

## Money Matters Factsheet



### Savings and investments

**Saving** is the term often used when referring to putting a regular amount of money away for short term goals such as paying for a new TV, a deposit for a car or a holiday. As these goals are short term, saving often means putting money in low risk, easy access bank or building society accounts. Saving can be an effective way of managing your money and to provide a safety net for emergency expenses.

Did you know?

**If you saved €1 per day and invested it at 3%, you could have almost €27,500 in 40 years time?**

This is due to the effect of compound interest on your savings. The key message is the earlier you start saving, the more time you leave for compound interest to take effect and the more you will earn.

**Value of saving €20 per month (assuming an average interest rate of 5%)**

<b>Saving term</b>	<b>10 years</b>	<b>20 years</b>	<b>30 years</b>
Amount paid in	€2,400	€4,800	€ 7,200
Interest earned	€ 706	€3,421	€ 9,445
Total value after term	€3,106	€8,221	€16,645

### Build up an emergency fund

Your initial aim should be to build up an emergency fund which can be used to cover expenses when there is a sudden loss of income or a financial emergency such as a new roof or car repairs. Most experts suggest a household should have between 3 and 6 months' worth of expenses available in the event of an emergency. So if your monthly outgoings are €1,200 per month you should aim to keep between €3,600 and €7,200 in your emergency fund.

## Plan to save

**Saving** money is a basic rule of personal financial planning and the key to financial success. Yet many people do not have a formal savings plan. Without a plan, the chances of you ever saving enough money to meet your long term goals or achieve financial security are very slim.

Most people think that in order to save money they need to have some “extra” cash coming in but this is not the case. In fact having a budget will help you create money for savings. Having set your financial goals you know what you are aiming for. You then need to set up a separate savings account. Having your savings in a separate account is a constant reminder that these funds are earmarked for your future, and watching the balance grow is both rewarding and motivating.

Decide on a percentage of your budget that you can commit each month to saving for your dream. 10% is a good starting point, but if having analysed your budget this is too unrealistic start out with 5% or whatever you feel is achievable without too much sacrifice. Remember just cutting out that coffee on your way to work each day could save you €500 over a year-think what that could buy you! Set up a standing order to go out just after payday and soon you won't even notice it going out.

Whenever you have unexpected money coming your way-for example bonuses, tax refunds or overtime pay-try and put all or most of it in to your savings account. This will quickly increase your savings balance without your having to cut down on spending.

If you really have to dip into your savings for an emergency, consider it a loan which must be paid back within a reasonable period of time and set up a repayment schedule

Remember the idea is to save first and spend what is left-do not be tempted into thinking you will spend whatever you have left over each month because somehow it will all disappear. If you take out your savings first you will live within what you have left.

**Investing** is associated more with longer-term goals such as retirement, paying for a child's higher education or planning to change your lifestyle. Investing generally means buying products such as collective investments, insurance bonds and individual shares. Many people also see their house as the biggest investment they will make.

Remember, investing always includes a risk that you might lose some or all of your money. As investing carries these kind of risks, you should talk to a financial adviser or investment specialist about what may be suitable for you in your circumstances.

## **Insurance**

None of us know what is going to happen to us in the future but what we do know is that accidents happen. This is the basis that the insurance industry is founded on. You never know when you might crash your car or come home to find someone has broken into your home. But what you can do is protect yourself financially against these kind of events happening at some point in the future.

There are many different types of insurance and many different insurance companies:

However all forms of insurance come at a cost and it can be very expensive to cover for every single eventuality occurring. You will need to prioritise your needs and assess the likelihood of the particular events occurring.

Some forms of insurance are compulsory: Motor insurance for example is compulsory if you own a vehicle as is building insurance if you have a mortgage.

Always ensure that you shop around for the insurance product that is right for you as there can be different clauses and requirements for different policies. Visit [www.irishmortgage.ie](http://www.irishmortgage.ie) or call on 1850 444 474. They will do all the work for you by comparing prices and ensuring you get the best possible deal.