



latest word

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Welcome

Welcome to the first issue of **framework financial's** monthly client update, "latest word". We hope you find the content both informative and interesting.

Our Three Hats

When potential clients ask us to explain what we do, we at **framework financial**, usually refer to our 'Three Hats' concept.

Hat 1 - Life Planning™

This is a process of getting to know you as a client and where you want to get to in the future. We want to know what you want to achieve financially in the years ahead and what is important to you. Also what your lifestyle expectations are and what you want out of life. What do you really want your money to do in the first place?

It is difficult to make financial decisions without the answers to these questions. We will work with you to identify the cost of your current and future



desired lifestyle and allow for the things that you want to do in your lifetime. We call this your number. What's your number? It is the cost of your future desired lifestyle.

Hat 2 - Financial Planning

When we know what you are trying to achieve, we then put in place a financial plan. We take account of your existing arrangements to identify what you have already and what part they might have in your plan in the future. With the use of a cashflow model we look at your lifestyle expenditure requirements. We use sophisticated financial planning software to undertake this task which shows you what your financial future looks like. We look at your income available now and in the future and take account of your expenditure requirements with regard to you, living the life you want to live. Importantly, we will also look at catastrophe situations that might affect you or your family should the worst happen and look to mitigate these. In undertaking this process, clients can then see the possibilities for them now and in the future.

At **framework** we always recommend that financial decisions should be made in the context of this plan. When you have a plan it is easier to make decisions.

did you know

HP Creating 60 New Jobs

Computer Giant, Hewlett Packard is to create 60 new jobs in Dublin. It is consolidating its European operations at its facility in Belfield. This is very positive as many multinational companies, in recent times, have been reducing their workforces.

Hat 3 - Independent Financial Advice

Should any financial products form part of your solution, we are licensed to purchase such products on your behalf and identify from the market place which products are most appropriate for your circumstances. We have sophisticated tools available to us to compare

price and benefits on protection arrangements. With regard to pension and investment products, we focus on the clients risk profile, expectations, take account of past performance, potential volatility and suggest the appropriate asset allocation and advise regarding fund choice. This is very different to most financial advisers, whose focus is only on selling products.

In an ideal world, a product should not be put in place unless the three stages of this process have been undertaken.

Government Pensions Review

The government are to introduce a new mandatory 'auto enrolment' pension scheme from 2014 as part of a major restructuring of pensions in the state.

They are undertaking to preserve the state pension as the main basis of the pension system in Ireland and hope to maintain its value at 35% of the average industrial wage.

In the future all workers aged over 22 within a certain income threshold will automatically be enrolled in a new pension scheme to provide additional retirement income. This will happen unless they are already in their employer's scheme which provides a higher contribution level or is a defined benefit scheme.



Employees are to contribute 4% with the government and employer matching contributions of 2% each, making a total contribution of 8%. Workers may opt out of the supplementary scheme but it will remain mandatory for employers. Should an employee leave the scheme they will be automatically

enrolled every two years. There will be a once off bonus payment for people remaining in the scheme for more than five years continuously.

did you know

Car Sales Increase

The Society of the Irish Motor Industry (SIMI) released official figures confirming car sales in February 2010 at 12,306 which are up 39% on February 2009 (8,883). Whilst the increase is from a low base, from 2009, this is still a positive.

The state contribution will be equal to tax relief at 33%, down from the current maximum tax relief of 41%. This state contribution will replace the pension tax relief system which currently applies to existing occupational and personal pension schemes.

It is also important to note that the State Pension retirement age will rise from 65 to 66 in 2014, to 67 in 2021 and 68 in 2028. Employees will be permitted to postpone collecting their pension until a later date should they wish to make up contribution shortfalls.

From this year 2010, new state employees will enter a pension scheme with a minimum pension age of 66. This pension will be based on their career average rather than a final salary as is the current position. The Government is also considering linking post retirement increases to the consumer price index rather than pay rises in the grade that the worker retired from.

They have promised that there will be stronger regulation of the pension area with more transparency around fund management charges. We have felt for a long time at **framework financial** that this would be the way that this industry would have to go and our business model offers a clear and transparent pricing structure when it comes to pension and investment products.

It is understandable that with an aging population that there would have to be reforms in pension provision to ensure the sustainability of Government finances. In this report, the Government estimated that while there are six workers for each pensioner today, by 2050 this may fall to less than two workers per pensioner, which would create an unsustainable burden on the working population.

The government is to put together an implementation group to look at putting these reforms into operation. This work will take a few years to complete. We feel that this is a starting point for these proposals and there is likely to be many changes before legislation is put in place around the issues discussed. Already, both Unions and employers groups have expressed

did you know

Aviva Returns to Profit

British Insurer Aviva has just announced that it has returned to profit in 2009 after suffering losses a year earlier. Aviva who are the second largest insurer in the UK after Prudential confirmed a net profit of £1.315 billion Sterling last year compared with losses after tax of £885 million in 2008. Hibernian Ireland have now rebranded as Aviva and the company has many shareholders here.

reservations on aspects of the scheme. In the longer term though, these reforms should benefit the population as a whole. We will keep our clients updated on this matter, as further information emerges.

Self Directed Pensions – The Opportunity for You

When we think about a pension, most of us think in terms of regularly locking away money with a life assurance company and leaving the investment and administrative detail completely to professionals.

For most of us this is a very sensible approach. But for those of us with a greater savvy for financial markets and who wish to have greater control as to how the money is to be invested, Self Directed Pensions (SDP) have now become more popular.

did you know

AIB Staff Accept Pension Plan

Workers in AIB have voted to accept the groups plan for members of its Defined Pension plan to start contributing 4% of their salaries to the scheme from next month. Beneficiaries of the scheme will see contributions rise to 5% next year. Staff who joined the bank before 1998 and are part of the plan have not had to pay into it until now.

The new terms are in line with recommendations from the Labour Relations Commission, who were brought in late last year to block an impasse between the IBOA Finance Union and AIB over how to tackle the benefit.

People used to running their own businesses and taking charge of their own finances like the appeal and control that this type of pension gives them. Company Directors and Professionals also fit the bill. Self Directed Pensions are, in effect, the middle ground between traditional occupational and personal pensions and self administered schemes. Essentially the key difference is the level of investment control and options that are available to you as the investor.

The widest options are available through self administered schemes, but they are not for just anybody since they have to be administered by a recognised administration provider and the scheme must also file accounts annually. At **framework financial**, we believe that pension contributions must be at a significant level to ensure the viability of running a self administered pension scheme.

Most people's experience of pensions is where money is invested in traditional occupational and personal plans and is pooled with that of lots of



other savers managed by professional fund managers. The self directed route offers the individual control over the assets that his or her money is invested in.

Clients that chose the SDP approach, which is also a life assurance company product can do the investment management themselves, have the option of opening a stock broker account or avail of **framework financial** input into their investment strategy. Typically, a client may start out by putting money into a standard managed fund until there is a fund of a sufficient scale to go into more specialised investment choices.

Sometimes SDP's appeal to clients who have been buying and selling shares outside their pension fund investments. They feel that they can do better than the mainstream fund managers, either on their own or through their stockbroker. But Self Directed Pensions are not for everybody and for someone who is particularly risk adverse; they would be advised to leave it to the fund managers.

Within **framework financial** investment process, we look to ascertain the clients risk profile and thus ensure that they are comfortable as to how their money is invested. We will usually use bank deposits as a benchmark as it is an asset that all clients are familiar with. If the level of a clients risk profile

did you know

Live Register Down

Figures from the Central Statistics Office to show that 20 more people signed on to the Live Register in February compared to January. The register now stands at a total of 436,956. When seasonal factors are taken into account, the live register actually fell by 2,300 and is now at 432,400 from 434,700 in January.

did you know

Mortgage Protection Provider Stops New Business

Cardiff Pinnacle which have offices here in Dublin and are one of the main providers of insurance that covers mortgage repayments for workers who lose their jobs have decided to stop writing new business in the Irish Market. They have already pushed up premiums by 40% this year. It confirmed that they are to stop writing new business in this market because of a surge in claims.

increases within our scale of 1-7, we will use an agreed increasing multiple of bank deposit rates as our investment benchmark.

Another perceived advantage of SDP's over traditional pension plans is the greater transparency this product offers. Were a stock broking account is used to purchase Government bonds, individual stocks and/or ETF's (Exchange Traded Funds), the client will usually have online access to his holdings at any time. In traditional schemes, the information is often only forwarded once a year to the client. The really big difference between this and the traditional arrangement is the investment choice. As mentioned above, you have the choice to invest in Cash (Deposits), Company Shares, Government Bonds and Exchange Traded Funds.

The same tax treatment and tax reliefs apply as with traditional pension arrangements.

Based on age, everyone has the option of taking some tax free cash and of using the balance of the pension fund to buy an annuity that will guarantee an income for life. However, an

did you know

Personal Savings – Record High

Figures from a recent report compiled by UCD, Smurfit Graduate Business School and the Marketing Institute of Ireland show that people put away 11% of their disposable income in 2009. This compares with just 3% in 2007. This shows that consumers continue to save money rather than spend it. This is due to the level of consumer confidence. The author of this report Professor Mary Lambkin of UCD, said that the present level of savings shows how crucial consumer confidence would be to get the economy moving again. The report also confirmed that there was a 21% drop in personal debt within the 12 months to November of 2009.

increasing number of individuals have the additional option of using the balance of their pension fund to buy an approved retirement fund. This is a bond that allows you to decide your own investment strategy and from which you can draw an income if and as you wish.

If a client has an existing share portfolio, it cannot be simply transferred in to the SDP. However, they can replicate the share holding by making a contribution to the pension plan with an initial instruction that the provider uses the contribution to buy the appropriate shares.

At **framework financial**, we believe that whilst it is early days for Self Directed Pensions within this market, there is considerable growth in this area in the UK market. We feel that more and more clients will look to this type of arrangement for their pension investments as they wish to increase the control they have over their investments and wish to be more informed as to the performance of the assets they hold.



Last word

Thanks for taking the time to read our "latest word"

Should you have any suggestions or topics you would like us to visit, please let us know.

In our April update, we will be looking at the outlook for both Mortgage & Deposit interest rates.



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