- **After a year**, you'll have earned interest on that original sum.
- **In the second year** you earn interest on both your original capital **plus** the first year's interest.
- **Then in the third year**, you earn interest on your original capital **plus** the first two years' interest.
- And so it goes on, like a snowball gathering size and speed.

The same thing applies if you're investing – the difference being that instead of earning interest on your interest, you can potentially earn returns on top of any returns you've already earned. Just remember to bear in mind that the value of investments can go down as well as up, and you may get back less than you originally invested. So rather than rolling down the mountain in a straight line, our snowball may have a bumpier ride.

#### Consider Mary...

... she's 25 and has €10,000 in savings. If she invests this €10,000 and just forgets about it, it may grow. So let's assume her fund returns 3%, 5% or 7% per year after annual management charges, here is what her return would like:

	3% per year growth less 1% annual management charge	5% per year growth less 1% annual management charge	7% per year growth less 1% annual management charge
Year 1	€10,200	€10,400	€10,600
Year 10	€12,190	€14,802	€17,908
Year 20	€14,859	€21,911	€32,071
Year 30	€18,114	€32,434	€57,435
Year 35	€19,999	€39,461	€76,861
Year 40	€22,080	€48,010	€102,857

#### Warning:

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

The above example is hypothetical and does not represent and investors particular experience. The above example excludes the impact of product charges and tax.

Of course, it's important to remember that right now interest rates on savings accounts with Irish banks are at historic lows<sup>1</sup> muting the impact of compounding when you choose to save in a bank savings account<sup>1</sup>.

1. Source: Irish Times 03 May 2016.