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Planning for your financial future

If you haven't already made your New Year's financial resolutions, now is the right time to do so

As we start a new year, many of us will set goals to help us achieve our financial objectives. What are you hoping to accomplish in 2015? We can all benefit from trying to improve in this area, but it's important to be realistic when setting your goals. Setting your priorities and completing a full financial plan will help you to figure out which financial goals you should pursue in the coming year.

Firstly, it is important to establish where you currently are financially. To start, it is good practice to determine your net worth, ie. what is left after you subtract your liabilities from your assets.

Secondly, it is a good idea to analyse your cash flow. By reviewing your cash flow, it will highlight any problem areas. It will also indicate your ability to save and will show if you are living within or beyond your means.

After you have determined where you are financially, it is time to set and prioritise your goals.

KNOWLEDGE IS POWER – KNOW WHERE YOU ARE FINANCIALLY

FOCUS ON WHAT IS IMPORTANT TO YOU – SET GOALS AND PRIORITISE

BUILD AN EMERGENCY FUND

PRIORITISE SAVINGS AND INVESTMENTS

LOOK TO THE FUTURE – PLAN YOUR RETIREMENT

COMPLETE A FULL FINANCIAL PLAN

Figure 1: Financial objectives.

KNOW YOUR FINANCIAL PRIORITIES

We all have monthly outgoings and financial obligations which must be met, eg. mortgage repayments, tax liabilities, loans, credit cards, childcare, insurance, etc. Once these obligations are met, you need to decide what else is important. Questions to ask yourself when setting your goals for the year might include:

- Is your income likely to remain the same for this year (or rise or fall)?
- What would happen to your family income if you were unable to work in the event of an accident or illness?
- When do you plan on retiring and what sort of income would you like to retire on?
- What immediate or future financial obligations do you have, ie. children's education?

MAKE A BUDGET

Once you have set your goals for the year and have determined your priorities it is time to create a budget. Having a budget forces you to think about your money. When you list your income and expenditure streams, it allows you to spot trends and identify areas that you might be able to make savings in. It encourages you to be disciplined and to organise your finances, which is the first step in improving your overall financial health.

BUILD AN EMERGENCY FUND

The purpose of an emergency fund is to provide for the unexpected, eg. accident, illness, job loss, unexpected home maintenance. It is recommended that you aim to build an emergency fund of up to six months' net salary/ income. However, this can be reduced if you have an income protection plan in place that will commence after an agreed period of time and a health insurance plan that covers your medical issues.

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- Personal & Business Protection
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Figure 2: Elements of a budget.

HAVE A SAVINGS AND INVESTMENT PLAN

If you wait until you have met all your other financial obligations first, there is a strong possibility that you will never prioritise a savings or investment plan. Ideally, you should resolve to set aside a minimum of 5 per cent of your salary before you start paying your bills. The financial crisis reduced our appetite for investing but, whether you are a cautious investor or are prepared to take some risk, you can opt for a strategy in line with your risk appetite. Veterinary Ireland Financial Services can help you to constantly monitor your investments by emailing you monthly, quarterly or annual valuation updates on your funds.

REVIEW YOUR INSURANCES

Review all your policies. It is important that you have enough insurance to protect your dependants and your income in case of illness, death or disability. Everyone has different needs depending on their stage in life and personal circumstances, so it is important to get trustworthy financial advice. We can work together through a step-by-step process to develop a plan to secure your personal and business future.

PLAN FOR YOUR RETIREMENT

It is fair to assume that not many of us could survive living off a State pension, which is why planning for retirement should be a top priority. Our life expectancy is rapidly rising year on year, with the average person living for 20-plus years post-retirement. Setting up a pension plan is a

very tax-efficient way of saving for your retirement. Your pension fund grows tax free and you are entitled to take part of your fund tax free on retirement. It is important to review your existing pension arrangements to ensure you are comfortable with the level of risk you are exposed to and indeed the level of return you are receiving. Talk to us about reviewing and explaining your existing arrangements and benefits.

TALK TO US

If you are contemplating completing a financial plan or addressing any one of the issues highlighted in this article, please contact us. We have a highly trained team who are fully committed to meeting your needs and enabling you to achieve your objectives. We can call to you in your practice or home. For more information, or to arrange an appointment, contact:

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