MF TIMES

SEPTEMBER
2018

PROTECT YOUR FUTURE WITH US

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WELCOME

Welcome to the September 2018 edition of our newsletter

This edition, as always, contains a variety of articles which I hope will be of interest to you and your business.

If you have any queries, please do not hesitate to get in touch on **021 2428185** or info@manning-financial.ie

Breon.

Don't forget to check out Manning Financial's latest videos on MFtv.

MANNING FINANCIAL

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**[1]

€5K **estimated annual cost of sending your child to college while living at home**[1]

HOW PREPARED ARE YOU FOR EDUCATION COSTS?

According to Aviva's Cost of Education[1] 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[2,3].

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[3] over the medium to long-term.

2. CHOICE AND FLEXIBILITY

Two ways to invest:

- Pick a ready-made m**anaged** fund.
- Pick your own funds.

3. EASY ACCESS

You have access to your money when you need it[4].

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.*
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**.

	€140 invested each month:		
	3% per year growth less 1.25% annual fund charge	5% per year growth less 1.25% annual fund charge	7% 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.

	3% per year growth less 1% annual fund charge	5% per year growth less 1% annual fund charge	7% 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*
2. *particular experience. 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.

Please contact our office
to learn more about these products

MANNING FINANCIAL

ECONOMIC OUTLOOK

Dr. Constantin Gurdgiev

What unites Warren Buffett, Apple and the financially distressed generation of the Millennials? In one word: cash and preferences for safe haven assets.

Consider three facts.

FINANCIAL MARKETS

One: at the start of August, Berkshire Hathaway Inc. gave Buffett more room to engage in stock buybacks, just as company cash holdings rose to USD111 billion at the end of 2Q 2018, marking the second highest quarterly cash reserves in history of the firm. This comes on foot of Buffett's recent statements that current stock markets valuations price Berkshire out of «virtually all deals», just as the company took its holdings of Apple stock from USD40.7 billion in 1Q 2018 filings to USD47.2 billion in 2Q filings. Historically, Berkshire and Buffett are known for their high risk, nearly contrarian, but fundamentals-anchored investments: a strategy for selecting companies that offer long term value and growth potential and going long big. Today, Buffett simply can't find enough such companies in the markets. His call is to return earnings to shareholders instead of investing them in buying more shares.

Two: on August 2nd, Apple became the first private company in history to top USD1 trillion market valuation mark when company stock closed at above USD207.05 per share. Company's path to this achievement was based on far more than just a portfolio of great products. In fact, two key financial engineering factors in recent years have contributed to its phenomenal success: aggressive tax optimisation, and extremely active shares buybacks programme. In May 2018, the company pledged USD100 billion of its USD285 billion cash stash (accumulated primarily off-shore, in low tax jurisdictions such as Ireland, Jersey and in the Caribbean) for shares buybacks. As of end of July, it was already half way to that target. Apple is an industry leader in buybacks, accounting for close to 15 percent of all shares buybacks planned for 2018. But Apple is not alone. A study by the Roosevelt Institute released in August shows that U.S.-listed companies spent 60 percent of their net profits on stock buybacks between 2015-2017. And on foot of the USD1.5 trillion tax cuts bill passed by Congress in December 2017, buybacks are expected to top USD 800 billion this year alone, beating the previous historical record of USD 587 billion set in 2007. Whichever way you take the arguments, accumulation of tax optimisation-linked cash reserves, and aggressive use of shares buybacks have contributed significantly to the FAANGS (Facebook (FB), Amazon (AMZN), Apple (AAPL), Netflix (NFLX), and Alphabet (GOOG)) dominance over the global financial markets.

THE SQUEEZED GENERATION

And this brings us to the third fact: the lure of cash in today's world of retail investment. If cash is where Warren Buffetts and Apples of the financial and corporate worlds are, it is quite rational that cash is where the new generation of retail investors will be. Per Bankrate.com July 2018 survey data, 1 in 3 American Millennials are favouring cash instruments (e.g. savings accounts and certificates of deposit) for investing their longer-term savings. In comparison, only 21 percent of Generation X investors who prefer cash instruments, and 16 percent for the Baby Boomers. American retail investors are predominantly focused on low-yielding, higher safety investment allocations. For example, recent surveys indicate that only 18 percent of all American investment portfolios earn non-negative real returns on their savings, and that these households are dominated by the Baby Boomers generation and the top 10 percent of earners. Amongst the Millennials, the percentage is even lower at 7.4 percent.

The conventional wisdom suggests that the reasons why Millennials are so keen on holding their investments in highly secure assets is the fear of market crashes inherited by their generation from witnessing the Global Financial Crisis. But the conventional wisdom is false, and this falsehood is too dangerous to ignore for all investors - small and large alike.

In reality, the Millennials scepticism about the risk-adjusted returns promised by the traditional asset classes - equities and bonds - is not misplaced, and dovetails neatly with what both the largest American corporates and the biggest global investors are doing. Namely, they are pivoting away from yield-focused investments, and toward safe havens. The reason we are not seeing this pivot reflected in depressed asset prices, yet is because there is a growing gap between strategic positioning of the Wall Street trading houses (all-in risky assets) and those investors who are, like Buffett, focusing on longer-term investment returns.

OVERVALUED INVESTMENT

In simple terms, the U.S. asset markets are grossly overvalued in terms of both current pricing (including short term forward projections), and longer term valuations (over 5 years duration).

The former is not difficult to illustrate. As recent markets research shows, all of the eight major market valuations ratios are signalling some extent of excessive optimism: the current S&P500 ratio to historical average, household equity allocation ratio, price/sales ratio, price/book value ratio, Tobin's Q ratio, the so-called Buffett Indicator or the total market cap of all U.S. stocks relative to the U.S. GDP, the dividend yield, the CAPE ratio and the unadjusted P/E ratio. Take Buffett's Indicator: normally, the markets are rationally bullish when the indicator is in the 70-80 percent range, and investors pivot away from equities, when the indicator hits 100 percent. Today, the indicator is close to 140 percent - a historical record.

But the longer run valuations are harder to pin down using markets-linked indices, because no one has a crystal ball as to where the markets and the listed companies might be in years to come. Which means that any analyst worth their salt should look at the macro-drivers for signals as to the future markets pressure points and upside opportunities.

Here, there are worrying signs.

In the last three decades, bankruptcy rates for older households have increased almost three-fold, according to the recent study, from the Consumer Bankruptcy Project.

papers.ssrn.com/sol3/papers.cfm?abstract_id=3226574

This suggests that not all is well amongst the wealthiest retired generation, the Baby Boomers, who are currently holding the vastly disproportionate share of all risky assets in the economy. For example, 80 percent of Baby Boomers own property, accounting for roughly 65 percent of the overall housing markets available assets. All in, Baby Boomers have over 50.2 percent share of net household wealth. As they age, and as their healthcare costs rise, they will be divesting out of these assets at an increasing rate. This effect is expected to lead to a 3-3.5 percent reduction in the expected nominal returns to the pensions funds for the Generation X and the Millennials, per 2016 study by the U.S. Federal Reserve.

www.federalreserve.gov/econresdata/feds/2016/files/2016080pap.pdf

The latter is, in part, the legacy of the 2007 Global Financial Crisis, which has resulted in an unprecedented collapse in wealth held by the American middle classes. Based on the report from the Minneapolis Federal Reserve

www.minneapolisfed.org/publications/the-region/race-and-the-race-between-stocks-and-homes ,

current household wealth for the bottom 50 percent of U.S. households is at the lowest levels since the mid-1950s, while household wealth of the middle 40 percent of the U.S. households is comparable to where it was in 2001. In other words, nine out of ten U.S. households have not seen any growth in their wealth for at least 18 years now.

Over the same period of time, wages and incomes of those currently in middle and early stages of their careers, aka the Generation X and the Millennials, have stagnated, while their career prospects for the near future remain severely depressed by the longer in-the-job tenures of the previous generations.

June 2018 paper from the Opportunity and Inclusive Growth Institute, titled "Income and Wealth Inequality in America, 1949-2016"

https://www.minneapolisfed.org/institute/working-papers-institute/iwp9.pdf

documented the dramatic reallocation of purchasing power in the U.S. income across generations, from 1970 to 2015, with the share of total income earned by the bottom 50 percent dropping from 21.6 percent to 14.5 percent, while the top 10 percent share climbed from 30.7 percent to 47.6 percent. Share of wealth held in housing assets for the top 1 percent of earners currently stands at around 8.7 percent, with the remained held in financial assets and cash. For top 20 percent of income distribution, the numbers are more even at 28 percent of wealth in housing. Middle class distribution of wealth is completely reversed, with 62.5 percent held in the form of housing.

The problem is made worse by the fact that following the financial crash of 2007-2008, the U.S. Government failed to provide any meaningful support to struggling homeowners, focusing, just as European authorities did, on repairing the banks instead of households.

What all of this means for the asset values going forward is that demographically, the economy is divided into the older and wealthier generation that is starting to aggressively consume their wealth, looking to sell their financial assets and leverage their housing stocks, and those who cannot afford to purchase these assets, facing lower incomes and no tradable equity. This is hardly a prescription for the bull markets in the long run.

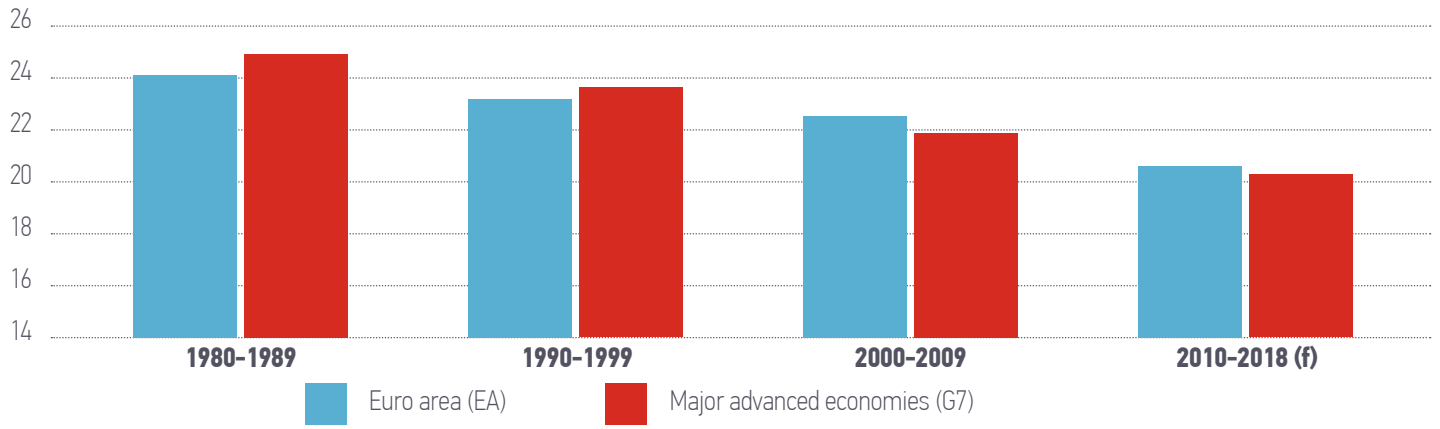
In this environment, on a 5-10 years time horizon, holding cash and money markets instruments makes a lot more sense not because these instruments offer significant current returns, but because the expected upcoming asset price deflation will make cash and safe haven assets the new market king.

The same is apparent in the corporate decisions to use tax and regulatory changes to beef up their cash holdings and equity prices, as opposed to investing in new growth activities. Even inclusive of buybacks, and Mergers & Acquisitions in the corporate sector, aggregate investment as a share of GDP continues to slide decade after decade, as highlighted in the chart below.

What makes matters even worse is that until mid-2000s, the data for investment did not include R&D activities, normally classed as expenditure in years prior. Adjusting for M&As, buybacks and R&D allocations, aggregate investment in G7 economies has declined from 24.9 percent of GDP in the 1980s to around 16-17 percent in 2010-2018. In simple terms, neither the public nor the private sector in the largest advanced economies in the world are planning for investment-driven growth in the near future, out into 2025.

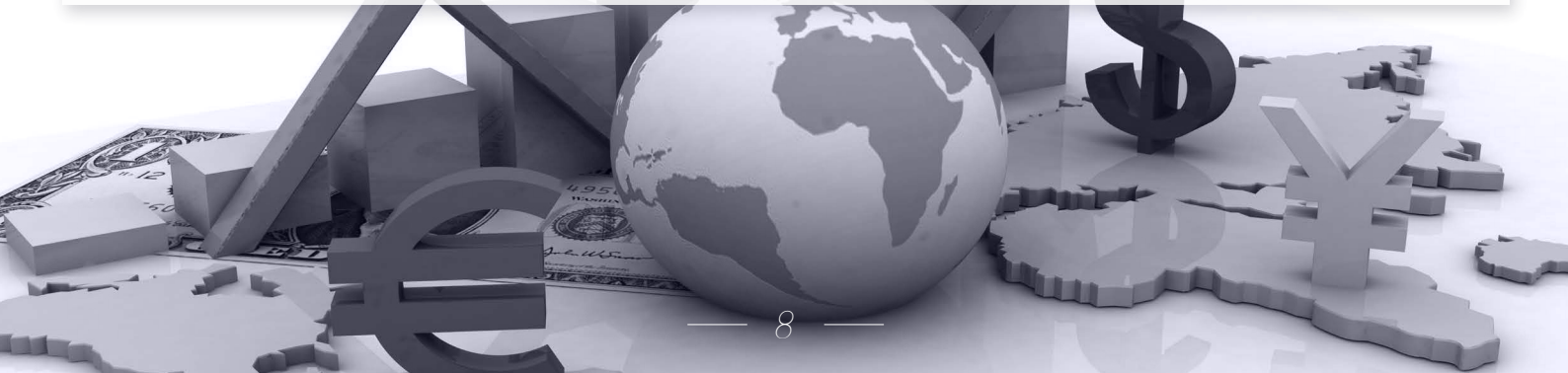
None of which should come as a surprise to those following my writings in recent years, including in these pages. Over the years, I have written extensively about the Twin Secular Stagnations Hypothesis - a proposition that the global economy has entered a structurally slower period of economic growth, driven by adverse demographics and shallower returns to technological innovation. What is new is that we are now witnessing the beginning of the demographics-driven investors' rotation out of risky assets and toward higher safety instruments. With time, this process is only likely to accelerate, leading to the structural reversal of the bull markets in risky assets and real estate.

CHART 1: Aggregate Investment, % of GDP, period averages



Prof. Constantin Gurdgiev is the Associate Professor of Finance with Middlebury Institute of International Studies (California, USA) and an Adjunct Professor of Finance with Trinity College Dublin (Ireland). His research is concentrated in the fields of investment, geopolitical and macroeconomic risk and uncertainty analysis. Prof. Gurdgiev serves an adviser with a number of fintech start ups, and a co-Founder and Chairman of the Board of the Irish Mortgage Holders Organisation, and a co-Founder of iCare Housing Solutions, two non-profit organizations working with the issues of financial empowerment.

In the past, Prof. Gurdgiev served as the Head of Macroeconomics with the Institute for Business Value, IBM, the Director of Research with NCB Stockbrokers, Ltd, and the Editor and Director of the Business & Finance magazine.



Resilience:

A BETTER WAY TO HANDLE STRESS

Could a sheltered upbringing be the cause of diminished coping skills in millenials?

Individuals who grew up in or before the 1970s learned things the hard way. With limited disposable income, most kids of low to middle-income families did not have it easy, enjoying the privileges of the upper class, such as pocket money, cars and going on overseas trips.

Maybe that's why parents who had children in the 80's and 90's want to have an easier life for their children. Often they are over protective and are quick to reward and celebrate big (and also small) accomplishments. In addition, they lowered their expectations for what their children should do in return.

While the old-style of parenting may be considerate harsh and easing up on it is a step in the right direction, it seems as though we have gone just a bit too far in the soft parenting approach. We've put a huge buffer between our children and the real world, and we do too much for them. While it seems admirable, we're putting them at a disadvantage, as they are losing their ability to handle the ups and downs of today's world.

Every year, the rate at which antidepressants are prescribed increases, as does teen suicide.

Research compiled by VHI on mental health in the workplace showed that a high percentage of Irish corporate employees suffer from anxiety, stress and depression. It also showed that individuals under the age of 34 possessed a general lack of resilience.

What is Resilience?

Resilience is "the process of adapting well in the face of adversity, trauma, tragedy, threats or significant sources of stress - such as family and relationship problems, serious health problems or workplace and financial stressors", according to the American Psychological Association.

That does not mean that a resilient person is immune to difficulty, distress or stress in general, but rather that they are better able to bounce back from setbacks and the difficulties life throws at them. Instead of being discouraged by failure, they show a grit that enables them to persist despite any challenges they may face.

While resilience is a fundamental characteristic in any human, it is usually learned through adversity and setbacks. Sadly, people younger than 35 have been protected from life's lessons, has resulted in a generation that lacks this life skill which is required in modern-day living. As a result, they face a doubly-difficult challenge: they are trying to survive in a world that is faster moving than ever before with reduced coping mechanisms.

The lack of resilience in today's workforce is leading to many life issues, leading to problems in the workplace and an exponential increase in antidepressant consumption.

Some of the trends on the rise:

- **mental health problems**
- **frequent sick leave**
- **faster staff turnover**

A research study found that over 20% of employees felt stressed or very stressed. This lead VHI to launch a programme designed to boost people's resilience. It will focus on improving coping skills, helping people to cope better with life's ebb and flows.

Teaching resilience is not easy, as it should ideally be a byproduct of one's upbringing. However, perhaps through self-awareness and development of coping skills, people can improve their resilience.

Resilience is crucial in fast-paced, high-pressure environments where individuals are required to multitask. Resilience-based programmes can help managers to identify stress triggers and help them to share responsibilities in order to improve employees' work-life balance. Through programmes, they can develop strategies to help employees increase resilience, leading to professional effectiveness that will benefit both the individuals and their employers.

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
Total after 6 months	**€3000**	**Average €4.50**	**672**

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
Total after 6 months	**€3000**	**Average €5.00**	**600**

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

Don't Eat at Your Desk SERIOUSLY!

Lunching at your desk may be convenient for you, but that's about where the benefits end. Apart from the fact that your co-workers will not appreciate the sounds and aromas, it also has a negative impact on your mental and physical health.

About 75% of us regularly eat al desko, which makes us guilty of the cardinal sin of desk workers: Thou shalt take regular breaks during thy working day. And there's good reason why this should apply to your at-work eating habits too.

YOU WILL HAVE A HARD TIME WITH PORTION CONTROL

Eating by your desk is bad for your waistline, as you may overeat because you're distracted with Facebook or cat videos. Research has shown that people who eat while watching television consume approximately one third more than they would otherwise, and the same would apply to eating by your desk.

YOU WILL NOT GIVE YOUR BODY A BREAK

Eating by the desk does not give your mind and body a break, and that's not only bad for your posture, but for your general mental and physical health. Modern medical science basically blames everything on a sedentary lifestyle, including:

- cancer
- heart disease
- type 2 diabetes
- poor mental well being

Most of us sit too much and exercise too little. Eating lunch at your desk is twice as bad!

Someone with a desk job usually sits for six to eight hours, unaware of the impact it has on their health. Even a small amount of physical activity, such as taking a walk at lunch time, can dramatically reduce the health risks associated with a sedentary job.

YOU MAY SUFFER FROM LOWER-BACK PAIN

Many people who follow a sedentary lifestyle suffer from lower crossed syndrome, which results in weak glutes and abdominal muscles with tight lower-back muscles and hip flexors. This condition can impact on one's personal and work life.

Savvy employers encourage their office workers to take regular breaks, not only provide physical benefits, but to encourage better stress management. Lunch breaks should be used wisely, and should include:

- fresh air intake
- hydrating
- energy boosting snacks.

It is quite common for modern workplaces to dedicate a space within office buildings for people to recharge and engage in short meditation. Some companies encourage employees to consider standing desks, walking meetings and incentivised movement challenges.

These and other small changes can contribute to improved productivity together with mental and physical health. Instead of eating your lunch at the desk, why not eat your lunch outdoors on a bench. That way, you'll get out of the office for a bit, enjoy some fresh air and vitamin D on a sunny day. Additionally, it provides a much-needed mental break after a long morning of meetings, putting out fires, or staring at a screen.

By reclaiming your lunch break, you can transition out of work mode. This will allow you to re-energise yourself, calm your mind, so that you can easily refocus when you return to the office.

Many people stay at their desks during lunch due to an office culture of presenteeism. This maybe perceived as a form of peer pressure which may lead to low worker morale. Some employers may begrudge lunch breaks, but research has shown that people are less productive between 2pm to 3pm. Perhaps taking a late lunch is a great way for your office to refocus.

Research has also indicated that most people are at their most creative and alert between 9-11, while productivity drops after lunch, and plummets after 4pm. Monday are the most productive days, with Fridays being the least productive. Autumn is the most productive time of the year, with October being their most productive month.

PUBLIC SPEAKING:

Coming to Grips With Glossophobia

Meeting the needs of your audience through your content can deflect from your fears

Do you admire people who can grasp the attention of the audience while relaying their message in an articulate or humourous way? You'd be surprised to learn that even those who seem to be naturals at it sometimes suffer from stage fright. Even those you look up to most, sometimes experience that fear and sweaty palms.

Public speaking is not a skill that comes naturally to most, but the good news is that you can master the art to becoming a more than passable presenter without killing yourself in the process. It all starts with proper preparation. You may have to write several drafts before your speech or presentation is audience-ready and can be delivered in the allotted time slot.

IMPORTANCE OF PREPARATION

The more you know, the easier it is to manage your trepidation and control the situation. If you're uncertain about the technology or your delivery, you will be more nervous and that will make the audience uncomfortable too.

Knowing your audience is key to a successful preparation.You must know why you are speaking to the specific audience, and you need to know which buttons to press to hold their attention.

Being familiar with your material will also help put you at ease. Nobody wants to attend an irrelevant presentation. If you get a 'curve ball' question, move on swiftly to your next point, with a promise to return to it.

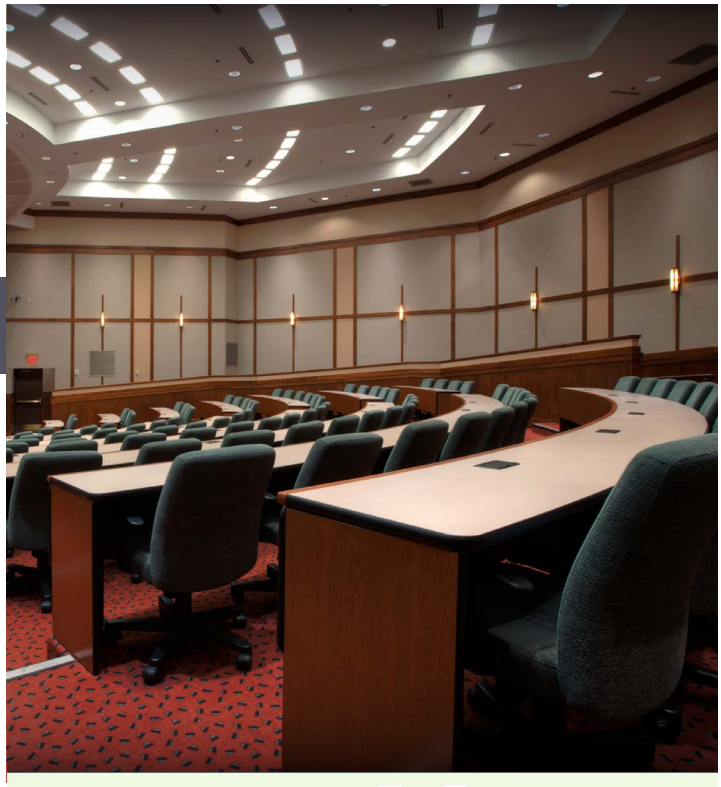
Remember a few basic techniques that can help keep your speech interesting. Pause for dramatic effect, or give the audience a moment to process the message. Consider using slogans to add flavour to your presentation and tell anecdotes to help share ideas.

CREATE A LOGICAL STRUCTURE

While planning your speech, pay careful attention to the structure. Ensure that it flows logically from the introduction to the summary, using as few steps in between as possible to avoid confusion. Many rookies make the mistake of dragging out their presentations, starting late, or running over.

Audiences prefer short presentations, which means that being time sensitive will be more likely to result in success.

Trying to learn your presentation off by heart is great - until you forget what comes next. Instead, write down the key points on cards and place them in the right order to help you maintain your sequence.



Top 10 PUBLIC SPEAKING Tips

1. You can never be over prepared
2. Know your audience's requirements
3. Write your prompts on index cards
4. Create a clear beginning, middle and end that come full circle as you link your points together.
5. Liven up your speech with quotes and anecdotes.
6. Make eye contact in small groups, or in larger halls, slowly sweep your eyes in a W formation to create the illusion of eye contact.
7. Take your time and speak clearly and articulately.
8. Practice your body language and avoid slouching, hands in pockets, finger pointing and folded arms.
9. Stick to the allocated time.
10. Know your topic well enough to explain it in simple terms.

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[1] muting the impact of compounding when you choose to save in a bank savings account[1].

1. *Source: Irish Times 03 May 2016.*

When an Employee Falls from Grace

Employment disputes happen all the time. We're all people, and even a superstar employee can lose his or her shine.

Whether tensions arise in the workplace because of clashing personas, or whether a person's personal issues lead to poor performance, it's inevitable. These issues can make it difficult to maintain productivity in the workplace.

We throw around cliches like «every employee is a valuable member of the team», but let's be honest - every business has a few employees that don't fit in and another group that the employer wishes to hold onto for dear life. When the dispute involves a star employee, the situation can be particularly difficult to handle.

What is an employer to do when an indispensable employee no longer performs as well as before, or after a fallout?

CONSIDER WHETHER THE RELATIONSHIP IS SALVAGEABLE

In some cases, you can salvage a relationship. Perhaps there is a way to overcome a certain hurdle in order to encourage the employee to resume his or her formal level of productivity. If the employer and employee are unable to find a resolution, other options exist to restore harmony to the working relationship.

One of the most effective tips would be for the employer to engage directly with the disgruntled employee. However, it must be clarified that all such actions are performed under the company's disciplinary procedures. For as long as the employer pays due care to what they say or do, nothing should prevent a direct intervention.

As an employer, it's up to you to ensure that conversations remain within the formal procedure, as the employer is automatically entitled to certain procedures once the disciplinary procedure is triggered. The interventions should also occur in neutral locations, and kept simple.

CONSIDER MEDIATION

If a direct intervention is either not an option or if it doesn't work, you may suggest formal mediation. This method is an important growth area in disputes and in Irish employment law. In 2017, new legislation was enacted whereby solicitors are required to suggest mediation to clients before legal proceedings are pursued.

Mediation can be a powerful tool in the employment space, as it has the potential to help rebuild employer-employee relationships. A competent mediator may be able to find common ground between parties to help them resume their working relationship.

Mediation usually involves costs, and may not immediately offer resolutions, but it can set the tone for further discussion. At the bare minimum, a good mediator will open each party's mind to the other's perspective.

In the rare case where neither direct intervention nor meditation delivers the desired result, there is a last resort option, which is disciplinary action.

Disciplinary action is tightly regulated in Ireland, and employers have to observe extremely high standards when it comes to fair procedures, or face the wrath of the Workplace Relations Commission. Inherent unfairness can cause the WRC to crack down on your disciplinary procedures if you make biased decisions, fail to be transparent in putting the case in full to the employee, refuse to allow your employee to be accompanied by a union representative or colleague, or refuse to offer an appeal.

Formal procedures often provide the jolt an employee needs to shape up, but more often, it merely triggers the end of a relationship. It's not unusual for employees to resign midway through the procedure. For that reason, most employees use these procedures as a last resort when it comes to disciplining talented employees.

Early intervention is usually the best way to salvage a relationship with a talented employee. Employment issues should not be left to fester, as it becomes harder to find a satisfactory solution, and to salvage the relationship.

HIRING NEW TALENT:

Fresh blood or in-house promotion?

When it comes to hiring new talent, you have the option to promote home-grown talent, or to bring in someone from the outside. While promoting someone from inside the company can increase retention rates, hiring an outsider can help increase dynamism.

Hiring someone inside the company sends the message that there's room for growth in the company. It gives achievers in the company the opportunity to show their mettle and to enjoy inhouse advancement and is great for morale. The company benefits by saving on the costs of filling a vacancy inwardly - a costly and time-consuming process.

Stakeholders may not be as thrilled about in-house promotion, as they may prefer a dynamic company culture. However, promoting home-grown talent has the added benefit of ensuring continuity. It helps preserve the status quo. One should consider whether in-house or external hiring would be in the best interest of the business, and whether it expands or limits the company's options.

When it comes to selecting a new chief executive, the debate regarding hiring internally or externally becomes particularly contentious. Smurfit graduate business school professor of strategic management, Patrick Gibbons offers a potential compromise. He proposes that a company can hire an internal candidate - provided the candidate is indeed the best fit for the job, complete with the appropriate strategic vision - and place outsiders on the board in order to challenge the new CEO.

When an external candidate is hired, he or she has no allegiances and is therefore free to change or shake things up. However, the person will need time to become acquainted with the company's culture and develop working relationships with key players. The major drawback is that a new person who is unfamiliar with the business will not be able to make decisions as fast and as accurately as someone who is familiar with the business.

Ultimately, the decision to hire an internal or external candidate depends on what is best for the business at the time.

A newcomer can help infuse fresh energy into the business, and bring along experience and skills that can be beneficial to the company. An external candidate can swoop in and revolutionise the senior management team with knock-on consequences.

However, an internal hire who makes drastic changes could lead to even more resentment, as the team might feel betrayed by their own. Likewise, it is not unheard of for members of senior management to walk away when they are passed over for promotion in favour of a colleague. In those cases, an outside hire may actually unite teams.

It can be costly and risky for small companies to hire externally. A lengthy process, a bad hire can spell disaster for your organisation, and the fallout devastating. After all, a resume and interview only really provide a vague snapshot of the individual.

Some of the risk of bringing in an external CEO may be averted by relying on an independent human resources specialist to help identify and recruit the best individual for your company. Boards sometimes lack insight to select the best candidate internally, as they do not work with them every day, and therefore are unable to identify their strengths and weaknesses.

An independent third party can create confidential benchmarks for the external market, thus enabling the board to compare that to their internal pool. They can then use that intel to close knowledge gaps and develop internal talent, or bring it in from outside.

However, this process should go beyond selection. The board should remain involved in the transition, and navigate the process of providing support to the new CEO, ensuring the outgoing CEO is able to provide support to his or her successor, and communicating with the stakeholders.

Not all organisations have time to develop candidates from inside. However, every organisation can benefit from early identification of successors and exposing them to the board and the business as a whole. This will foster increased engagement with senior leaders, which will benefit the organisation in the long term.

Internal Hiring is beneficial in that it:

- builds strong morale and fosters talent.
- improves staff retention.
- is more cost-effective than hiring externally.
- ensures that you hire someone who knows the business, and the fact that the individual is known to the company can help manage expectations.

However, there are some drawbacks to hiring internally, namely, it creates a vacancy elsewhere which might be harder to fill. It also sends a no-change message to stakeholders and denies the company access to a fresh new perspective. Ultimately, it can cause tension and dissent within teams.

ENERGY PRICES:

Switch to save

Looking to save on electricity and gas prices? Switching suppliers is still the easiest, most effective way to realise savings, provided you do it every year.

Whenever one supplier raises their prices, the others tend to follow suit smartly. Most recently, in June, SSE Airtricity announced that their prices would rise. The announcement was followed by Prepay Power, Bord Gais, Panda Power, Pinergy, Energia, and Electric Ireland Flogas, who all did the same by mid-July. At this point, the only two suppliers who did not raise their prices at the time of writing, was Just Energy and BE Energy.

This trend has led to speculation that there's a price cartel at play somewhere along the supply chain. Consumers may be forgiven for thinking the same, as the speed at which every energy supplier jumped to increase prices at the same time suggests a herd mentality.

However, according to the energy regulator's most recently annual review, the market is simply competitive. Since 2013, when Ireland had five electricity suppliers and four gas suppliers, we now have ten and eight respectively. Additionally, Electric Ireland's market share has dropped below 50% for the first time ever.

According to Eoin Clarke from Switcher.ie, a number of factors make up the energy price; the main factor being wholesale energy costs. This would explain why suppliers seem to follow a trend when it comes to price increases.

Daragh Cassidy from Bonkers.ie believes that competition keeps a downward pressure on electricity prices, but due to the increase in wholesale electricity prices, it has been difficult for suppliers to avoid passing some of the cost on to consumers. However, he would be remiss not to point out the disparity in price increases, which differ widely from one supplier to the next.

While Bord Gais raised their tariff by 5.8%, Energia's went up by 7.6% and Pinergy's by 9.38%. Gas prices from Bord Gais went up by 4.7%, while Flogas, Energia and SSE upped their rates by over 12%. As a dual fuel consumer, you may end up spending more than €180 a year, thanks to these price hikes. So if you've been with your supplier for more than a year, it might be time to switch and save.

Most energy companies offer a 12-month introductory rate to new customers, after which they will revert you back to standard tariffs. By remembering to switch once a year, you will end up on the discounted rate, thus getting the best value for your money.

According to the Commission for the Regulator of Utilities (CRU), customers who switched their electricity providers every year for the last four years, save as much as €1,146, while consumers who switched gas providers saved €670 over the last four years. Households who use both gas and electricity and switched regularly, would save as much as €1,417, based on energy regulator calculations.

The CRU insists that both gas and electricity switching rates in Ireland compare well with those in other EU countries. Last year's Council of European Energy Regulators backs this sentiment. At just over 20% for both gas and electricity switching rates 2016, Portugal ranked the highest. Bulgaria, Romania, Poland and Luxembourg ranked below 1%. Switching rates of over 10% are considered high by the report.

While Ireland had several new entrants into the energy supply arena which certainly shook things up, there's no firm indication that explains the high switching rates in other countries. The CRU report did indicate that there were low levels of repeat switching. Of those consumers who switched last year, 65% of electricity users and 50% of gas users defaulted to standard tariffs this year. That shows that while many of us switch, we don't do it every year in order to enjoy maximum savings.

Some consumers are dissuaded from switching by the fear of being tied into contracts, inability to tell whether a new supplier could save them money, and feeling that switching is just too much of a hassle. The truth is that switching is really simple. It takes a few minutes, but it could save you hundreds of euro a year.

Simply input your units in a CRU-accredited price comparison service such as Switcher.ie or Bonkers.ie to see how suppliers compare. When you're ready to switch, simply have your current meter reading handy and follow the easy online instructions.

The new supplier will typically sign you up for a 12-month contract and they will penalise you if you breach the contract. The penalty is usually $50 or more.

Just Energy now offers a fixed tariff, which is ideal if you're concerned about more price hikes in the next twelve months. Once the summer price hikes take effect, Just Energy's fixed rate tariffs will be one of the cheapest on the market.

Wholesale prices seem to be on an upward spiral, which makes fixed rate contracts a great option for consumers who want some peace of mind ahead of winter. The only downside is that - in the unlikely event of prices dropping - you won't enjoy rate reductions.

One Big Switch is a consumer network that helps negotiate discounted rates on gas an electricity prices. They currently offer a 28% dual-fuel discount and a 28% electricity only discount to both new and existing Bord Gais customers.

Based on the incentives, discounts and offers, there is plenty competition in the energy market. That shows that we can level the blame for our high electricity prices - Ireland's is the fourth-highest in all of the EU - at our heavy dependence on imported fossil fuels, on which we rely to generate electricity.

By continuing to invest in indigenous and renewable energy sources, we will reduce our dependence on wholesale international energy markets.

HOW STERLING WEAKNESS AFFECTS IRISH CONSUMERS

Earlier this week, we saw the sterling plunge against the euro and dollar amidst fears that a hard Brexit might impact volatile currency markets harshly.

The 90 pence psychological level was broken for the first time on Wednesday, and maintained on Thursday. At the close of the European markets, it hovered at 89.90p.

But this is not the first time we've seen such unsettling levels. The sterling dropped precipitously in the wake of Brexit back in 2016, and it has not really recovered since.

But what can retailers, consumers, exporters and holidaymakers expect from the weak sterling against the relatively strong euro?

SHOPPING ACROSS THE BORDER

The weaker pound means that shoppers in the Republic will get more sterling for their euro. In the past, this trend resulted in people doing their shopping in the North.

The last time sterling came close to euro parity, Asda and Sainsbury's shared a combined 2.5% market share of the grocery market in the Republic. TNS Worldpanel reported these figures, which were surprising, in light of the fact that all Asda and Sainsbury's stores are north of the Border.

Smaller, border-town retailers tend to use pricing policies that allow them to prepare for currency fluctuations. Many of these stores offer parity even when it doesn't apply, in an effort to smooth out the impact of fluctuations on their businesses.

The vehicle market experienced a noticeable impact since mid-2016. The industry has been swamped by UK imports as a result of the sterling trend.

EURO PRICES

When sterling sinks, most British chain stores in the eurozone choose not to adjust their euro prices. As a result, a Dublin shopper could end up paying more for the same item than they would if they bought it in London or Belfast.

Case in point, a Philip Green's Topshop stocks a specific biker jacket on its UK website for £85. The very same jacket costs €117 on the chain's Irish website, despite the fact that £85 on the current exchange rate is less than €95.

Marks & Spencer advertises Autograph suede shoes for £65 (approximately €72) on its UK online store, which does not offer delivery to Ireland. The same pair of shoes costs €90 in the Grafton Street, Dublin store and on the company's euro site. According to a survey compiled by The Irish Times in October 2017, it found that M&S charges the Irish public 39% more for a basket of items from the company's Christmas food catalogue.

It is expected that these differences will compel Irish consumers to find ways to pay sterling prices when they order from UK sites, or to only shop in the sterling zone.

IMPACT ON TOURISM

The pound plummeted more than 15% against the euro in the wake of the Brexit vote, resulting in eurozone holidays becoming more expensive for UK tourists right away. Visits to Ireland from Britain fell by 7% in 2017.

According to Tourism Ireland, the market has recovered slightly, but remains a concern.

In addition to the fact that holidays in Ireland are more expensive, Britain is now more affordable for euro zone visitors who might have chosen to visit Ireland.

When the sterling is weak, Irish holidaymakers will enjoy better value in Britain.

EXPORTS

Importers benefit from a weak pound, while Irish exporters could experience more serious consequences. The euro came in at just below 77 pence before Brexit. Some companies would have encountered difficulties once it reached 88 pence.

In light of Donald Trump's trade war rhetoric and protectionist White House policies, fears are compounded about how trade will be affected between the Republic and the UK.

Where to from here?

Pressure on the pound is bound to increase due to the Conservative party stalemate remaining unresolved ahead of the critical negotiations set to take place in Brussels this autumn.

Mark Carney, governor of the Bank of England feels that the risk of a no deal Brexit are high and undesirable, and that this has contributed to the latest dip.

Market traders are expecting the pound to further depreciate as the Brexit deadline looms. This has triggered talk about euro-sterling parity, which will be bad news for Irish businesses and exporters who depend on visitors using sterling.

MEET THE TEAM

BREON MANNING

FINANCIAL ADVISOR

Breon has been in the financial services industry for 14 years. Throughout his career he has gained specialist knowledge in all areas of financial planning, investment monitoring, portfolio construction and management as well as annuities and protection planning.

Breon is a Qualified Financial Adviser (QFA) and a TMITI Registered Tax Consultant. He holds specialist Diplomas in Wealth Management (Institute of Bankers) and Pensions (LIA) and is a Fellow of the Life Insurance Association of Ireland (FLIA). Breon also holds the designation of Registered Stockbroker (not practising).

When Breon isn't hard at work he enjoys a round of golf, swims and goes spinning to keep fit. He is married to Katrina and is kept busy at home with 3 cats and mans' best friend Red.

MIKE SHEEHY

BUSINESS DEVELOPMENT

Mike has worked in the Financial Services and Property industry for the past 9 years. He gained his Bachelor of Business Studies degree in Economics and Finance through the University of Limerick before completing a Certificate in Auctioneering and Real Estate through IPAV and the Cork Institute of Technology.

He enjoys 7-a- side soccer, running and the very occasional round of golf. Favourite movies include Training Day, The Usual Suspects and Goodfellas.

When Mike isn't chasing around after he is two little girls they are watching their favourite movies Toy Story, Frozen and The Little Mermaid.

JEAN MANNING

FINANCIAL ADMINISTRATOR

Jean joined Manning Financial in 2013. She holds a BSc Honours Degree in Real Estate and a Certificate in Property Management and Valuations.

Jean intends to follow in her brother Breon's footsteps and become a Qualifed Financial Advisor.

When Jean isn't running the day to day office, she enjoys Spinning, TRX and Kettlebells. She also has a secret love of watching Darts.

PATRICIA RADLEY

MARKETING COORDINATOR

Patricia is responsible for overseeing the implementation of the company's offline and online marketing strategies.

Patricia graduated with a PhD in Education from UC and also holds an MSc in Food Business, a BBs in Marketing and a Postgraduate Diploma in Digital Marketing. She is also a member of the Marketing Institute.

Patricia is a volunteer adult literacy tutor and enjoys reading, travelling and supports Manchester United.

MOLLY O'SHEA

MARKETING INTERN

Molly assists in all marketing activities in the company. A born and raised San Franciscan, Molly moved to Cork last January. She attended college in New York where he played NCAA Division 1 Volleyball for 5 years.

Molly received a BBA in Marketing and an MBA in Management with a Sports and Entertainment Certificate.

Molly loves to travel and experience new places as well as keeping fit.

RANGE OF SERVICES

PROTECTION

- Mortgage Protection
- Term Insurance
- Serious Illness
- Income Protection
- Life Cover with Tax Relief (Section 785)
- Group Income Protection
- Group Death in Service

PENSIONS

- Personal Pensions (for the Self Employed)
- PRSAs
- Executive Pensions (for company directors)
- Self-Administered Pensions
- Self-Directed Pensions
- Group Occupational Pension Schemes

SAVINGS & INVESTMENT

- Lump Sum Investments
- Bonds
- Structured Products
- Savings Plans

SPECIALIST ADVICE

- Business Protection
- Partnership Insurance
- Inheritance Tax Relief and Estate Planning
- GMS Services for GPs
- Financial Services for Cohabiting Couples
- Pension Adjustment Orders
- Employee Benefit Schemes

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info@manning-financial.ie

www.manning-financial.ie

www.cpd.ie

74 South Mall, Cork

021 2428185

087 8315054

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Financial Planning & Guidance