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Options worth giving thought

THE idea of protecting your money is important – but it's also vital to put the risks and rewards into perspective.

Plenty of people say the end of the euro is nigh, but the fact remains it's still one of the five reserve currencies in the world, alongside the US dollar, yen, Swiss franc and sterling.

Somebody's always predicting something bad will happen, and many of those who come up with such predictions make plenty of bad calls as well.

Anyway, the best protection for savers is diversification.

You can't lose everything if you don't have it all in one place, and for that reason standard portfolio management is a great choice.

For equities (stocks) you have the choice of individual stocks, which are quite risky. Or you can have managed

funds and ETFs, which are low-cost funds that track major indices.

If you haven't heard of ETFs, they're worth looking into as a low-cost diversification tool that gets exposure to stocks.

As we've said before, a small holding of precious metals is a good idea (no more than five to 10 per cent of your money) and cash on deposit (a mix of demand and fixed deposits) is also vital.

This is where some professional advice is key.

Unless you spend your life thinking about money or working in the finance industry, it's worth shelling out to get a pro's help.

Be sure to shop around and scope out who you use for this advice – it's important to make sure they're both qualified and regulated.



THE problems in Greece are weighing heavily on Europe at the moment.

Many fear the troubled country faces the choice of either turning Dracula or Drachma.

Go for the former and they threaten to suck the lifeblood out of the euro after a €110billion bailout failed to put a dent in their debt. Do the latter and they go back to their old currency and throw the EU into chaos.

For now, the Greeks remain the focal point of almost every financial institution worldwide.

We're getting calls on a daily basis from clients worried about the domino effect Greece's actions will have on their savings, wondering if their money is safe and asking us what they should do to protect themselves.

While I'm not going to assume anything will or won't happen, I can offer some perspective to help you make the right decision.

Are my savings safe?

A Deposit Guarantee Scheme acts as a safety net for account holders in case of a bank failure. It means that if a bank closes down, customers will be reimbursed up to €100,000.

DIRECTIVE

A 1994 directive ensures all EU member states have Deposit Guarantee Schemes in place.

If a bank did fail, the time it would take to get your money would be one week.

Last month MEPs voted to reduce that time to just five days from 2016 on. So you'd be guaranteed up to €5,000 within five days and the rest within 20.

The guarantees in Ireland are split between the regular guarantee (of €100,000 per account holder per bank) and the Eligible Liabilities Guarantee, which offers unlimited cover.

The ELG was updated in September and offers cover of up to five years in maturity in participating banks, as long as the deposit was made before the cut-off of December 31.

It may well be continued past this date if there's EU State aid approval, and that's why we would strongly advise people to hold deposits with a bank covered by the ELG.

You can find out which institutions are covered in the question and answer section below.

Should I move my money abroad?

It's an option to move your money away from Irish institutions altogether.

Personally, I believe the guarantee offered is good and would hold in the case of a bank closing.

But it does hinge on how much you trust an Irish guarantee. In other words, if you have no faith in our State then the guarantee doesn't mean anything.

If you opt for a UK operation, remember you're covered by the UK Financial



Chain reaction ... be cautious but don't be paranoid

Make the cash call

PROTECT YOUR DEPOSIT

Services Compensation Scheme which can pay out to depositors if a bank is unable to meet its financial obligations.

Currently, the maximum level of protection there is £85,000 per eligible depositor per credit institution.

This is nowhere near as good as the Irish guarantee, but UK banks are internationally seen to be better capitalised.

There's a difference between putting your money in a 'non-Irish bank' and 'offshore'.

The former is an institution that isn't domiciled in Ireland but operates here, such as Investec or Nationwide UK Ireland. Offshore means the money you put on deposit is actually in a different country, examples being Barclays Offshore and Deutsche Bank Germany.

The last word . . .

People are moving money out of Irish banks and the country generally, due to what I believe is an irrational fear of losing it all. My opinion is that Europe

wouldn't allow a situation to develop where depositors are not paid.

In fact, the most recent debate is whether to copy Hungary's approach and guarantee all deposits in full.

Recent Central Bank figures show there's still €92billion worth of household money on deposit in Ireland, which should be some indication of confidence.

RISK

While it's prudent to hedge your risks, we can't responsibly claim that it's necessary to move money out of the country at present.

There are risks to Ireland and the euro, but there are also foreign exchange risks that come with putting your money in other currencies. Going to other banks can often mean lower returns, too.

If in doubt, seek advice, but make sure you do so knowing the facts.

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Q&A

Is my money in right place?

Q I HAVE €120,000 in savings after selling a house that was left to me in a will. Now I'm worried my money isn't safe because a friend said the banks were risky and they only guarantee up to €100,000. What should I do?

A It depends who the money is with. Some banks are covered beyond that amount, others aren't. Permanent TSB, Irish Life & Permanent, Bank of Ireland, ICS, AIB and EBS are covered by the

Eligible Liabilities Guarantee. National Irish Bank, credit unions and Ulster Bank aren't covered by the ELG – but are covered up to €100,000.

Since the beginning of the financial crisis, no eurozone bank has shut down resulting in losses to depositors.

If you're concerned, balance it out by putting the €20,000 over the standard guarantee into another institution or move it all to a bank with the ELG cover.

ADVISORS.IE

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