



# KARL DEETER

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## Taxpayers suffer for Anglo's rates

DEPOSIT accounts are one of the most vital sources of funding for banks.

In fact, the loan-to-deposit ratio is often used to determine if a bank is lending in a prudent fashion.

A very high ratio can be evidence that the bank is lending too much and sourcing money from the markets rather than from depositors.

A high deposit rate often implies higher risk lending on the other side of the bank's operation, because to pay bigger returns to the people putting in money they have to charge higher interest rates to those who borrow.

That's why, historically, Anglo Irish Banks has paid higher rates.

What's happening now, though, is a taxpayer-funded travesty.

It's a crying shame to see a

State-owned bank like Anglo — which got the biggest bailout in Irish corporate history and recorded the biggest losses — paying a "best in class" rate.

This is literally taking money from taxpayers (one of Anglo's only sources of funds) and giving it to people saving with that institution.

Of course, like many financial misdeeds, this is going largely unexamined.

Some of my clients say they're afraid of putting money in Irish banks.

Let me say on the record, my colleagues and I don't believe average depositors are at risk here.

However, if you're still wary, look at banks that are owned via companies in other jurisdictions.

And, as always, get advice before you do anything drastic.



Disaster... toxic bank

### SAVING can be a risky business, but by selecting the right deposit account you could boost your nest egg without leaving your savings vulnerable.

The issue with deposit accounts has been that they tend to under-perform when compared to alternatives with some risk, like stocks and bonds.

But that doesn't mean you should only ever opt for risk, as a steadily increasing deposit account can make a big difference over time.

When you earn interest on deposits, it's at the lower tax rate.

Deposit Interest Retention Tax is paid at 27 per cent and is considered a final liability, meaning that even if your earnings are being taxed at 41pc you won't have to pay a cent over the 21pc.

Universal Social Charge doesn't apply to deposit interest, but PRSI may.

However, some people — those aged 65 or over or who are permanently incapacitated — may be exempt from paying PRSI if their income is below €20,000 for a single person or €40,000 for a married couple. If you think you're eligible, fill in a Form 54 Claim, available from [revenue.ie](http://revenue.ie)

Deposits are a safe investment, with many guaranteed under the present Credit Institutions Eligible Liabilities Guarantee Scheme 2009.

#### LENDS

This covers certain deposits for five years as long as they're made before June 30 (although generally it only protects up to €100,000). I use the word "investment" for a deposit because what you're effectively doing is giving your money to a credit institution that lends it to borrowers.

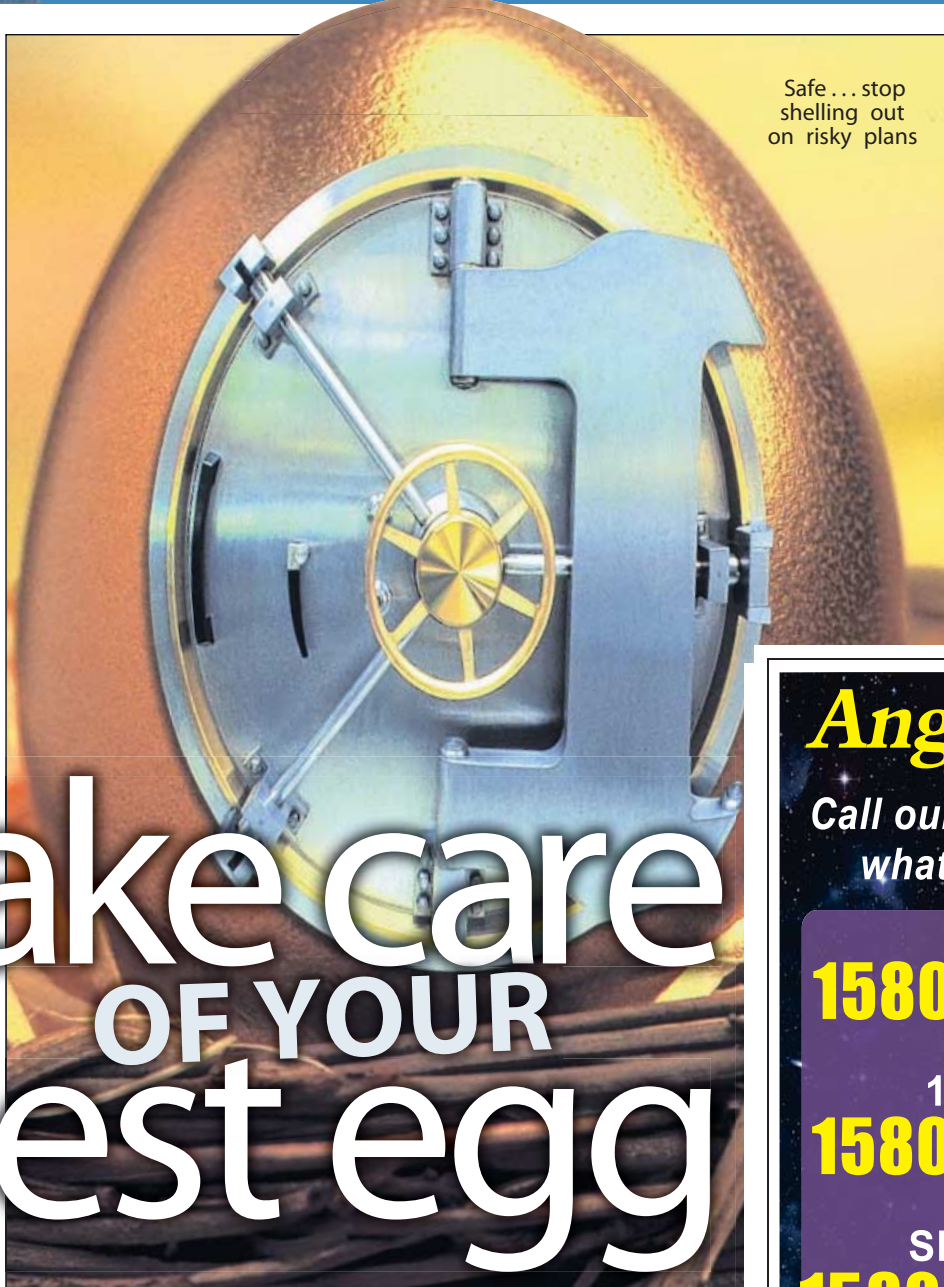
Depositors generally don't ever lose out if a bank folds, but it's important to know that banks don't create your interest return out of thin air.

The language used around deposits is unusual — there are CARs, Compound Annual Rates and AERs which stands for Annual Equivalent Rates.

AER is a way of telling you the yearly interest. CAR demonstrates the result after 12 months of compound interest. Some accounts require a notice period for withdrawals while others allow you to get your cash on demand.

In the table, right, I've outlined the best accounts available along with any exclusions.

Often the best rates have two things in common —



Safe... stop shelling out on risky plans

# Take care OF YOUR nest egg

## PROTECT THAT DEPOSIT

you have to lodge a sizeable amount and lock it away for a long period.

Banks are not above tricky marketing, though. Ulster Bank has a special interest regular savings account offering four per cent, but it's paid annually

and after €15,000 drops to just 1.5pc.

Over a year it doesn't make sense to continue with this account, but they're hoping the customer is 'sticky', and stays with them.

In the one-year deposit market you could end up with a paltry 1.7pc from Rabo or as much as 3.6pc from KBC.

Players in the market who didn't make our list include Investec and NationwideUK (Ireland) who have good deposit rates and are non-Irish for those who are paranoid about trusting their money to domestic banks.

BEST RATES	RATE	MIN	BANK	ACCOUNT NAME
Regular savings	4%	€1	Ulster Bank	Special interest
Demand account	3.1%	€1	Anglo	Premium demand
3 month	2.5%	€10k	PTsb	3mth fixed
6 month	3.25%	€10k	PTsb	Interest first
12 monthly/1yr	3.6%	€10k	KBC	1yr fixed term
2yr	9%*	€10k	BOI	Double interest
5yr fixed term	18%**	€500	Rabo	Business fixed 5yr

\*CAR 4.49% \*\*CAR 3.6%

## Q&A

### Do we have to pay DIRT?

**Q** MY brother became an invalid after a car accident and the settlement was large because he'll need 24-hour care for the rest of his life.

**A** Does this mean we don't have to pay DIRT on the money we have in the bank for him?

**A** YOUR question was the inspiration for this week's main article, and the answer is that I don't know because you didn't provide a breakdown of figures.

Chances are that he may be exempt, but we'd need to know more about the amount of money we're talking about and what rate of interest you are getting for him.

If you contact me at the email address above with these details I'd be happy to give you a consultation due to these circumstances and — as you're an Irish News of the World reader — it'll be on the house.

ADVISORS.IE

Karl Deeter is operations manager at Advisors.ie, a firm of accountants and financial advisors.

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