

RMC Financial Services

Newsletter

January 2022

Year in review 2021

2021 delivered another strong performance on the equity markets. Of the 7 indices in the Table below the Hang Seng/Hong Kong market is the only one with a negative return in 2021.

While the S&P 500 delivered a return of 26.9% in 2021, it's worth noting 5 stocks (Apple, Microsoft, Nvidia, Tesla and Google) contributed 32.6% of this (source: Goldman Sachs). This strong performance was driven by a narrow range of stocks, therefore investing in the indices alone may not offer much share diversification.

There were a few concerns along the way and it is expected that some will continue into 2022. The main worries are Covid-19, rising inflation, supply chain shortages, the slump in China's Evergrande Property, price rises in oil, gas and electricity, the US Federal Reserve plan to wind down its asset/bond purchase and the expectation interest rates will rise by the end of 2022.

Energy and real estate were the best performing sectors in 2021, +40% and +36% respectively. Both were negative in 2020 -36% and -12% respectively.

More than half the people purchasing Bitcoin did so for the first time in 2021. Amid growing concerns about its long-term viability, last year Bitcoin consumed 134 TWh in energy equal to the entire electricity consumed by Argentina.

The top three Irish stocks traded by retail investors in 2021 were Bank of Ireland, AIB and Ryanair. Their performances over the year were: +48%, + 20% and -6% respectively.



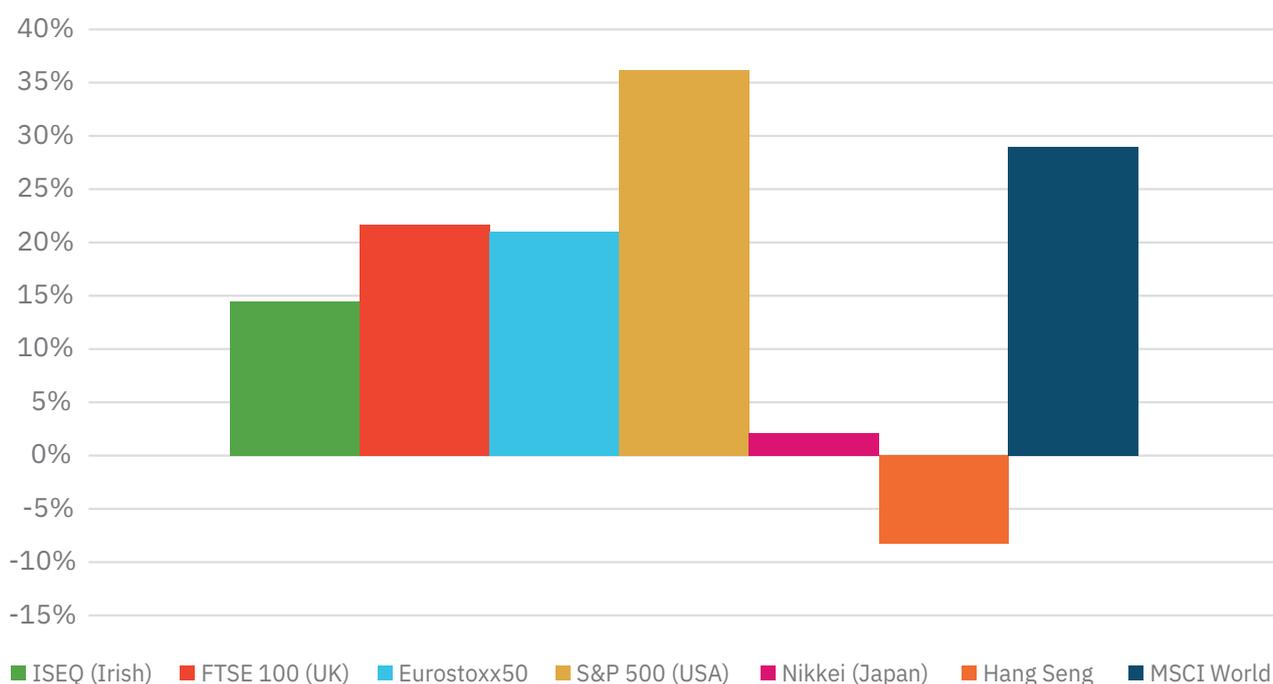
Equity Market Performance for past 5 years

Year	2021	2020	2019	2018	Cumulative 5 years
ISEQ (Irish)	14%	4%	31%	-22%	30%
FTSE 100 (UK)	22%	-16%	19%	-13%	5%
Eurostoxx50 (Europe)	21%	-3%	25%	-14%	31%
S&P 500 (USA)	36%	9%	31%	-2%	97%
Nikkei (Japan)	2%	14%	22%	-6%	42%
Hang Seng (Hong Kong)	-8%	-8%	12%	-10%	-2%
MSCI World	29%	7%	28%	-4%	70%

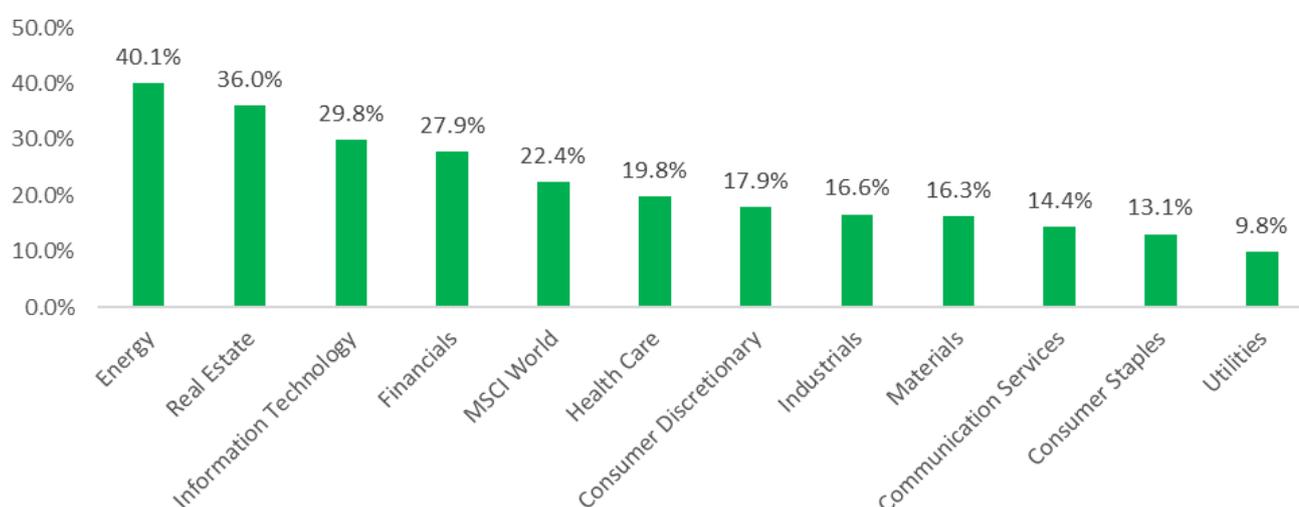
“With righteousness shall he judge the world and the people with equity.”
Psalm 8

Past performance is not a reliable guide to future performance.

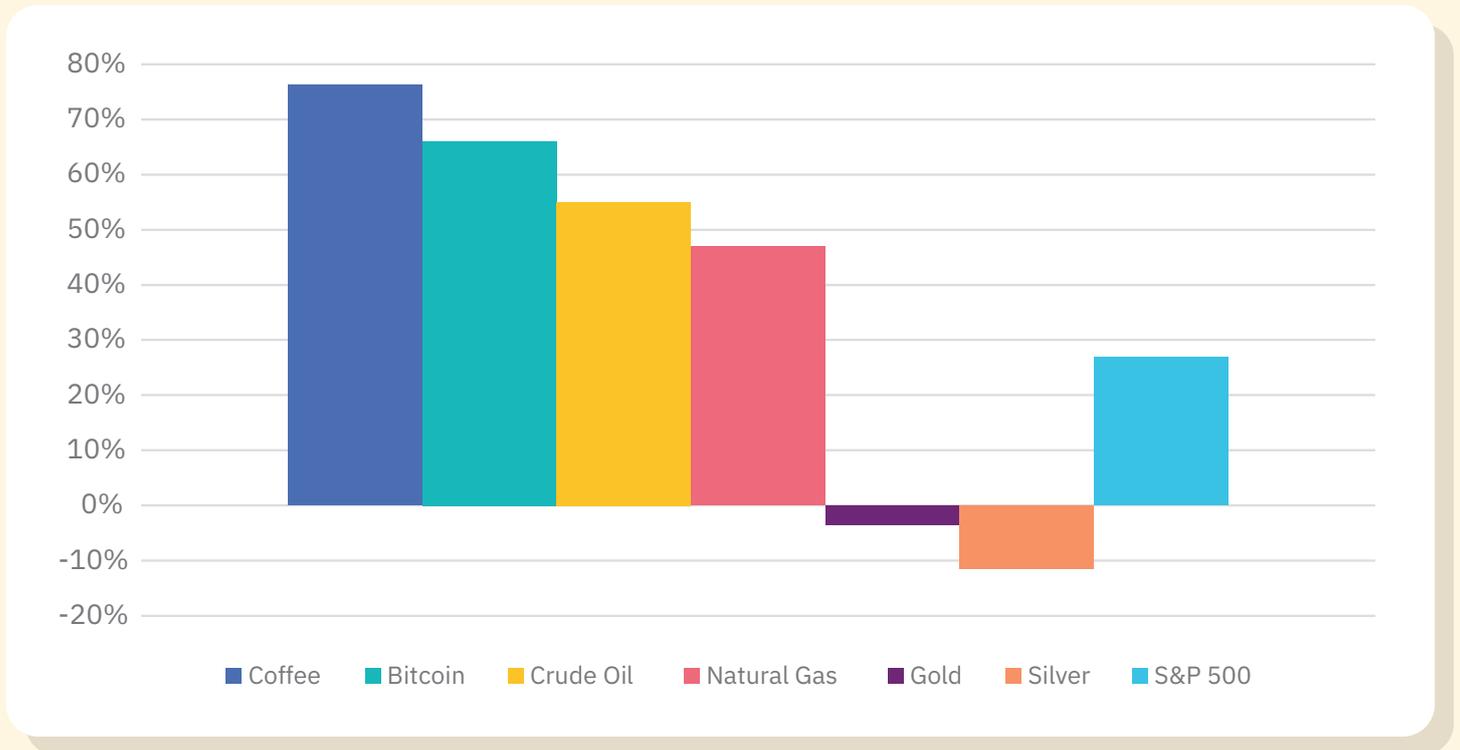
2021 % Market Performance in Euro terms



Sector Performance (TR USD)



2021 Crypto and Commodities returns



Making a property purchase within your pension fund

There were significant changes to some pension schemes, Small Self-Administered Schemes (SSAS) in 2021. This is part of EU Directive IORPS II Regulations.

As a result 50% of any overall new investment must be in a regulated market. Property is not considered a regulated market investment. The SSAS is therefore no longer an option if you wish to invest in property only or in loan notes.

However the regulations do NOT apply to PRSAs (Personal Retirement Savings Accounts), PRBs (Personal Retirement Bonds), RAC (Retirement Annuity Contracts) or ARF (Approved Retirement Funds). We have received quite an amount of queries about transferring from the SSAS to PRB or PRSA. Note there are some other implications in relation to continuing the funding of your company scheme.

If you think the above regulation changes will impact on your pension fund please contact us and we will advise on your options.



“

Well! Some people talk of morality, and some of religion, but give me a little snug property.”

— Maria Edgeworth, *The Absentee*

Currency Exchange Rates

FX Rates	Dec 20	Dec 21	% Change Year	5 years
EUR/USD	1.2216	1.1370	-6.93%	8.11%
EUR/GBP	0.8937	0.8413	-5.86%	-1.43%
EUR/JPY	126.18	130.90	3.74%	6.45%

For euro investors the exchange rate differences in the GB£ and USD added value to your return in the past year as both increased in value against the euro.



Commodities

Commodity	Dec 2020	Dec 2021	% Change	5 Year % Change
Oil (Brent)	51.80	77.78	50.15%	36.89%
Gold	1895	1829.2	-3.64%	59.41%
CRB Commodity Index	443.81	578.31	30.31%	36.69%

Claiming your full tax reliefs

At RMC we find many people fail to claim full tax relief on payments made on a regular basis. If you are paying into a personal pension plan or making additional voluntary contributions to a Personal Retirement Savings Account (i.e not deducted directly from your salary), or you have an income protection or pension term assurance, then it is up to **YOU** to make sure you claim all the reliefs you are due. Revenue does not do this for you at source.

You can go back up to 4 years to amend your income tax returns and claim reliefs you may have missed.

To check you are receiving all the tax reliefs you're due, follow these simple steps. Go to www.revenue.ie and set up My Account with your PPS number and date of birth.

- Complete Income Tax return
- Add Tax Credits
- Click on 'Your Job'
- Click on 'AVC'
- You can go back 4 years to amend earlier Income Tax Returns.

Then to claim your correct relief for 2022 click on "Managing your tax 2022".

This is a straightforward process but of course everything is simple when you know how. If you have difficulty or you're not sure you're claiming your full tax reliefs, contact us and we will advise.



"Death and taxes and childbirth! There's never any convenient time for any of them."
Margaret Mitchell, *Gone With the Wind*

Time for a Personal Finance Overhaul



We recommend doing this check-up at least once a year to monitor your financial health. Please contact us if you have any questions about it.



Be aware of your income, your expenses and your short term cash requirements.



Try to clear any high interest debts you have, such as credit cards or expensive loans.



Review your monthly subscriptions and all utility service providers: mobile, landline, broadband, gas, electricity, TV, Netflix, Amazon Prime. It's nearly always possible to get a better deal by switching or negotiating with your provider towards the end of your contract.



Try to put aside an emergency fund for a rainy day, the suggested amount is 3 to 6 months' salary.



Look into taking out an income protection insurance policy. It's tax deductible and covers up to 75% of your income if you can't work due to long term illness or injury.



Make a will. It's easy to do and will make things so much simpler for your family if the worst happens.



Consider setting up a long term savings plan, such as an education fund for your children. RMC can advise on this.



Start a pension, it is far and away the best form of saving and it's tax deductible. And remember, small steady contributions are better than nothing at all! We can advise on the best pension plan to suit your needs, now and in the future.



Consider starting an investment plan, with interest rates at an all time low you need to invest in real assets that will keep up with inflation.



You can reduce the amount of inheritance tax your family will pay by making regular gifts to them while you're alive. You're allowed to gift €3,000 per year to each family member without them having to pay tax on it.



If you can't reduce your tax liability through paying into a pension fund, investing in Employment Investment Incentive funds may be the solution. Typically those investments carry a higher risk than pension funds as they are made in start-up companies.

What the 2021 changes to AMRFs will mean for you

The 2021 Finance Act means that from 22 December 2021, on retiring you no longer need to set up an Approved Minimum Retirement Fund (AMRF) for your pension. Previously you had to prove you had a minimum pension income of €12,700 p.a. or invest €63,500 in AMRF to age 75, before you could invest in Approved Retirement Fund.

Holders of AMRFs can now access their fund at any time without having to wait till age 75. The AMRF will be treated like an ARF with a compulsory 4% income drawn down each year, this is referred to as “deemed distribution”. This income is taxable.



Performance of a Selection of Funds (Pensions and Investments) for 2021

Please note funds have different volatility factors and a varied risk profile. Percentages are gross before any tax due and annual management charges which can vary from 1% to 1.6%.

“

Do not save what’s left after spending but spend what’s left after saving”

Warren Buffett

Fund name	1 year to 31 Dec 2021 %	5 years to 31 Dec 2021 Cumulative %
Equity Funds: Medium to High Risk		
Irish Life MAPs 4	15.0	30.6
New Ireland I Funds 4	10.0	30.6
Standard Life Myfolio Active IV	16.7	36.6
Zurich Life Prisma 4	17.6	47.1
Aviva High Yield Fund Risk level 5	36.0	85.9
Zurich Dividend Growth	36.0	32.8
Low Risk Funds		
Irish Life Multi Asset 3	9.7	21.3
Zurich Prisma 3	7.9	19.6
Standard Life GARS	-3.6	1.0
Other Funds: Low to Medium Risk		
Aviva Target return fund	2.3	5.9
Aviva Multi Asset Strategic Fund	13.2	31.0
Friends First Magnet Cautious	6.9	20.2
New Ireland BNY Real Return Fund	7.9	35.0
Merrion Multi Asset 30	11.3	N/A
Commercial Property Funds		
Aviva/Friends First	2.7	3.5
Irish Life (Ireland)	7.2	12.6
New Ireland (Ireland, UK, Europe)	0.6	6.4
UK Property Fund		
Standard Life UK Property Fund	9.9	11.1

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.

The Outlook for 2022



As is clear from the equity performance charts in this Newsletter, investors who took some risk over the past 5 years have been duly rewarded in the returns they received in their portfolio, most notably in the past year. The warning note “Past performance is not a guide to future performance” should be carefully considered going into 2022. It is likely to be a bumpy road ahead for market performance, with a lot of volatility but fund managers remain cautiously positive on the outlook for equities in the year ahead. Equity valuations are high compared to past history but are still attractive versus other asset classes such as cash or bonds.

It's expected US interest rates will rise in 2022 with the closing of quantitative easing where Central Banks buy back bonds. Managing inflation will therefore be a concern. Growth and company earnings should be relatively good, especially if omicron signals the possible end of Covid.

Since the US had another very strong year in equity returns, in 2022 the general trend is likely to see stronger returns in the UK, Europe and Japan. Expect temporary market falls but overall trends are generally positive.

At RMC our constant investment advice is to prepare a long-term plan, remain focused on it and make sure to conduct a portfolio review with us once a year. Re-balance your assets where appropriate if you think you are overexposed to any one asset or market or your personal financial circumstances change.

10 years a'growing

RMC Financial Services is now 10 years in business, thank you so much for your ongoing long-term support, especially through another difficult year, this is really appreciated. We wish each and every one of our clients and your families a healthy, happy and successful 2022.



What else happened over the past 10 years or so? Here are a few notable events, excluding the Covid pandemic, but who needs reminding?

April 2010	Apple releases its game-changing piece of technology, the iPad.
June 2011	Novak Djokovic wins his first Wimbledon title.
January 2012	A meteorite appeared as a fireball over Ireland and crashed into the sea off Co. Louth.
December 2013	The world says farewell to the first black South African head of state, Nelson Mandela.
May 2015	Following a referendum to change the Constitution, Ireland legalises same-sex marriage, the first country in the world to do so by popular vote.
June 2016	Britain votes to leave the European Union.
September 2017	After nearly 30 years Galway win the All Ireland Hurling Final.
November 2018	In rugby, Ireland defeat the mighty New Zealand team, 16-9.
April 2019	Unemployment in Ireland falls to a 10 year low: 4.8%.
November 2020	Irish-American Joe Biden is elected 46 th President of the United States, succeeding Donald Trump.
January 2022	RMC celebrates 10 years serving its clients with sound financial planning advice.



“The secret of being miserable is to have leisure to bother about whether you are happy or not. The cure of it is occupation.”

George Bernard Shaw, *Parents and Children*

Services

The following services are provided by RMC Financial Services, with over 20 years' experience in the Accountancy and Financial Advisory business:

- Financial planning
- Investment and pension fund reviews and advice
- Savings and deposits
- Retirement advisory services
- Post-retirement investment services
- Life insurance: personal and business protection
- Illness insurance
- Mortgage protection insurance
- Income protection insurance

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Bank of Ireland