



## Feature Article

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*October is the month in which many people are completing their tax returns for 2015 and looking for ways to reduce that bill. Hopefully our first article will give you food for thought on how pension funding can help you reduce your tax bill, while saving for later in life. Our second article examines some of the innovations there have been in the protection market over recent years, to the benefit of consumers.*

*Finally, there is our usual mix of content that we found on the web that we think will be of interest to you.*

*Best wishes!*

## Main Articles

### Pensions – Save for tomorrow and reduce your tax bill today

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We know that as the 31 October tax return deadline approaches, many taxpayers are considering whether they should make pension contributions to reduce their 2015 tax bill. A pension contribution remains one of the most effective ways of reducing your income tax liability, while at the same time providing income for your retirement.

Any lump sum contributions paid before 31 October next (or 10 November for on-line returns) can be used to reduce your **2015 tax bill**. This applies to contributions to personal pension plans (e.g. PRSAs, Retirement Annuity Contracts) and employment pension schemes (i.e. AVCs – Additional Voluntary Contributions).

When it comes to pensions, the questions we're asked most regularly are;

- Do I need a pension? and
- Are pension plans the best way to plan for my old age?

#### Do you need a pension?

Well unfortunately none of us are getting any younger and even though retirement may seem like a distant event, steps that you take now will determine your lifestyle in your later years. At the end of the day, it's really all about building up a war chest for when you stop working. The bigger this pot is, the better your lifestyle will be when your income stops.

Some good (and bad!) news is that we're all now living longer than before. Men are now living on average to age 79 and women to age 83. We can thank our healthier lifestyles, better diets and medical science for this! While this is certainly good news, it also comes with a price. If you live longer, you need a bigger nest egg to see you through these years.

#### Will the government look after you?

Unfortunately you can't rely on the state if you want any more than a subsistence lifestyle. The maximum state (contributory) pension is currently €233.30 per week for a single person and €442.30 per week for a couple. Not a lot of money if you fancy going on the odd cruise! Also the state has already started pushing out retirement dates - for anyone born in 1961 or later, they won't get their



state pension until age 68.

On top of this, the government actually hasn't saved any money for future pensions. So as the numbers of those working reduces in relation to the numbers of pensioners receiving benefits (as our demographics show they will), there will be less money for the government to pay out. So what can they do? Well first of all, they can increase PRSI to bring more money in to pay out in benefits. Or else they can reduce the benefits, further push out the qualifying age or indeed introduce means testing of state pensions. The likelihood is, it will be a combination of these sort of remedies.

The reality is that it's up to each of us individually to look after our retirement needs if we want a nice lifestyle to enjoy.

### **Are Pensions the right way?**

We know that pensions are a complex area and this can put some people off. However we'll be delighted help you cut through this complexity. We can help you identify the right pension structure for you, to ensure that a pension plan meets your needs in later life. Pension plans today can be extremely versatile and tailored to you, to ensure you maximise the benefits by;

- Investing in assets that meet your risk appetite.
- Investing in a wide diversity of assets to minimise any investment "shocks".
- Gaining tax relief (still at the marginal rate!) on your contributions.
- Seeing your pension fund grow, free of any taxes.
- Availing of a tax-free lump sum of part of your fund at retirement.

Unfortunately many people in Ireland learned a bitter lesson about investing in a single asset (in many cases property) before the economic collapse - pension funds are a great way to build a diversified portfolio and to maximise your retirement income.

### **What do you do next?**

Well it's probably quite obvious but the longer that you pay into a pension fund, the more you can expect to receive when you retire and the more likely you are to achieve your financial goals. So don't delay.

Also, be realistic about how much it will take to achieve your goals. As a rough rule of thumb, you should aim to save "half your age". So if you're aged 36, you should aim to save 18% of your income to build up a decent fund. Of course, this is only a rough calculation. We will help you develop a far more tailored picture for you, taking account of any existing benefits that you've already built up and we'll help you to implement a plan that is right for your particular circumstances.

And really this last point is the key to it all. Helping people to develop tailored solutions to address your retirement needs is meat and drink to independent financial advisers such as us. Talking to someone who is independent is crucial. We devise solutions and recommend products that best meet your needs as we have access to all the products in the market. Unlike a bank or a direct seller, we are not forced down the route of recommending a particular product of one institution.

So in summary, you're hopefully going to be retired for a very long time. How well you can enjoy this is up to you, as you can't rely on the state. Remember all the benefits of pension plans. Oh, and make sure you get independent advice.

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### **Are you aware of the innovations in the protection market?**

*The market for financial protection products has seen some great innovations over the last few years, and all to the benefit of you, the consumer! First of all, the cost of protection products in general has fallen, due mainly to advances in medical science helping to reduce claims, and also the product providers competing keenly with each other on price.*

The market for financial protection products has seen some great innovations over the last few years, and all to the benefit of you, the consumer! First of all, the cost of protection products in general has fallen, due mainly to advances in medical science helping to reduce claims, and also the product providers competing keenly with each other on price.

In order to compete with each other today, the battleground for product providers has moved on from simply reducing prices to adding exciting and valuable features and benefits for customers. Long gone are the days of consumers simply deciding whether it is life cover, serious

illness cover or income protection that they need, they now rightly demand access to the exciting additional benefits on offer. Today's market presents a challenging (but interesting!) role for financial advisers to stay ahead of these innovations, to ensure that we continue to offer the very best cover to our clients.



So, as we put in place new cover for people and review existing cover for clients looking to save money and access new benefits, we've identified a few innovations in the Irish market that we think you might like to be aware of.

### **Underwriting has got more client friendly!**

Long gone are the days of the perceived "default setting" being the requirement of clients to travel to a doctor for a medical examination. In many cases these medical examinations have been replaced with alternative methods of gaining the required information, but in a far more friendlier way for applicants.

Today if an underwriter requires more information than that provided in an application form or by the client's own doctor, they may seek either of the following;

*A nurse medical:* This is where a nurse travels to your home or office and carries out the medical examination at a time and place that suits you. As a result, you don't have to waste time travelling for a medical and enduring the inevitable wait in the doctor's surgery.

*Tele-underwriting:* This is where the information is simply requested in a phone conversation with a medical professional. They ask all of the questions that you would have been asked in a doctor's surgery, and of course still have the opportunity to ask follow-on questions where they need more information (this is hard for them to capture through a written form completed by you). Again it saves you the bother of having to attend a doctor's surgery.

### **Best Doctors**

One of the providers that we deal with offers a really exciting service to their protection customers. You can now access Best Doctors, which is a global organisation bringing the world's leading medical expertise to you and your family, offering a second opinion when you need it most. In the event of you suffering a serious medical condition, a Best Doctors medical specialist will help to verify your diagnosis and treatment options, and will conduct an in-depth review of your medical files. The process can reduce potentially serious complications that can result from a misdiagnosis, and help you and your treating doctor determine the proper course of action.

Being diagnosed with a serious illness would be an emotionally overwhelming experience if it happened to you. You would have lots of questions and nagging doubts:

- What will happen now?
- Is the diagnosis correct?
- Will the treatment be right?
- How can I be sure?

Best Doctors will help to assuage these concerns. It's also included as a benefit of the policy!

### **Income Protection Deferred Periods have got shorter and shorter**

The deferred period on income protection policies is the amount of time from the date of accident or onset of illness, until the claim will begin to be paid. This traditionally was anything from 3 months to a full year. This frustrated some potential customers who reckoned they would be recovered and back at work before the claim would even begin!

We now see deferred periods as short as four weeks on offer. Now that is real innovation as a result of listening to the needs of customers!

### **Some great policy features**

Some of the providers include some lesser-known but really valuable added benefits on their policies to make them stand apart. These include;

*Rehabilitation support on income protection policies:* For income protection claimants, recovery means a chance to return to work or to begin a new career. Some providers offer resources and assistance to help you get back into the workforce when you are ready.

*Relapse benefits on income protection policies:* There are policies available that will immediately restart paying your benefit if you have a relapse within six months of returning to work. There will be no deferred / waiting period in this case.

*Partial benefits and career changes for income protection claimants:* There are providers who clearly recognise the benefits both to themselves and to the claimant, of the claimants getting back to work. However the claimant may only be able to work reduced hours than before their illness or accident, or indeed may need to change careers to a less demanding job. Providers have financial and other supports available to claimants to help them achieve these ambitions.

*Terminal illness benefits on life assurance policies:* Many life assurance policies will pay out the full benefit immediately on diagnosis of a terminal illness, removing the financial stress at this very difficult time for a family.

These are just a sample of some of the great innovations available today. Unfortunately all of these innovations make your choices a bit more difficult. But that's where we come in! It's our role to stay abreast of these changes and to ensure that our clients have the very best benefits in place at the lowest cost. If you'd like to find out more about any of these innovations, please give us a call.

*Photo courtesy of Christos Loufopoulos - flickr*

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## 12 Everyday Money Tasks You've Been Doing Wrong

*Here are some everyday money tasks that might be tripping you up*

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## Unshakeable Europe

*Credit Suisse sees good times ahead for European equities.*

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## Now banks could start charging us for saving our money with them

*Banks could start charging customers to save with them, it is feared, amid record low interest rates.*

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## Why It's Important to Rethink Your Wants Vs. Needs

*There's nothing wrong with spending money on stuff you want. It helps, however, to have a clear understanding of what exactly your wants and needs are.*

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## What are your rights when you buy at an auction?

*Make sure you know your rights and obligations before you place a bid*

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## Future retirees told to save extra €1,100 a month

*The shortfall between current savings and amount needed to generate an "adequate" retirement income has risen sharply since 2010.*

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