

Story of 2017

It has been another year of strong returns for investors in the equity markets as can be seen in chart below. The S&P 500 Index (US Market) has now returned 9 consecutive years of positive returns, with extremely strong returns in past 5 years, averaging 15% per annum. The rise in value of EURO vs USD has had a negative impact on those returns for Euro investors in past year.

The returns are mainly due to global growth being the strongest in several years, monetary policy remains loose keeping a low interest rate environment, absence of major political upsets and corporate earnings continued to move higher.

Bitcoin value rose approximately 1600% (not typo error) in 2017. Adherents claim it's the currency of the future, skeptics see a major speculative bubble. With increases in values like that you can decide "if something looks too good to be true....." There are now approximately 1300 cryptocurrencies in existence. (Please note under Central Bank rules- non regulated investment)

It was not a year of all work no play! : Lets not forget best story of all from 2017, after 29 years awaiting, Galway Hurling team managed by the very modest Micheal Donoghue , brought the McCarthy Cup, back to the West. Thank you guys for some great memories, no pressure but please do it all again!

Was not all good news ! Unfortunately, Ireland was not successful in our bid for Rugby World Cup 2023. The estimated cost of bid to tax payer was €3.25M with the expectation of adding €1.5B to the Irish economy. France was selected. Now back to the financials.

12 Month Equity Performance 2017

Stock Indices	Dec 2017	Dec 2016	% change Year (Local)	% change Euro	% change 5 years To end Dec 2017
ISEQ (Irish)	7038	6517	8.0%	8%	83.8%
FTSE 100 (UK)	7688	7142	7.6%	3.4%	28.7%
Eurostoxx50 (Europe)	3504	3290	6.5%	6.5%	30.5%
S&P 500 (USA)	2674	2239	19.4%	4.8%	71.4%
Nikkei (Japan)	22765	19114	19.1%	8.2%	92.5%
Hang Seng (Hong Kong)	29919	22000	36.0%	18.4%	44.0%
MSCI World	2103	1751	20.1%	5.4%	63.1%

Past performance is not a reliable guide to future performance.

Commodities

Gold and Oil investment was not for faint hearted during 2017 as there was high volatility in prices throughout the year, Gold ending year up 13.6% . Oil price dropped in value by 20% up to end June 2017, increasing in year overall by 17.5%. Euro investors may have had any gains wiped out by exchange rate fluctuations with USD.

Commodity	Dec2017	Dec 2016	% Change
Oil (Brent)	67	57	+17.5%
Gold	1302	1152	+13.1%
CRB Commodity Index	432	423	+2.19%

Don't leave it too late to plan! Children's Education Costs

The cost of educating your child is becoming more and more expensive irrespective of private or public school. Mortgage, household and all ongoing bills still have to be paid when your child starts school, the major impact being your income will not have changed and therefore all child educational costs are on top of all other bills that have to be paid.

See below chart which illustrates the average cost of education on yearly basis. The average cost of third level is €11,000 per annum which includes rental accommodation costs of €3,000 per annum. This is not represented in chart below.

Estimated Annual School Costs



Source: Barnardos School Cost Survey, 2015

Start a savings plan today and based on €140 per month saving over 12 year period the projected value is €25,032, after 18 years €42,012. This net figure is after charges and tax and 2.5% premium indexation.

Currency Exchange Rate

The euro's strength during 2017 has been due to good Eurozone economic data and plans by ECB to taper 'quantitative easing' in 2018. This strengthening of euro has had negative impact on Euro investors in US and UK. The euro also strengthened against STG after an increase in 2016 of 15% there was further increase of 4% in 2017.

We expect euro to remain at current levels for 2018 or may end year slightly higher. Stg may drop further due to Brexit uncertainties and prospects of fresh elections.

FX Rates	Dec 2017	Dec 2016	% Change
EUR/USD	1.2005	1.0517	+14.15%
EUR/GBP	0.888	0.8535	+4.0%
EUR/JPY	135.28	122.97	+10.0%

In 6 words describe what a pension is: The Best Long Term Savings Plan

That is what pensions are! A long term savings plan with tax relief for premiums paid in along the way. The rate of tax relief depends on your personal income tax situation. On reaching age of 65, you can earn an income up to €36,000 per annum for couple without any tax liability under exemption rules. Assuming you are entitled to state pension at 68 (if state can still fund it?) there is short fall of approximately €12,000 per annum to get you to €36,000 which requires a pension fund of approximately €300,000. For each and every client young or old that is minimum personal pension fund you should aim for. Please use calculator on website www.rmcs.ie to see how much you would have to fund to get to this figure, click on 'resources'.

Business /Farm Retirement Relief

It has been brought to my attention over past few years, that there are quite a few business owners whom are not familiar with this very favourable capital gains tax relief which may be available to business owners from age of 55. Some of the main conditions are summarised below. If you are nearing that age and run business which you have funds held in, then you should be discussing this option with your accountant. This relief is very favourable and should be looked into, while available, if circumstances suit you.

- » Disposing of your business
- » You do not need to retire
- » You have reached age 55
- » Threshold €750,000 or €500,000 if aged 66 or older
- » No threshold if passed onto child/favoured niece or nephew in business, if under age 66.
- » Relief applies to chargeable business assets.

Performance of Selection Funds for 2017:

Assuming €100,000 invested 1st Jan 2017 in each of the funds below, gross value before plan charges and tax. Please note funds have different volatility factors/risk profile. Plan charges would reduce positive annual return by approximately 0.15% to 1% p.a.

€100,000 Invested 1/1/2017	31/Dec 2017 € '000	Return After charges
Equity Funds: Medium to High Risk		
Irish Life MAPs 4	107,990	+7.9%
New Ireland I Funds 4	105,800	+5.8%
Standard Life Myfolio Active IV	106,450	+6.4%
Zurich Life Pathway 4	105,590	+5.6%
Aviva High Yield Fund Risk level 5	108,600	+8.6%
Equity Funds : Low to Medium Risk		
Irish Life Multi Asset 3	106,190	+6.2%
Zurich Prisma 3	102,340	+2.3%
Other Funds : Low to Medium Risk		
Aviva Target return fund	96,700	-3.3%
Aviva Multi Asset Strategic Fund	103,300	+3.3%
Friends First Magnet Cautious	102,550	+2.5%
New Ireland BNY Real Return Fund	102,300	+2.3%
Standard Life GARS Fund	101,190	+1.2%
Commercial Property Funds		
Aviva (Irish)	109,800	+9.8%
Friends First (Irish)	105,830	+5.8%
Irish Life (Irish)	110,940	+10.9%
New Ireland (Ire, UK, Europe)	108,300	+8.3%
UK Property Fund		
Standard Life UK Property Fund	105,760	+5.76%

WARNING : Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Returns on investments may increase or decrease as a result of currency fluctuations.

What for the year ahead? 2018

"The only function of economic forecasting is to make astrology look good" – **John Kenneth Galbraith**

Taking the above quote on board, financial advisors and clients alike rely to some degree on what the "experts" are predicting which in summary is Global growth to continue with Europe and Emerging markets being more favourable. You can see from chart above how the returns from Europe over the past 5 years are significantly less than US.

Inflation to remain contained across most regions.

US tax reforms to benefit specific sectors like Oil refiners, railroads and airlines.

There is expectation of US rate in first quarter 2018 but further rises will depend on impact of Trump tax reform. Interest rates may rise in Europe towards end 2018. Stronger euro is a risk to earnings downgrades as exports get more expensive.

From personal outlook it concerns me when forecasters are in majority cases predicting same positive outcomes, therefore as in each year prior to this, clients should pay particular focus to asset allocation, risk exposure and diversification, as the quote above implies no one can really predict the markets. If downturn does happen sooner rather than later, once you have put time into your financial planning, you will be able to 'ride the storm' as it will pass.

Helpful reminders re Tax credits/refunds

- **Medical expenses:** Relief available on qualifying medical expenses at 20% (Nursing home costs relief at top rate). Ensure to claim within the 4 year time restriction.
- **Home Renovation Incentive (HRI):** The HRI scheme enables homeowners or landlords to claim tax relief on repairs, renovations or improvement work that is carried out on their main home or rental property by tax-compliant contractors and that is subject to 13.5% VAT. Scheme being extended to 31st December 2018.
- **PRSAs / Income Protection / Pension Term Life assurance:** Ensure to claim your tax credits for the above payments, you must inform revenue to avail of tax relief.

Humans are wired for Survival

"The brains of humans and other animals contain a mechanism that is designed to give priority to bad news" – **Daniel Kahneman**

We strongly advise all clients to review your finances at least once a year. Returns have been very strong over past few years, it is more important to keep review on values when they are positive, as majority of us by human nature are most likely to keep check when values are dropping.

Thank you again most sincerely for your continued support, which is really appreciated, and I wish each and every client and your families a healthy and successful year for 2018.

Services

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- Mortgage protection Insurance
- Income Protection Insurance

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