

# Five financial resolutions for the new year

While exercise and abstinence may form the basis of most resolutions, wise heads would do well to ensure their new year resolve is also of a financial nature. Veterinary Ireland Financial Services (VIFS) has suggested five steps that will ensure your financial plan is right on track

## 1. KNOWLEDGE IS POWER – KNOW WHERE YOU ARE FINANCIALLY

Calculate your net worth – it is important to know where you are financially. Calculating your net worth is a key step to assessing your financial health and reaching your financial goals, ie. what is left after you subtract your assets from your liabilities.

Analyse your cashflow – it is a good idea to analyse your cashflow and highlight any problem areas. This will show if you are living within or beyond your means and you can plan accordingly.

After monthly obligations – what future financial obligations do you have? ie. children's education, provision for a child with a disability.

### CONSIDERATIONS

- Set goals – after meeting your monthly obligations you need to decide what else is important to you and prioritise these goals.
- Make a budget – this encourages you to organise your finances and is the first step in improving your overall financial health. Listing your income and expenditure streams allows you to spot trends and identify areas you might be able to make savings on.
- Build an emergency fund – this provides for the unexpected, eg. accident, illness, job loss, home maintenance. It is recommended that you build a fund of up to six months' net salary, which can be reduced if you have an income protection plan to replace your income and health insurance plan to cover your medical expenses in place.

## 2. PUT A PROTECTIVE BARRIER AROUND YOUR FAMILY

The global financial crisis taught us a few harsh lessons about the unpredictability of life, and the new year is a good time to consider what could happen if the main earners in your family were to suffer serious illness or worse.

Everyone has different needs depending on their stage in life and personal circumstances, so it is important to give some thought to how much protection you need and get trustworthy financial advice.

### CONSIDERATIONS

- Review existing protection arrangements to ensure all debt loans are covered and that there is adequate cover to provide for your family for at least 12 months.
- Work with VIFS to implement our step-by-step process to secure your personal and business future.

## 3. GET SURPLUS FUNDS WORKING

With economic growth back on the agenda, many people will find themselves, possibly for the first time in several years, with surplus funds in 2016. The recent Budget should help this. What should you do with it? Repay loans? Save? Increase pension contributions?

Loans – the amount of interest you pay on loans can vary dramatically, from less than 1% on a tracker mortgage to a staggering 36% on student credit cards.

Pensions – the effect of tax-free growth and compounding can double the value of your pension over a 12-year period, assuming a 6% annual return.

### CONSIDERATIONS

- Repay short-term debt with high-interest rates, as soon as possible, ie. credit cards
- For medium-term debt with average interest rates, consider a combined strategy of loan repayments and additional pension contributions.
- Consider contributing to your pension ahead of overpaying your long-term debt, such as tracker mortgages with low interest rates.

## REVIEW PENSION AND INVESTMENT PORTFOLIOS

4. A core principle of investing is that the majority of your returns are driven by your asset allocation. In other words, how much of your portfolio is in cash, bonds, equities, and alternative investments such as property and commodities. Now that the rush of tax return deadline is behind us, now is a good time to review your investment strategy to ensure it is in line with your needs, objectives and your current risk appetite. It is important that you understand your investment strategy and that you are comfortable with the level of potential exposure.

## CONSIDERATIONS

- Review your asset allocation.
- Rebalance your portfolio if some assets are under-performing.
- Review your overall pension and investment strategy in line with your current goals and retirement plans.

## 5. MAKE 2016 THE YEAR OF YOUR SUCCESSION PLAN

Succession planning is unlikely to feature in the top 10 list of most popular new year's resolutions, but as most wealth in Ireland rests with the older generation, it is an extremely relevant topic. You can plan for the transition of wealth by reviewing your own, and your parents' or childrens' circumstances and asking a few basic questions:

- Do I have a Will in place? The intestacy rules could transfer assets other than how you intended.
- Who is getting what assets and are they passing tax efficiently?;
- Have I got an Enduring Power of Attorney to prevent me becoming a ward of court in the event that I become incapable of managing my own affairs?

## CONSIDERATIONS

- Ensure that your Will is in place and up-to-date
- Put an Enduring Power of Attorney in place to help protect assets
- Remember you can gift €3,000 (or €6,000 as a couple) each year, free of CAT to each child (or to anybody if you so wish).

## FINANCIAL PLANNING

There is a way to secure your financial future – it's called planning.

What are you hoping to accomplish in 2016? If you are serious about achieving your goals you need to put a plan in place. We can all benefit from trying to improve in any of the areas highlighted in this article, but it's important to be realistic when setting your goals.

Remember, one step at a time for a greater success rate. It may be a good idea to maintain a checklist to keep track of how you are doing throughout the year, so that you can make any necessary modifications.

We would encourage you to complete a full financial plan as this will greatly assist you in figuring out which financial goals you should pursue in the coming year.

VIFS are experienced in advising vets on all of the above topics and if you would like us to send you a budget or net worth calculating template please contact us at the emails listed below. We can work together to develop a plan to secure your future.

For more information or to arrange an appointment, please contact:

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