Is it time to take stock?

Getting the right advice to join the investment game is a minefield, so walk away if you feel you're being sold to rather than advised, writes **John Cradden**

Sean and Sarah Anglim are keen to buy a home before Christmas

FOR most of us, getting into the savings game is a simple, two-step process: take your lump sum, or decide how much you can save per month, and then find the savings account that offers the highest interest rate.

Getting into the investment game, however, is a good deal trickier and more daunting because of the risk that the value of your investments can fall as well as rise.

Even experienced investors can lose money so, for those new to investing, the most obvious first step might be to find a good financial adviser.

Bob Quinn of Kildare-based The Money Advisers recommends any first-time investors to educate themselves as much as possible. "I would always encourage first-time investors to do some research based on investment strategies, helping them understand asset classes, diversification and volatility."

However, he adds that many first-time investors "are overwhelmed by the investment process and, rightly or wrongly, place a lot of trust in their investment adviser".

"I would encourage clients to get a sense of who stands to gain more through the investment process — the broker or the client."

Mr Quinn says there is a difference between selling and advising. "This is not necessarily evident at the start of the process, so clients should tread carefully initially.

"Unfortunately, many financial consultants like to 'sell' investments to clients, take astronomical commissions up front and then walk away. Investing is a process, not a once-off event."

Some advisers might use a short risk questionnaire as the basis for an investment strategy, but this doesn't come close to getting a sense of your short, medium and long-term objectives, said Mr Quinn.

"It is not enough to simply get a sense of a client's attitude to risk. A good investment adviser will help the client understand the investment landscape, how investments perform long-term and what risk a client should target. Not every client needs a 20pc return and risk should be managed accordingly.

"If there is a sense of being sold to, walk away."

But many will argue that the only way to ensure that you get true independent advice is to seek out an adviser who charges the client a fee rather than be paid by commission.

Aside from the obvious simplicity and transparency of this arrangement, paying a fee to an adviser means he or she can recommend investments or solutions that may not pay commissions, says David Quinn of Investwise.

"For example, the most appropriate solution may be to pay off debt instead of investing, invest in direct shares or property, or invest with An Post," he said. "An adviser who is only paid by commission will very rarely recommend this as he will not earn a commission."

Investwise, for instance, charges €250 for a single consultation, which includes a meeting and a follow-up summary or recommendations.

However, the nature of the industry in Ireland is such that advisers who work entirely on a fee basis are hard to find.

"I would estimate that the total number of advisers who are 'fee-only' and declare absolutely everything they make on protection, pensions and investments is less than 10 in the whole country."

There is no register of fee-only advisers, but a good starting point, according to Mr Quinn, is the FPSB (Financial Planning Standards Board) register of CFPs (certified financial planner), who would be a "step above" the basic QFA (qualified financial adviser).

He recommends that, whether the adviser is fee-based or not, that you find what the total cost of each of the investment options are. For instance, look for an investment structure with no entry or exit penalties and the lowest annual investment management fees possible.

"The most competitive investment structures start from as low as 0.40pc per annum with no entry or exit charges and no lock-in periods. This is the benchmark for all investors."

The most common questions that first-time investors ask revolve around how to trade shares, buy property or maintain security under the government bank guarantee, said Mr Quinn. "Very few first-time investors, if any, ask about a properly designed and globally diversified investment portfolio."

He notes that equities have fallen over the past few weeks, making them more attractive, but the key is not to worry less about

'I WANTED TO PEP UP MY SAVINGS WITHOUT ADDING TOO MUCH RISK'

DARRAGH Hurley from Portmarnock, Co Dublin, is not entirely new to the savings and investment game.

The 42-year-old father-of-one has been saving ever since the days of the SSIAs (Special Savings Incentive Accounts) and also had investments with Bank of Ireland Life, but wanted to review things.

"I thought my BOIL investment wasn't performing great," Darragh (inset) said.

Although he had done a bit of research online, Darragh, who recently started SEO Solutions Today, an online marketing firm, met David Quinn of Investwise at a business networking meeting.

"I liked what I heard and there was no pressure, but I was ready to move," he said.

Like many others, he didn't have a specific type of investment in mind, but he knew that he didn't want to it to be too risky. "I'm not a gambler."

The plan he decided on was a savings plan run by Friends First.

"We decided to spread our investment over a few areas, lowering the risk involved."

Darragh didn't specifically seek out a fee-only financial adviser but was "happy with the advice I got and the fee seemed fair. I also have the benefit of David's advice over the next year."

SEAN AND SARAH ANGLIM

‘We’re in a rush to buy before 20pc deposit rules come in’

NEWLY-WEDS Sean and Sarah Anglim are saving hard as they want to buy a home.

They are renting in Lucan, Co Dublin, at the moment.

Now they are in a rush to buy a home before proposed new Central Bank rules mean that a 20pc deposit on a purchase for those taking out a mortgage are imposed in January.

High rents are a bone of contention, and they do not believe the refund on DIRT (deposit interest retention tax) announced in the Budget for first-time buyers will go far enough to ease the difficulty of getting a deposit together.

First-time buyers will be able to open a special savings account and get a refund on the DIRT at the end of each year.

Shane Anglim (28) and his wife Sarah (26) will not see much benefit from the measure, considering it is not applied on money already saved and they intend to buy their first property in the area before Christmas. “It makes no impact on us. It might have an impact on other people, but I imagine it’ll be quite minimal,” he said.

He added that those who do make this saving will be forced to put it towards higher rents, adding that the Government’s promise to build 10,000 social housing units will not go far enough to put an end to the bubble in the Dublin market.

“You can try to save more while you’re renting, but how can you when rents keep going up?”

The couple are one of thousands facing a scramble to buy their first property before the Central Bank’s new lending proposals comes into effect in the new year. Mr Anglim said the Government were “trying to control the housing market, but when they push one way, another thing counteracts it”.

short-term trends or market timing and more about ‘time in’ the markets.

“Equities are only really appropriate for long-term investments where you can tolerate the short-term volatility and losses. Cost is also a key element and I would have a preference for passive investments and ‘smart beta’ over active investment management.

“I don’t see any real value in gold and find it very hard to value, so I avoid it within my client portfolios. Cash deposits are extremely low but cash also has an important part to play in any investment portfolio, particularly where security is more important than returns.”

> Property is a valuable part of a well-diversified portfolio

He believes that property is still a good long-term “conservative investment asset class”.

“Property is a valuable part of a well-diversifed portfolio but should never make up a majority weighting as has been the case in the past.”

However, while agreeing that property can work as part of a portfolio, Bob Quinn of The Money Advisers urges caution if you are considering investing in a property using a mortgage.

“If I ask a client, ‘would you consider borrowing to invest?’ and their answer is ‘no’, then property is the wrong investment for them if it involves a mortgage. This is a leveraged investment and one which is, in my opinion, high risk.”

“Property is also illiquid so if you tie up all your money up in such an investment it can lead to difficulties if you need access to cash quickly,” says Mr Quinn.

He adds that property is also heavily taxed for higher income earners and subject to CGT on disposal.