

# Markets Outlook

## Wealth Demographics and the Financial Planning Landscape in Ireland – 2023 Update

Kevin McConnell

CERTIFIED FINANCIAL PLANNER™ Annual Conference

1<sup>st</sup> December 2023



# Key of Coverage of Analysis

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**1. Market Outlook- Key Turning Point?**



**2. Wealth Demographics & Health of Irish Economy**



**3. Take Aways For Financial Planning**



# Update Q4 Global Backdrop – The “Poly” Crisis But Easing?

## End of Tightening Rate Cycle



- Fed Funds Rates appears to be close to peak at **5.25%-5.5% in 2023? ..**
- ECB interest rate cycle peaking @ 4.50% ->
- Ongoing threat of recession in Euro in 2023 (Germany in recession)
- V. Strong employment markets in US, UK Europe ( inc. Ireland).
- Slowdown “without” unemployment spike?
- 9% rally in Equities in Nov, 4/5% in Sov. Bonds... record month

## Cost of Living Crisis Easing ...



- **40 Year highs (9%/10%) flowing into 2023 inflation of mid single digit -> speed of decline accelerating**
- **Oil prices were down \$40 from PEAK** -> \$122 to \$80 a barrel
- Food Commodities off 15-30%
- Cost of living creating working poor

## Financial Contagion Risk/ The China Factor



- Failure of SV Bank, Signature Bank, First Republic/ UBS merger with CS after formers failure
- Higher Rates - Bond market turmoil. \$3trn of bonds in EU banks/€4.4 trn in US
- **CRE property values €1.5 trn of loans in Europe/ \$3trn of loans in US**
- China sharp slowdown.. Housing sector 25% of GDP in turmoil. Debt levels of €5trn in construction
- Evergrande/ Country Garden
- FX intervention and barring stock market sales !!!
- **The \$10 trillion question**

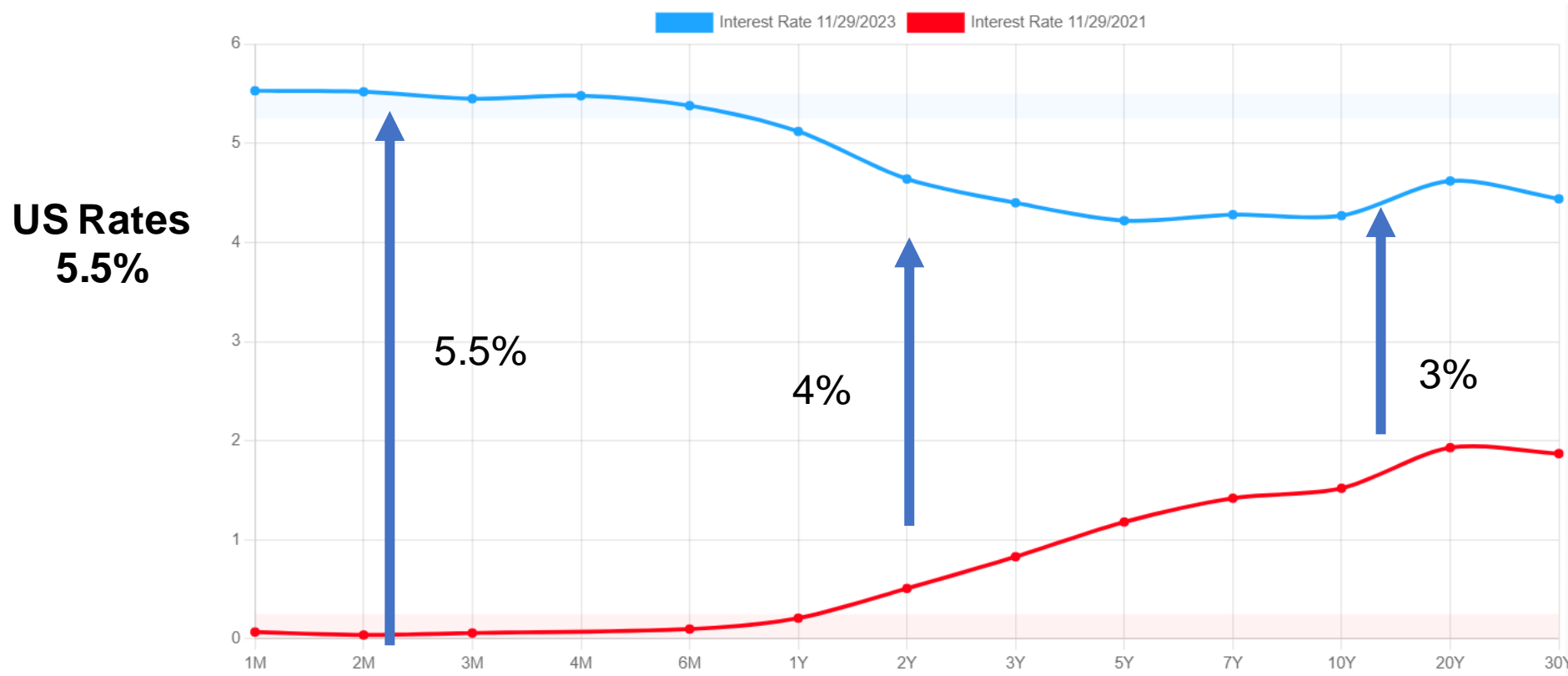
## Geo Political Risks



- Slow moving crisis .... Gas supply disruption V. boycott of Russian economy/services expanding.
- Slow collapse of Russian economy (\$1.5 trn size), Russian banking system failure. Rouble collapse
- 2023 Inflation impact on- Oil, gas, wheat, corn etc
- Ukrainian success??



# US Bond Yield Movement Similar To Europe But from Higher Start



- **Sell off in Bonds Global.**
- **“Mark to mark” bond market losses in banking sector. Fair Value**
- **Held To Collect V Marked to Market**

**US Battle of Inflation V Economic Crisis  
(OCTOBER BOND MARKET ROUT TO NOV RALLY)**



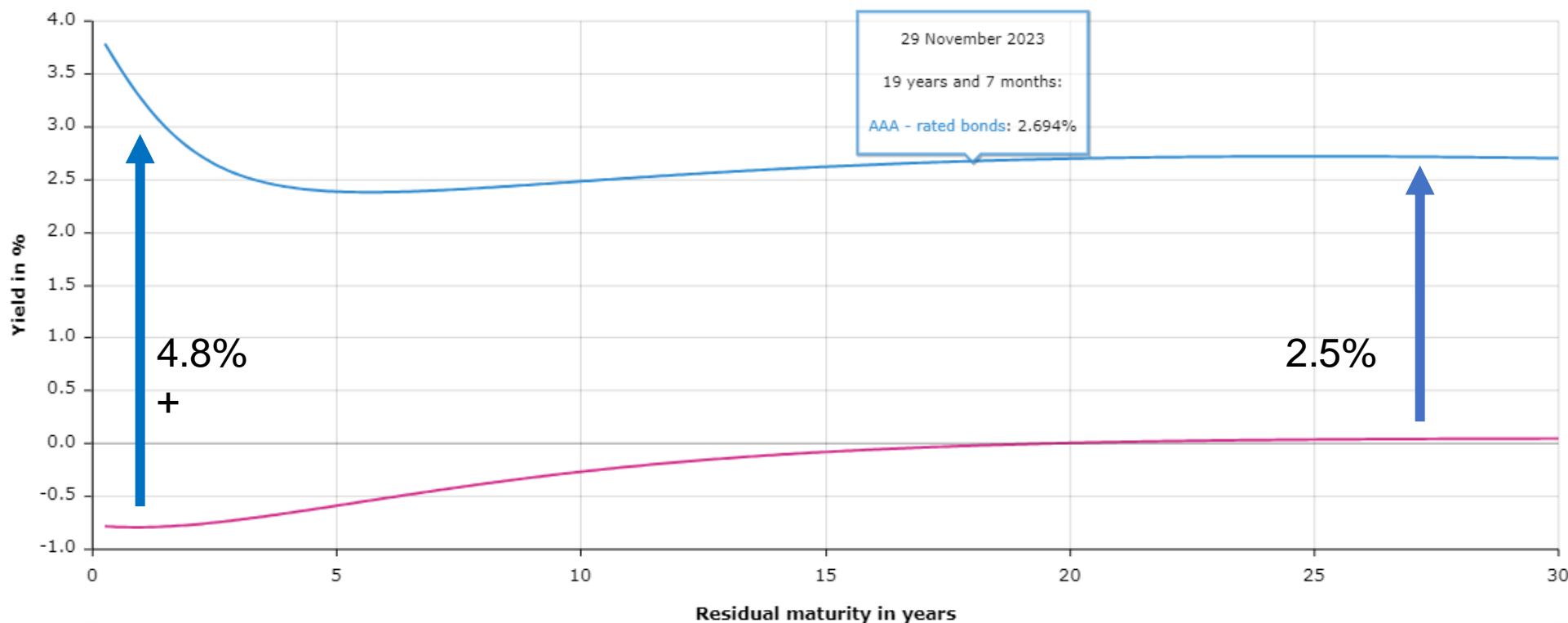
# Shift in European Yield Curve ( Snap shot from 2 Years Ago)

29 November 2023 | 5 November 2021

AAA rated bonds |  All bonds | Select maturity

Spot rate | Instantaneous forward | Par yield

Curve | Yields | Parameters

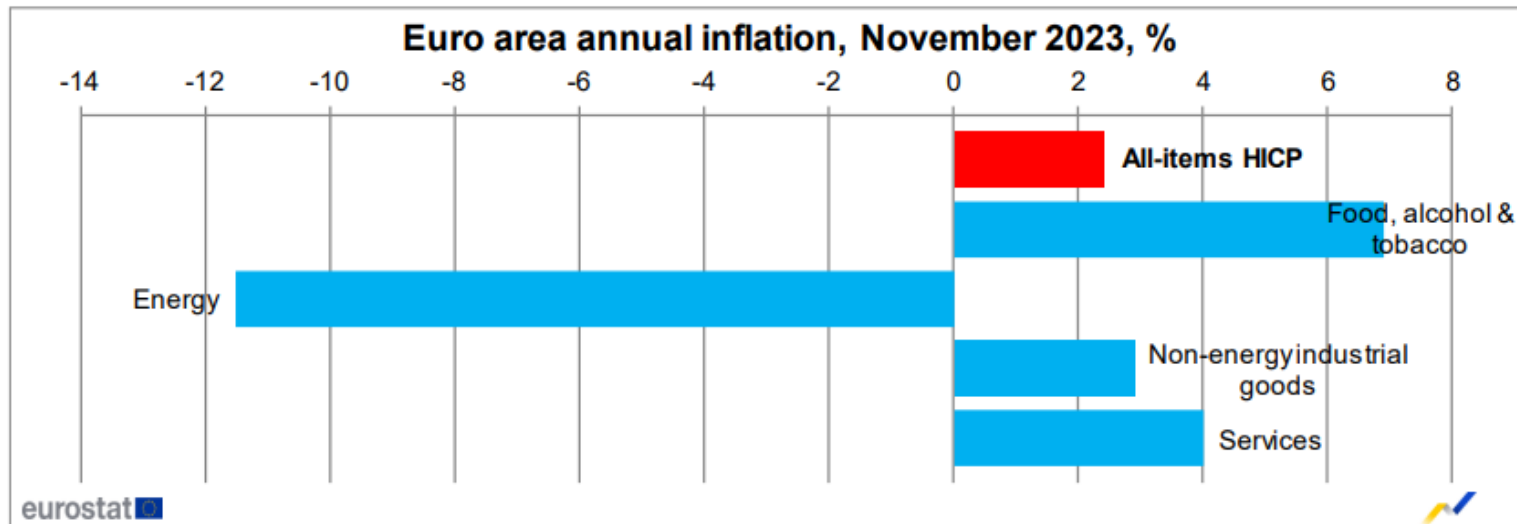


## Higher Rates European Impact:

- Lending Activity
- Escalating Cost of Credit
- Escalation of Credit Risk
- Impact on Bond Prices (84% of Investable bonds are trading below par)



# Downward Price Pressure Accelerating



Euro Area Annual Inflation –

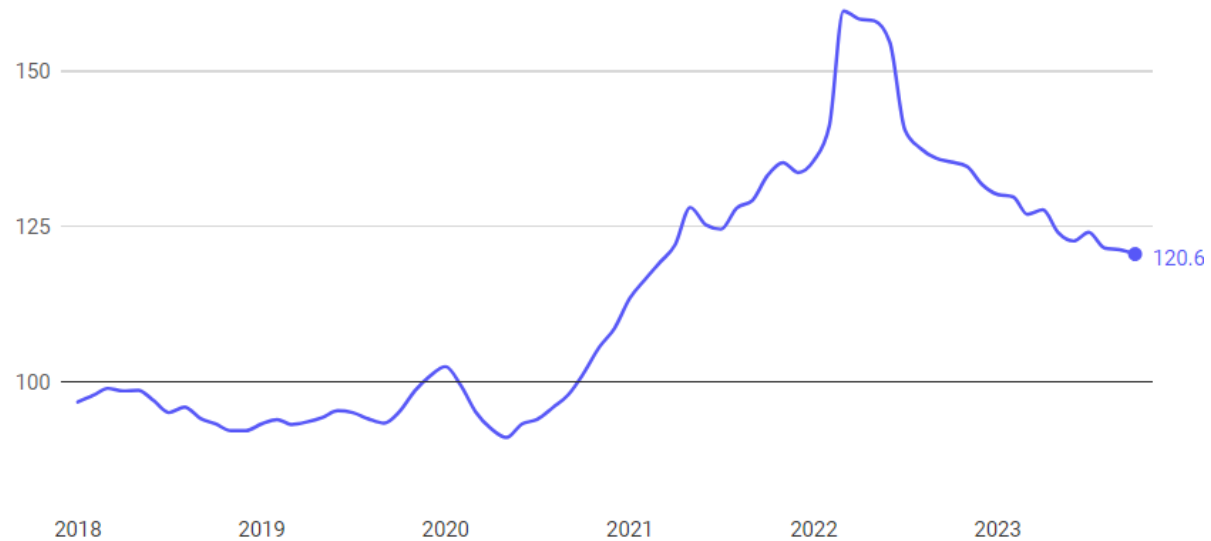
- 2.4% in November
- 2.3% in Ireland

**Food/Alcohol/Tobacco Inflation 7.4%**

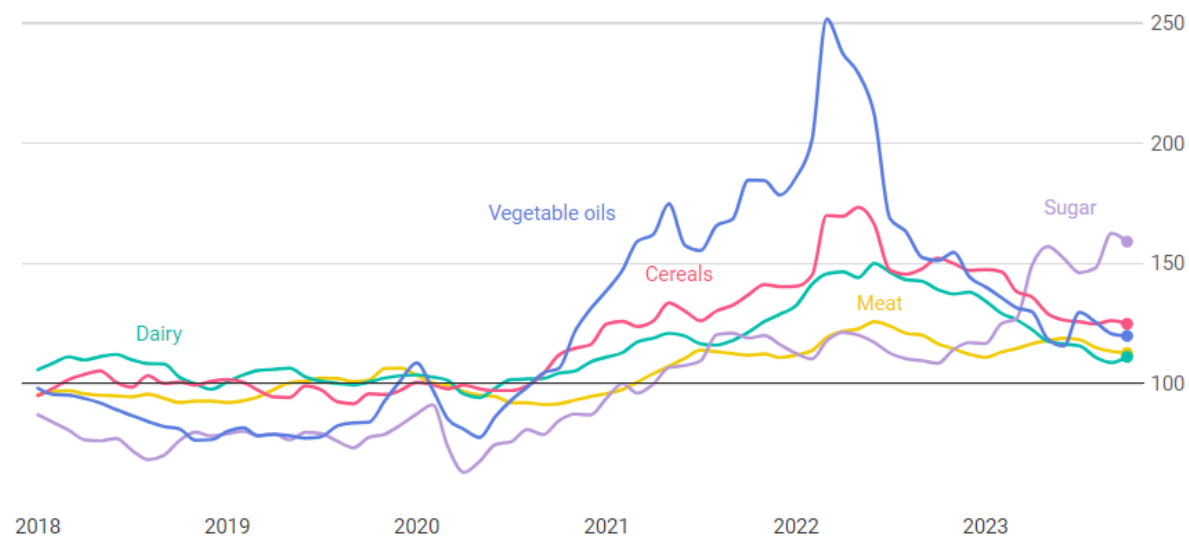


# Food Price Inflation – Will Reverse But Not to 2021 Levels

FAO Food Price Index



FAO Food Commodity Price Indices



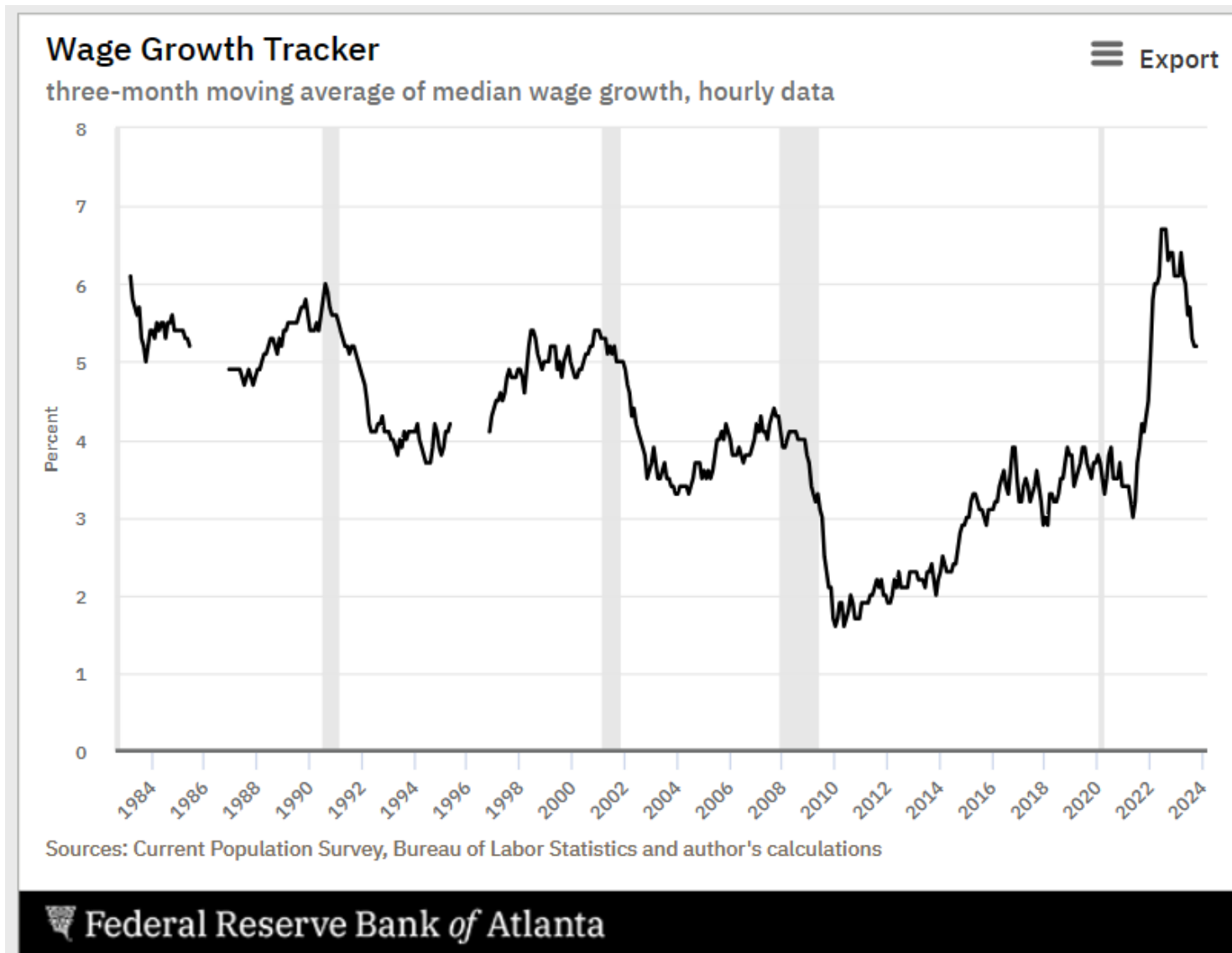
2014-16=100  
Source: FAO • Created with Datawrapper

**Sugar is the only major food commodity category which is higher YOY**

**-15% Fall YOY**



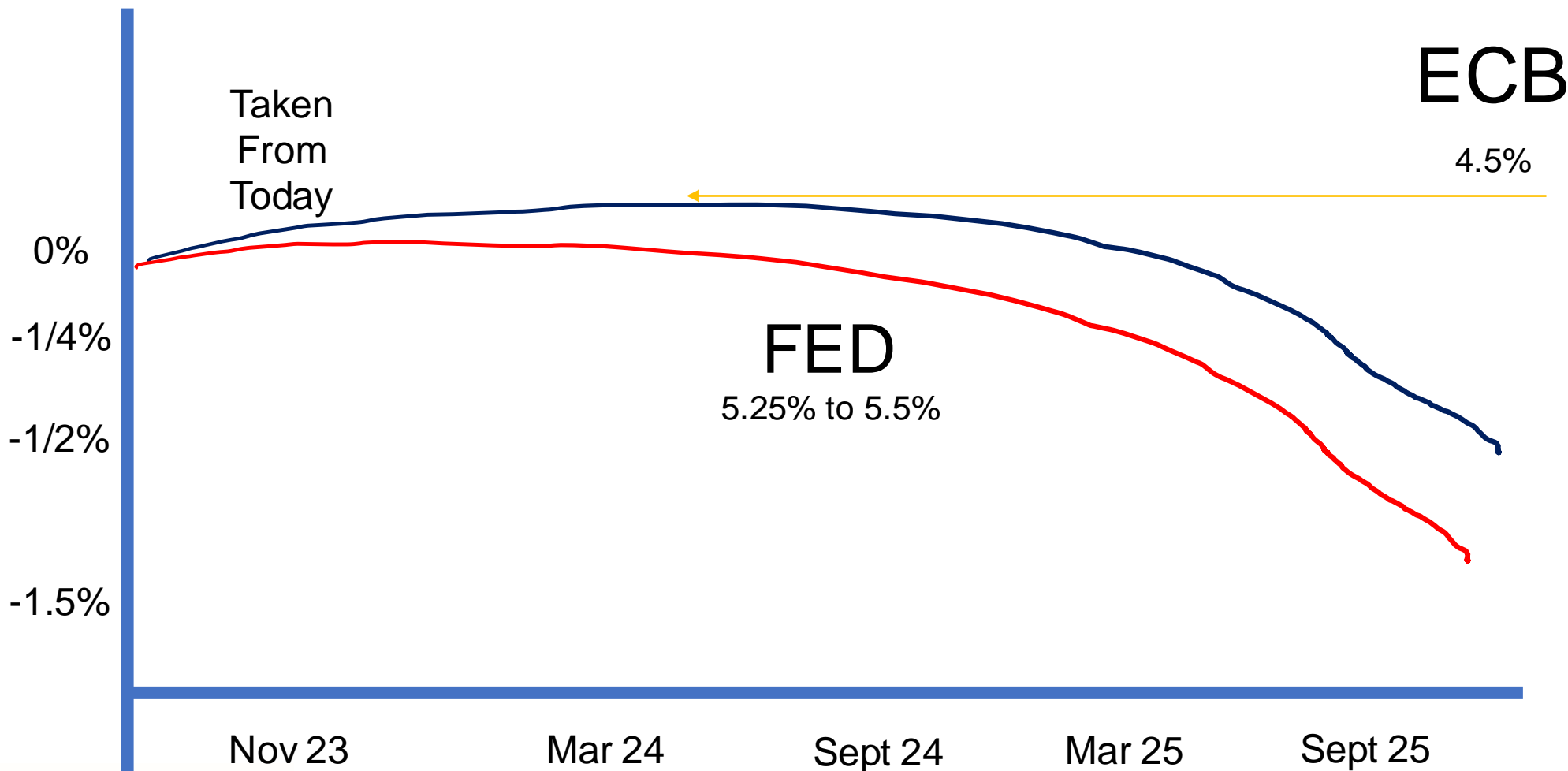
# Wage Inflation Still >5% in US







# Divergence Between FED and ECB Expectations



Rates will drop faster in 2024 in US but slower fall in Europe

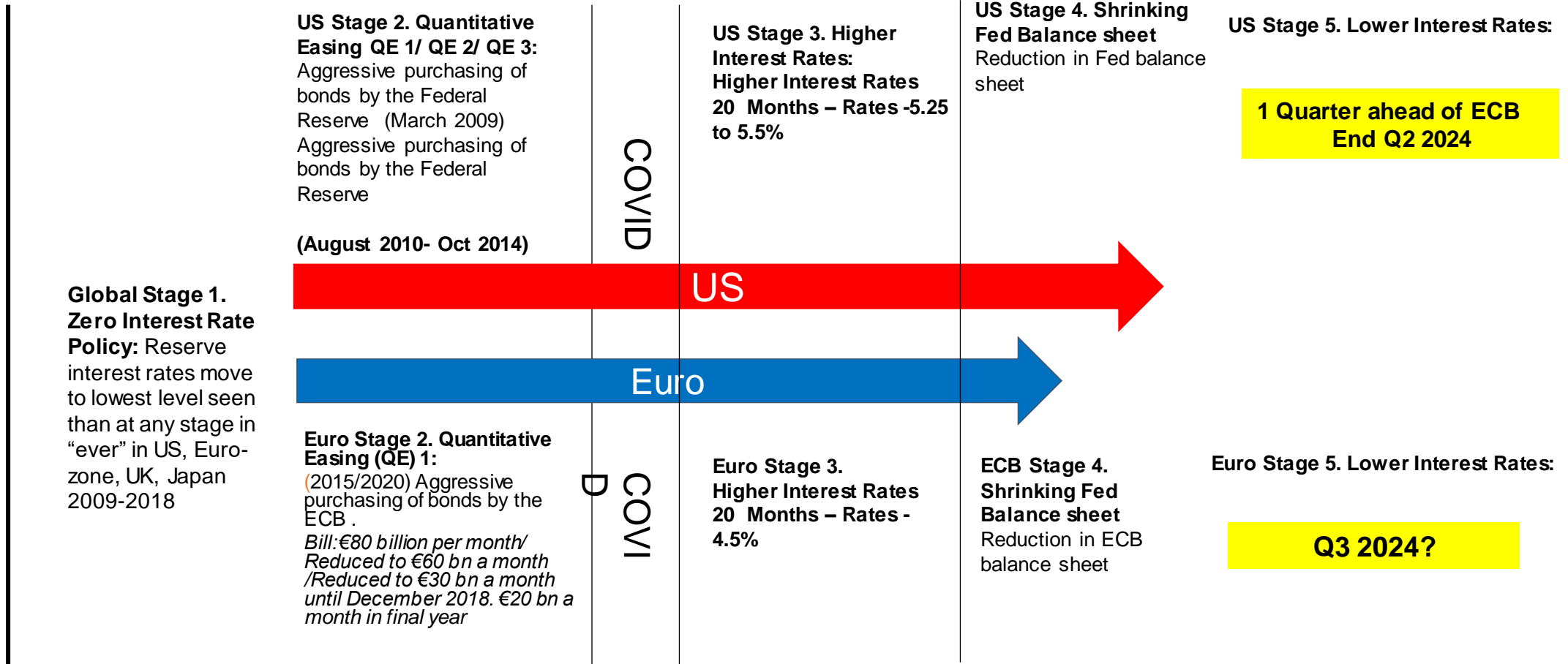
Rate Cuts in May 24 in US

# Rate Cycle End of Low/Zero Rate Environment/ End of QE-> Contraction / Higher Interest Rate Environment



Much more severe impact of higher rates in Europe from QE to higher rates

According to ECB estimates, monetary policy now takes more than a year to fully materialize



Crisis / Zero Rates

QE Start/End

Higher Rates

Reverse QE

Lower Rates

2009 - 2019

2022 - 2024



# Expectations of Rate Cuts in US => Major Move in November 2023

## End October

Rates cut in June->  
consensus at 75 bps  
lower by End 2024

Best single month ( November)  
Bond market performance in 40  
years

## End November

Rates cut in May 24 -  
> consensus at 125  
bps lower by End 2024

MEETING PROBABILITIES										
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575	575-600
11/1/2023			0.0%	0.0%	0.0%	0.0%	0.0%	91.4%	8.6%	0.0%
12/13/2023	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	72.2%	26.0%	1.8%
1/31/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3.0%	70.3%	25.0%	1.7%
3/20/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	21.8%	57.6%	18.5%	1.3%
5/1/2024	0.0%	0.0%	0.0%	0.0%	0.3%	9.2%	36.1%	42.0%	11.6%	0.8%
6/12/2024	0.0%	0.0%	0.0%	0.1%	4.3%	21.1%	38.7%	28.5%	6.8%	0.4%
7/31/2024	0.0%	0.0%	0.1%	2.4%	13.3%	30.6%	33.2%	16.8%	3.4%	0.2%
9/18/2024	0.0%	0.0%	1.3%	8.4%	22.8%	32.0%	24.2%	9.4%	1.6%	0.1%
11/7/2024	0.0%	0.7%	4.8%	15.5%	27.4%	28.2%	16.9%	5.6%	0.9%	0.0%
12/18/2024	0.4%	3.3%	11.6%	23.1%	27.9%	21.0%	9.7%	2.6%	0.3%	0.0%

CME FEDWATCH TOOL - MEETING PROBABILITIES									
MEETING DATE	350-375	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
13/12/2023			0.0%	0.0%	0.0%	0.0%	0.0%	96.0%	4.0%
31/01/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	94.1%	4.0%
20/03/2024	0.0%	0.0%	0.0%	0.0%	0.0%	0.9%	44.3%	52.6%	2.1%
01/05/2024	0.0%	0.0%	0.0%	0.0%	0.5%	26.0%	49.1%	23.4%	0.9%
12/06/2024	0.0%	0.0%	0.0%	0.4%	19.1%	42.9%	30.4%	7.0%	0.2%
31/07/2024	0.0%	0.0%	0.3%	13.7%	36.0%	34.0%	13.7%	2.2%	0.1%
18/09/2024	0.0%	0.2%	10.4%	30.5%	34.5%	18.8%	5.1%	0.6%	0.0%
07/11/2024	0.1%	6.4%	22.6%	32.9%	24.9%	10.4%	2.3%	0.2%	0.0%
18/12/2024	4.7%	18.2%	30.1%	27.1%	14.3%	4.5%	0.8%	0.1%	0.0%



# ACT 1: Rising Interest Rates

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**Interest Rates**



**Bond Prices**

**HIGHER THE DURATION BOND  
THE BIGGER THE FALL**



# Simple (Hopefully!) Explanation of Bond Losses & Interest Rates Movements

Time	BOND NAME	Price	Yr1	Yr2	Yr3	Yr4	Yr5
T	Bond A	100	1%	1%	1%	1%	1%
						Coupons	5%
T + 6 months	Bond B	100	4%	4%	4%	4%	4%
						Coupons	20%
T + 6 months	Bond A	85	1%	1%	1%	1%	1%
						Coupons	5%

Every 1% increase in interest rates hits Bond A's value by 5%

\*Without discounting cashflow

Maturity		1 Year	5 Year	10 Year	30 Year
Irish Bonds	Duration	1.0	4.6	8.6	18.9
US Bonds	Duration	1.0	4.4	8.2	17.7

OLD Low  
YIELD  
BOND  
13.8%  
**Loss**

When rates  
rise  
Duration 4.6

- Older Bonds are on “low” interest rates are not attractive as interest rates rise
- New Bonds are issued with Higher Interest Rates
- Older bonds sell off as less attractive
- Duration shows the scale of the expected price move for every 1% increase in interest rates
- **The Longer the maturity on the bond the higher the duration, the bigger the sell off as rates rise**

Interest  
Rates

Bond Prices



# Bonds have been “bad” for your financial wealth



- Average DM Sovereign Bond Portfolio

**Lost 25% in 3 Yrs  
Lost 13% in 5 Yrs**

**Lost money 60% of the time since 2013**

**Duration of 7**

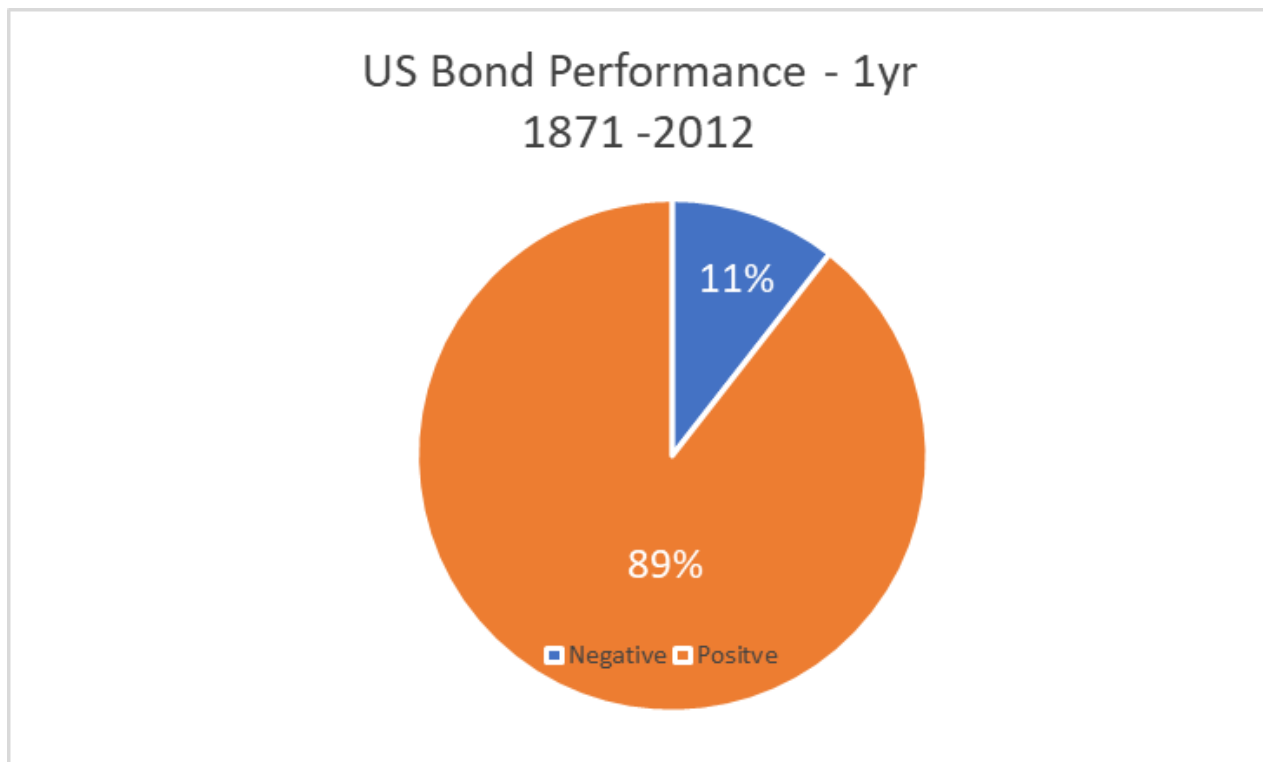


	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total	Loss Rate
<b>DM Sov Bond</b>	-0.80%	-3.30%	1.70%	7.30%	-0.40%	5.60%	9.50%	-6.60%	-17.50%	-4.80%	-11.6%	60%

Issuer	Weight (%)	Issuer	Weight (%)
UNITED STATES TREASURY	52.47	GERMANY (FEDERAL REPUBLIC OF)	7.17
JAPAN (GOVERNMENT OF)	14.57	UK CONV GILT	4.91
FRANCE (REPUBLIC OF)	9.34	CANADA (GOVERNMENT OF)	2.15
ITALY (REPUBLIC OF)	8.35	UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (GOVERNMENT)	0.62



# BOND RETURNS IN LOW AND THEN RISING RATES SINCE 2013



**60% of  
the 2013 -  
2023  
Years  
Loss  
Making In  
Bonds**



# Risk Rating Performance – Completely Overshadowed By Poor Bond Market Performance

Bond Equity Combination Core To Volatility Risk Ratings

Risk Appetite	ESMA Risk Profile	Volatility	No of Funds	Return PA					
				1 month	3 months	6 months	1 Year	3 Years	5 Years
Very Low Risk	1	0-0.5%	47	-0.2%	-0.5%	-1.0%	-1.4%	-0.1%	0.2%
Low Risk	2	0.5%-2%	4	0.5%	0.5%	1.0%	1.4%	-0.8%	-0.6%
Low To Medium Risk	3	2-5%	32	1.3%	0.6%	1.3%	1.2%	-1.4%	0.0%
Medium Risk	4	5-10%	129	2.9%	0.5%	1.1%	0.4%	-1.2%	1.0%
Medium To High Risk	5	10-15%	117	5.9%	4.2%	0.9%	1.5%	8.2%	6.9%
High Risk	6	15-25%	261	4.4%	0.8%	1.8%	5.0%	6.5%	7.8%
Mean			593	3.8%	1.3%	1.2%	2.3%	4.1%	5.0%

## ESMA Rating Scale

Volatility Range (%)	SRRI Category	Max Equity
0 to 0.5	1	0%
0.5 to 2	2	15%
2 to 5	3	30%
5 to 10	4	60%
10 to 15	5	85%
15 to 25	6	95%
> 25	7	

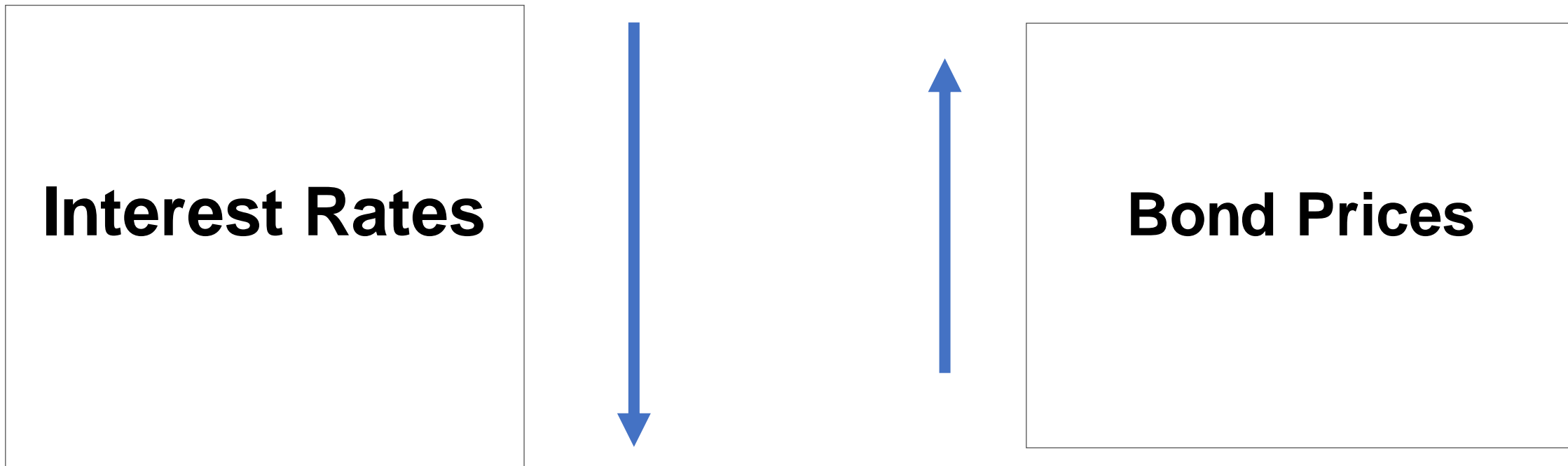
ESMA 5 Used As Multi Asset Pension Fund Returns

Bond Returns Negative 25% in 3 Yrs. Killing Performance





## ACT 2: Falling Interest Rates -> 2024



**HIGHER THE DURATION THE BIGGER THE RISE WHEN RATES FALL!!**

**High yields bonds issued now become more attractive to NEW MONEY when rates fall**

# “Pull To Par” For Bonds Investing-> Vast Change in Return Profile



Issuer	Name	Market	Maturity	Yield	Price
IRISH GOVERNMENT BONDS	1.00 per cent Treasury Bond 2026	Euronext Dublin	2026-05-15	1	94.61
IRISH GOVERNMENT BONDS	0.20% Treasury Bond 2027	Euronext Dublin	2027-05-15	0.2159	90.02
IRISH GOVERNMENT BONDS	0.9% Treasury Bond 2028	Euronext Dublin	2028-05-15	0.9	90.446
IRISH GOVERNMENT BONDS	1.1% Treasury Bond 2029	Euronext Dublin	2029-05-15	0.3586	89.37
IRISH GOVERNMENT BONDS	2.4 per cent Treasury Bond 2030	Euronext Dublin	2030-05-15	2.4	94.994
IRISH GOVERNMENT BONDS	0.20% Treasury Bond 2030	Euronext Dublin	2030-10-18	0.2	81.016
IRISH GOVERNMENT BONDS	1.35% Treasury Bond 2031	Euronext Dublin	2031-03-18	1.35	87.559
IRISH GOVERNMENT BONDS	0% Treasury Bond 2031	Euronext Dublin	2031-10-18	0%	77.01
IRISH GOVERNMENT BONDS	0.35% Treasury Bond 2032	Euronext Dublin	2032-10-18	0.35	76.85
IRISH GOVERNMENT BONDS	1.30% Treasury Bond 2033	Euronext Dublin	2033-05-15	1.3	83.05
IRISH GOVERNMENT BONDS	0.4% Treasury Bond 2035	Euronext Dublin	2035-05-15	0.4	70.52
IRISH GOVERNMENT BONDS	5.92 per cent Amortising Bond 20 January 2037	Euronext Dublin	2037-01-20	5.92	160.45
IRISH GOVERNMENT BONDS	5.92 per cent Amortising Bond 2037 (issued 2013)	Euronext Dublin	2037-01-20	5.92	127.21
IRISH GOVERNMENT BONDS	1.7% Treasury Bond 2037	Euronext Dublin	2037-05-15	1.7	79.32
IRISH GOVERNMENT BONDS	0.55% Treasury Bond 2041	Euronext Dublin	2041-04-22	0.55	59.89

- Legacy Bonds trading < 100 because superior interest rates now exist
- Irish Government Bonds
- Exempt of CGT For Irish Investors

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Interst Income	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Projected Bond Price	78	79.7	81.4	83.1	84.8	86.5	88.2	89.8	91.5	93.2	94.9	96.6	98.3	99	100
Yrs To Maturity		14	13	12	11	10	9	8	7	6	5	4	3	2	1

- Pull TO PAR -> 79.32 pulls to Par by 2037 to get to 100

“Yield To Maturity”  
V  
Coupon



# Bond Market Opportunity - 4 Key Areas

- **NEW MONEY INTO BONDS:**

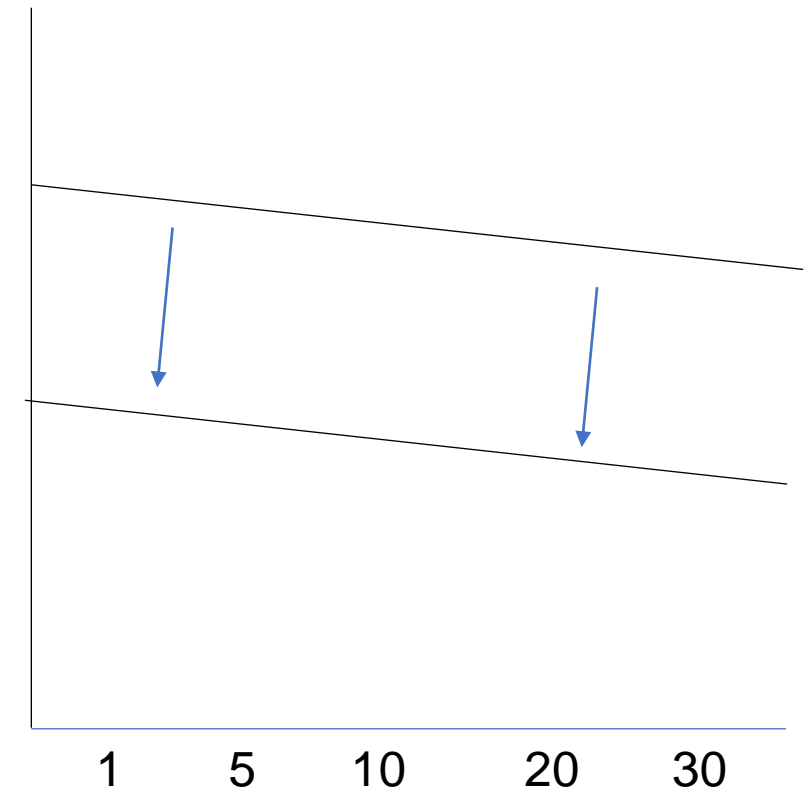
- **HIGHER INTEREST RATE AVAILABLE ON NEW ISSUED BONDS** ( Short To Medium TERM Trade). **Interest income**

- **CAPITAL APPRECIATION FROM PULL TO PAR** ( Medium To Long Term Trade). A Sovereign Bond will pay 100 if **credit risk intact**.  
Buying at <100 will see capital gain until Maturity  
**Capital Gain**

- **CAPITAL APPRECIATION FROM RATE EXPECTATIONS DECLINING** (SHORT Term Trade). Bond prices will rise if inflation rate declines and interest rate expectations decline  
**Capital Gain** ( High Duration => High Return => Higher Risk)

- **If in Irish Sovereign Bonds => Capital gain is TAX Free outside a Pension Structure**

## As Yield Curve Shifts Lower





# **BONDS are back as an Investment/ Deposit Rates will increase**

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## **3 BOND MARKET OUTCOMES OVER NEXT 12 Months:**

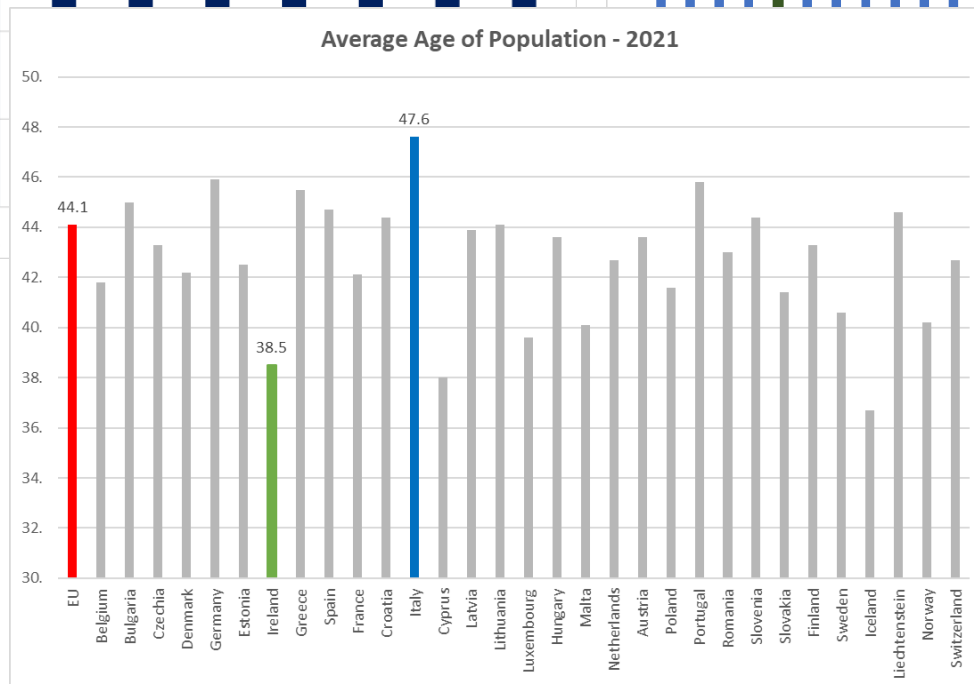
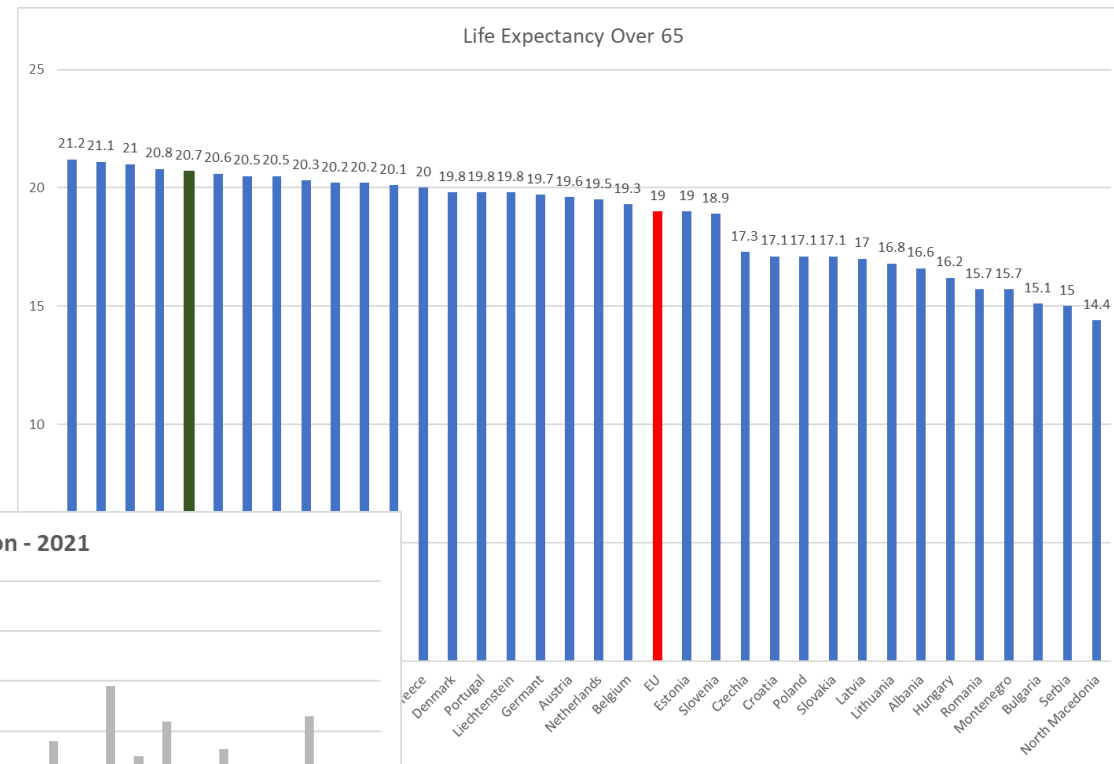
- 1 : YIELDS **will drop** with any major spread in Contagion/ China Woes
- 2 : YIELDS **will rise** if we have another commodity crisis/ geopolitical shock ( October)
- 3 : YIELDS **will drop** as commodity price decline/ recessionary conditions increase -> Fed is engineering a slowdown ( November

- **BONDS ARE BACK AS AN INVESTMENT ANCHOR!** (Old Bonds V New Bond Investing)
- **CLIENTS** building hedging positions into total portfolios can now capture higher yield and potential upside in Bond prices ( PULL TO PAR)
- **DEPOSIT RATE WILL INCREASE AS BANKS OFFER GREATER MATURITY AND LOCK INS**
- **IMPACT ON PROPERTY MARKET RETURNS – CRE Returns still not reflecting reality of market dynamics**

## **2. Wealth Demographics & Health of Irish Economy**



# Ireland Population Growth/ Life Expectancy/ Average Age ->



Private Sector Pension "Hole"

c€400bn ??



# Ireland : Strongest Growth Moderating and Downward Pressure From Exports

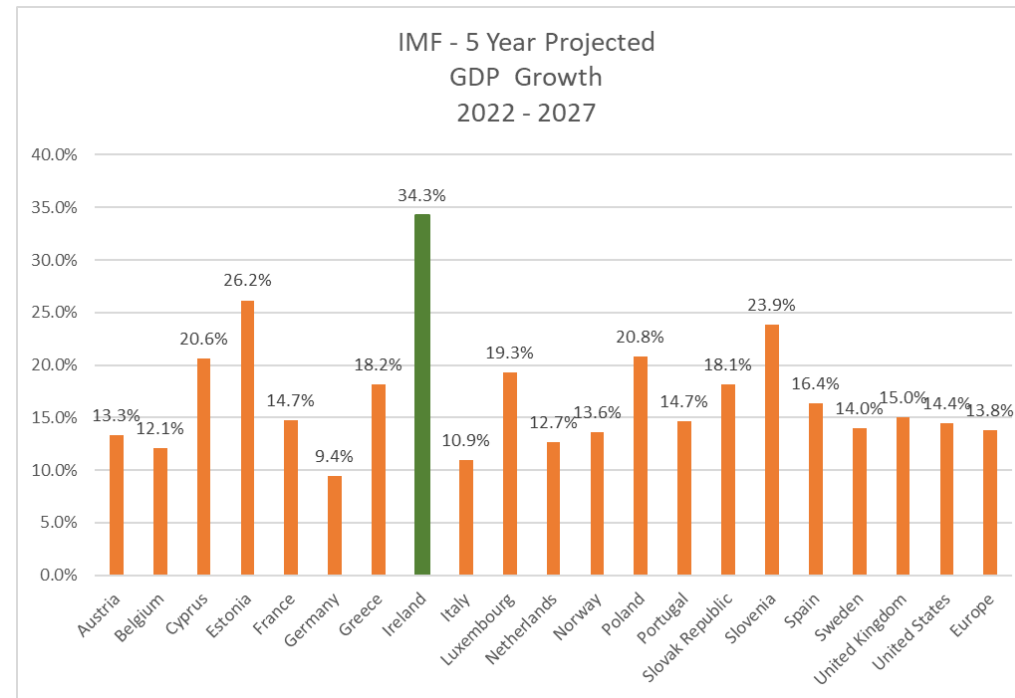


**Irish Recessionary Year in 2023??**

Country	2022	2023	2024	2025
Belgium	3.9	1	1.4	2.2
Germany	3.2	-0.6	1.1	1.7
Estonia	1.9	-4.6	2.5	3.4
<b>Ireland</b>	<b>12.2</b>	<b>-0.9</b>	<b>3.1</b>	<b>3.6</b>
Greece	6.1	2.6	2.8	2.5
Spain	6.1	1.7	2.2	2.5
France	4.1	0.8	1.6	1.7
Croatia	13.3	-0.7	2.4	2.9
Italy	5.7	0.9	1.2	1.9
Cyprus	11.2	1.8	2.6	2.9
Latvia	6.5	-0.6	2.6	3.1
Lithuania	6.7	-3	3.1	5
Luxembourg	-0.7	-0.6	2.6	3
Malta	8.8	0.9	3.8	3.8
Netherlands	4.1	0.9	1.2	1.7
Austria	5.7	-0.5	1.5	1.9
Portugal	8.1	2.3	1.8	2.1
Slovakia	2.9	-2.5	3.9	3.1
Slovenia	5.3	-1.3	2.6	3.4
Finland	3.3	-1.4	1.1	1.8
Euro area	4.8	0.3	1.6	2
Bulgaria	8	-0.9	3	2.9
Czechia	4	-0.4	1.3	3.6
Denmark	4	2.3	1.7	1.7
Hungary	7.7	-3.3	3	4.9
Poland	5.8	-2.3	2.7	3.7
Romania	6.3	2.1	3.3	3.9
Sweden	4.7	-0.4	0	1.7
<b>EU</b>	<b>4.9</b>	<b>0.2</b>	<b>1.6</b>	<b>2.2</b>
United Kingd	5.6	0.3	0.6	1.3
Japan	2.1	1.1	1	0.9
United States	2.7	1.8	1.4	2



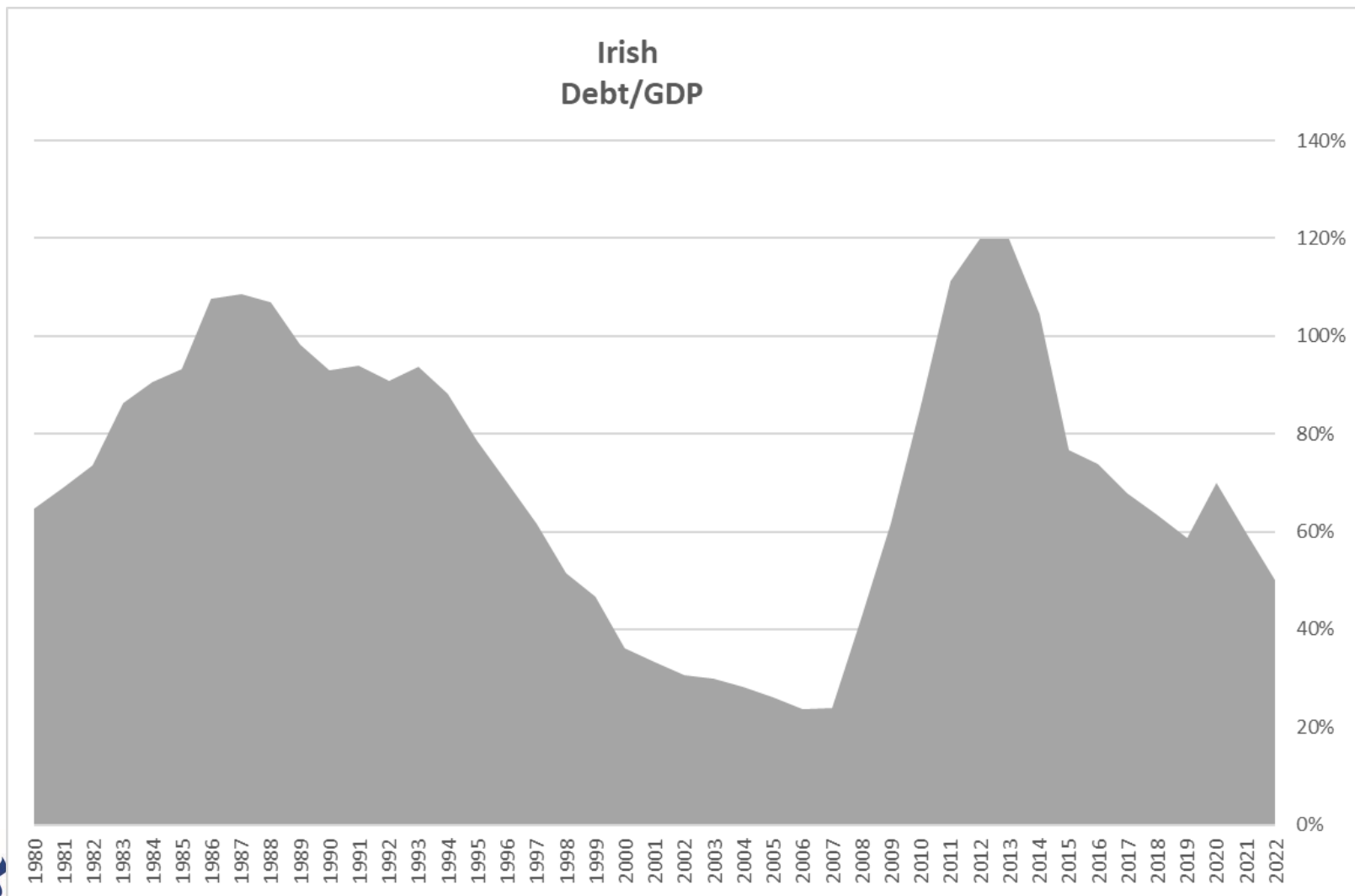
INTERNATIONAL MONETARY FUND



- Long Term Growth of X3 times EU average in the long term- IMF
- Seeing some downward pressure on GDP forecasts for Ireland in 2023.



# Incredibly Strong Fiscal Position: GDP/ Net Debt



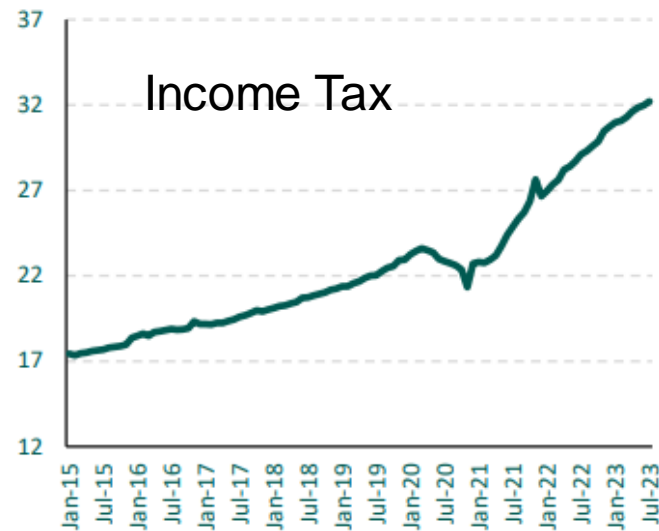
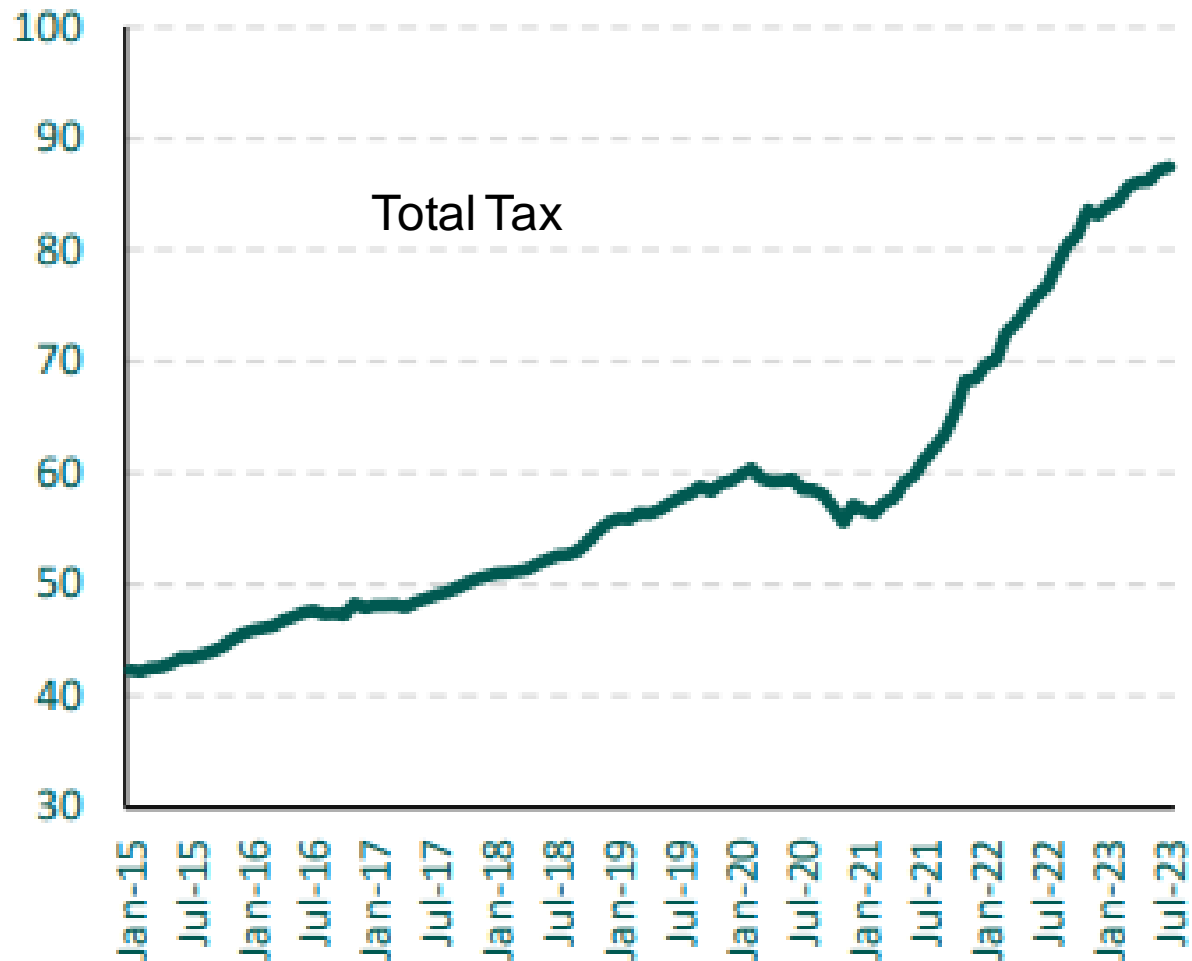
Best fiscal position in Europe

- 3.5% surplus in 2023
- Net Debt to GDP c40% in 2023 (f)
- Debt to GNI 75% in 2023 (f)
- Conversion of wealth effect into tax take and Government finance

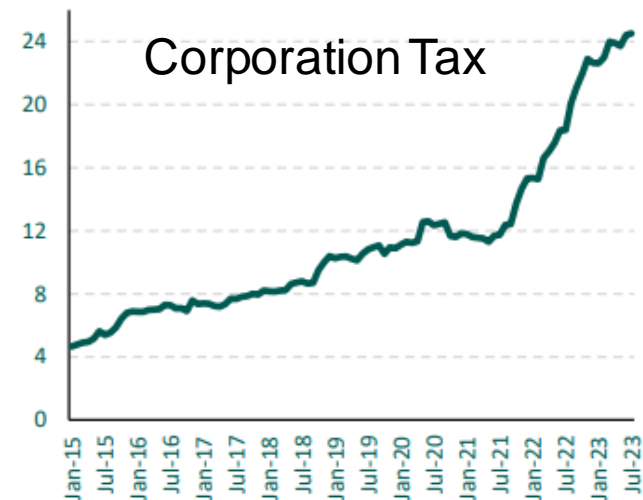




# Rolling 12 Month Total Tax Receipts



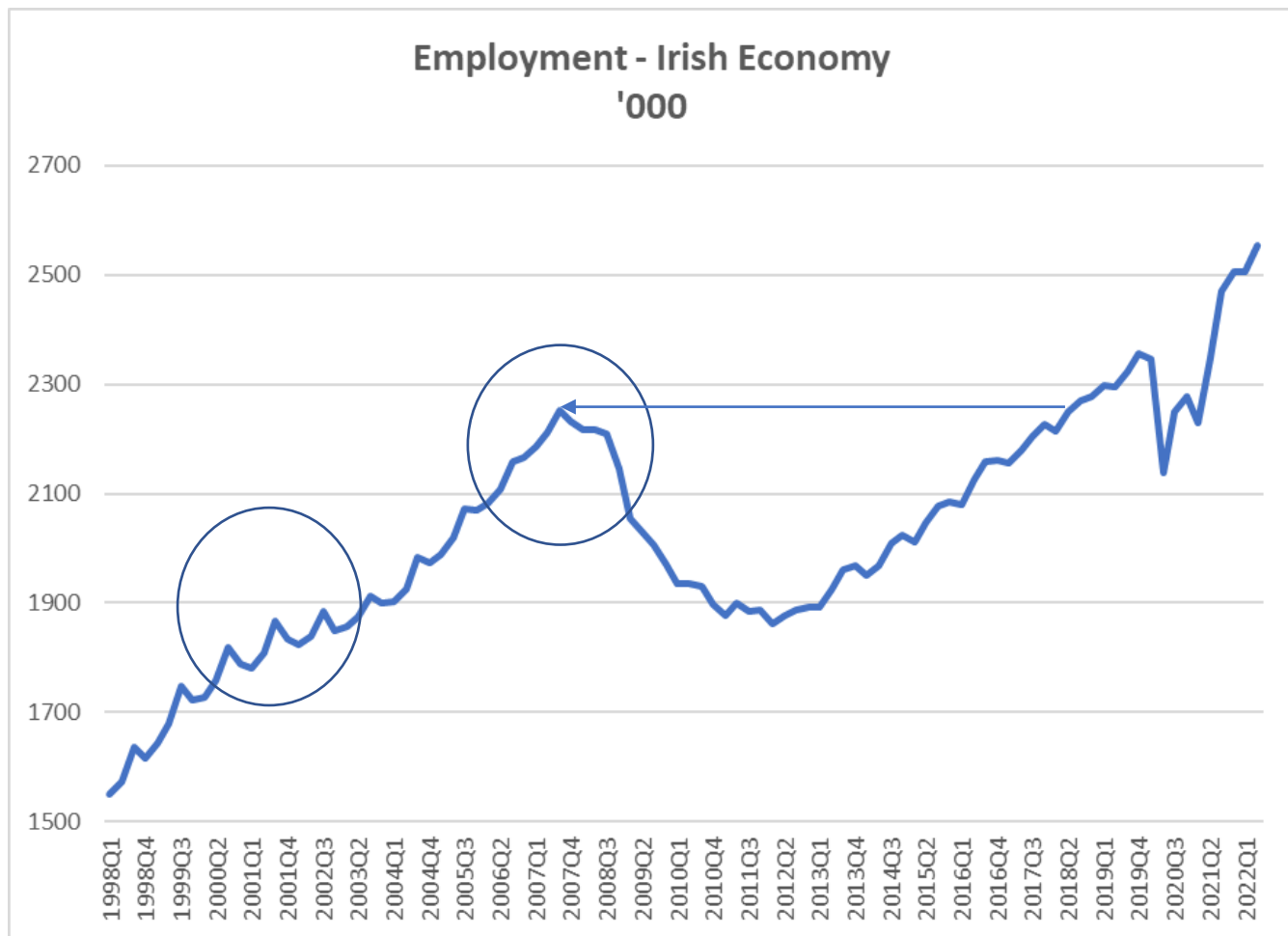
Source: Department of Finance



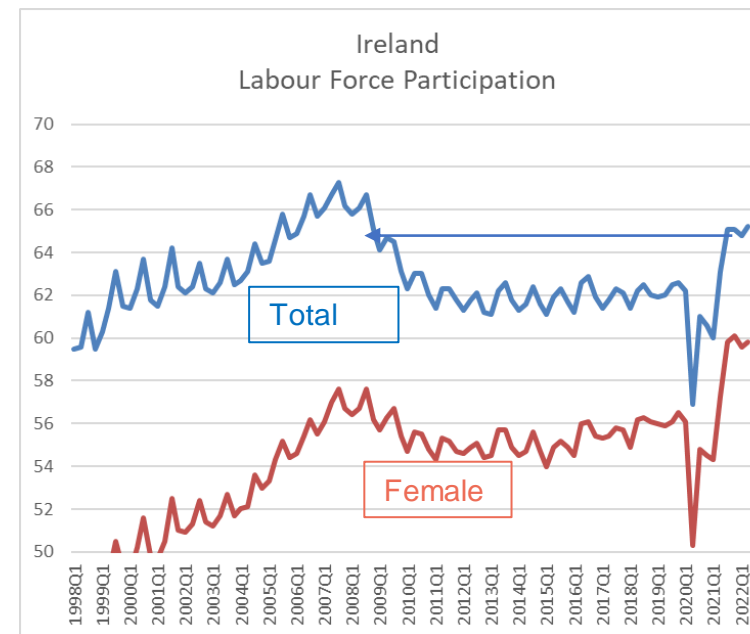
Source: Department of Finance



# Employment in Irish Economy – Setting New Record Levels at c2.6 million

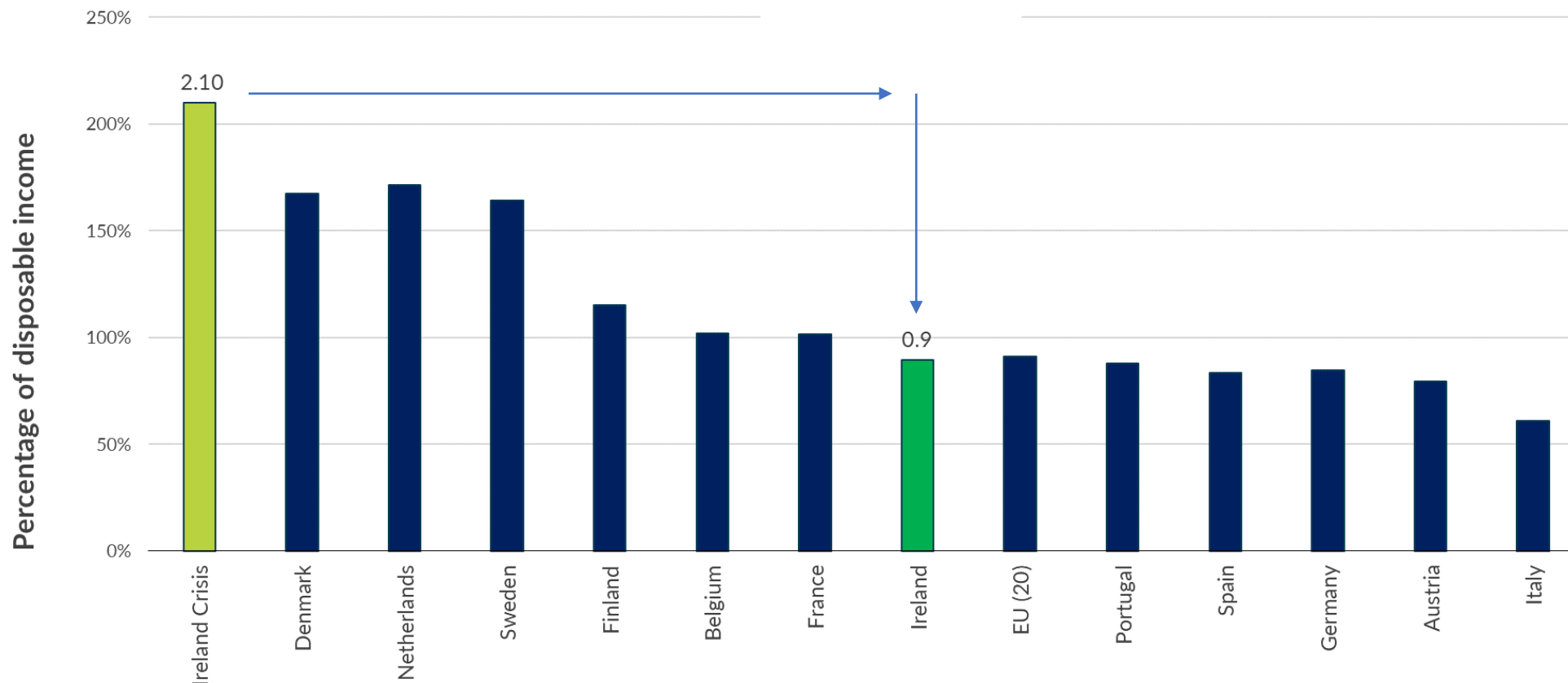


- Nearly 2.6 million working in Irish Economy.. 900,000 more people working than in 2012
- New high in female participation in the workforce (60% -> massive move since before COVID)
- Remote working -> Opening up Irish workforce





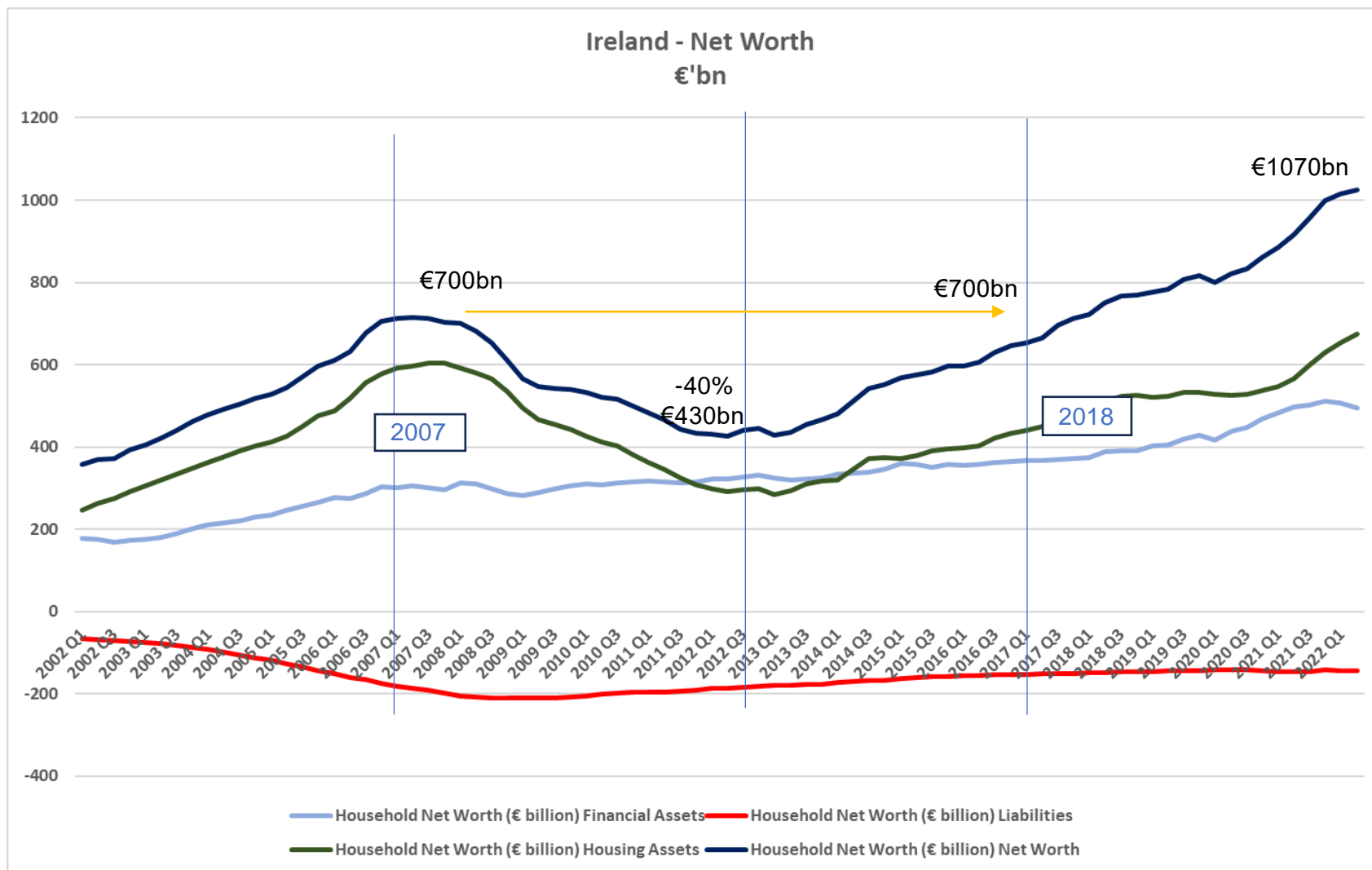
# Net Debt To Disposable Income Moving below Euro Average



- Significant “de-risking” of economy -> Growth in disposable income/  
reduction in debt -> now below EU average



# Ireland – Extraordinary Net Worth Change To 2023

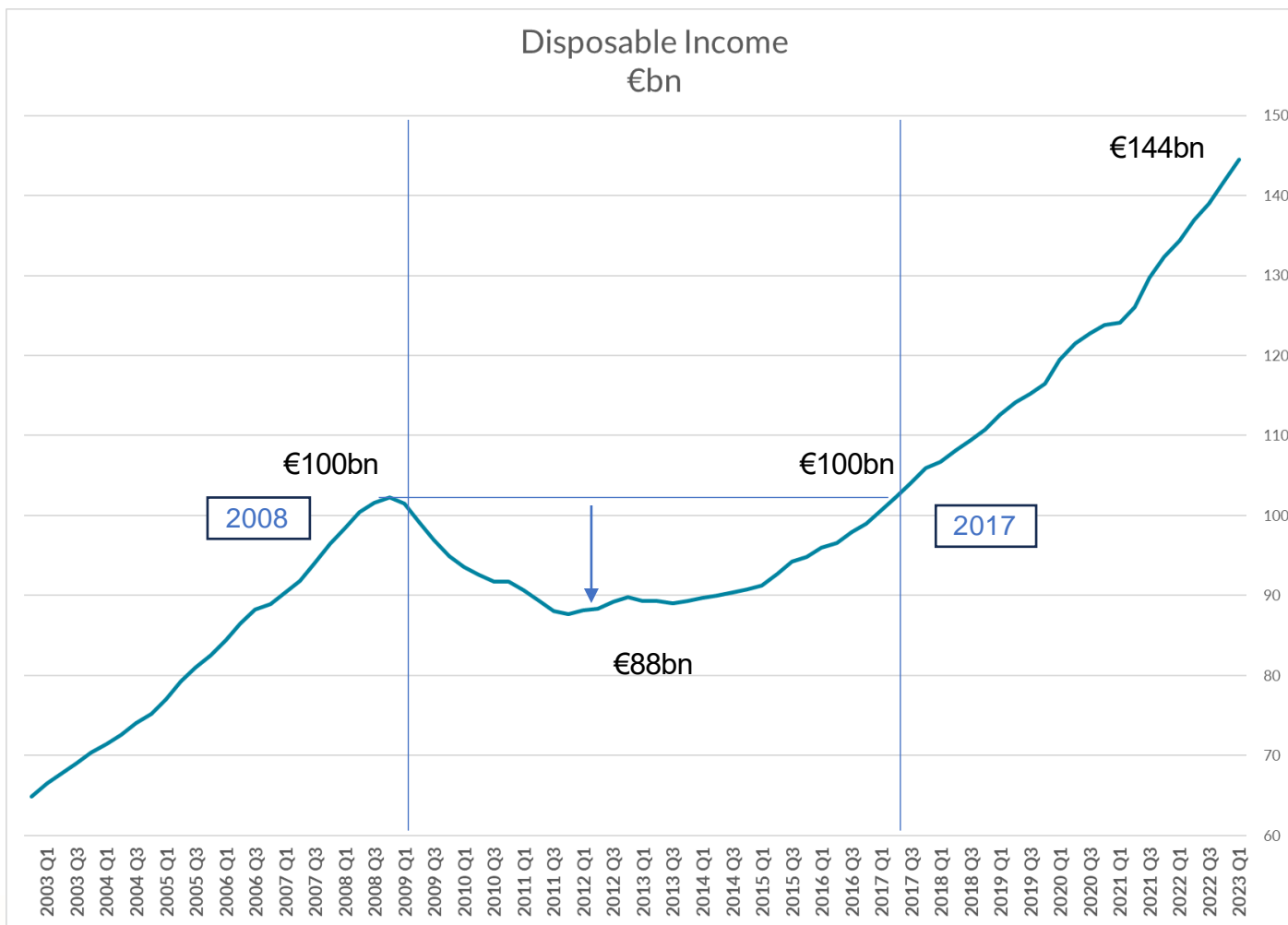


- Housing Stock €700bn (€100bn ahead of previous peak) .. (Fell 47% in last crisis)
- **Financial Assets €500bn V €300 bn in 2007**
- Debt €140 bn V €210bn in 2008

Period	Financial Assets	Financial Liabilities	Housing Assets	Net Wealth
Average Per Annum Return				
5 Years	5.4%	-1.1%	8.8%	8.8%
10 Years	4.3%	-2.6%	8.1%	8.7%
20 Years	5.6%	4.0%	5.3%	5.6%



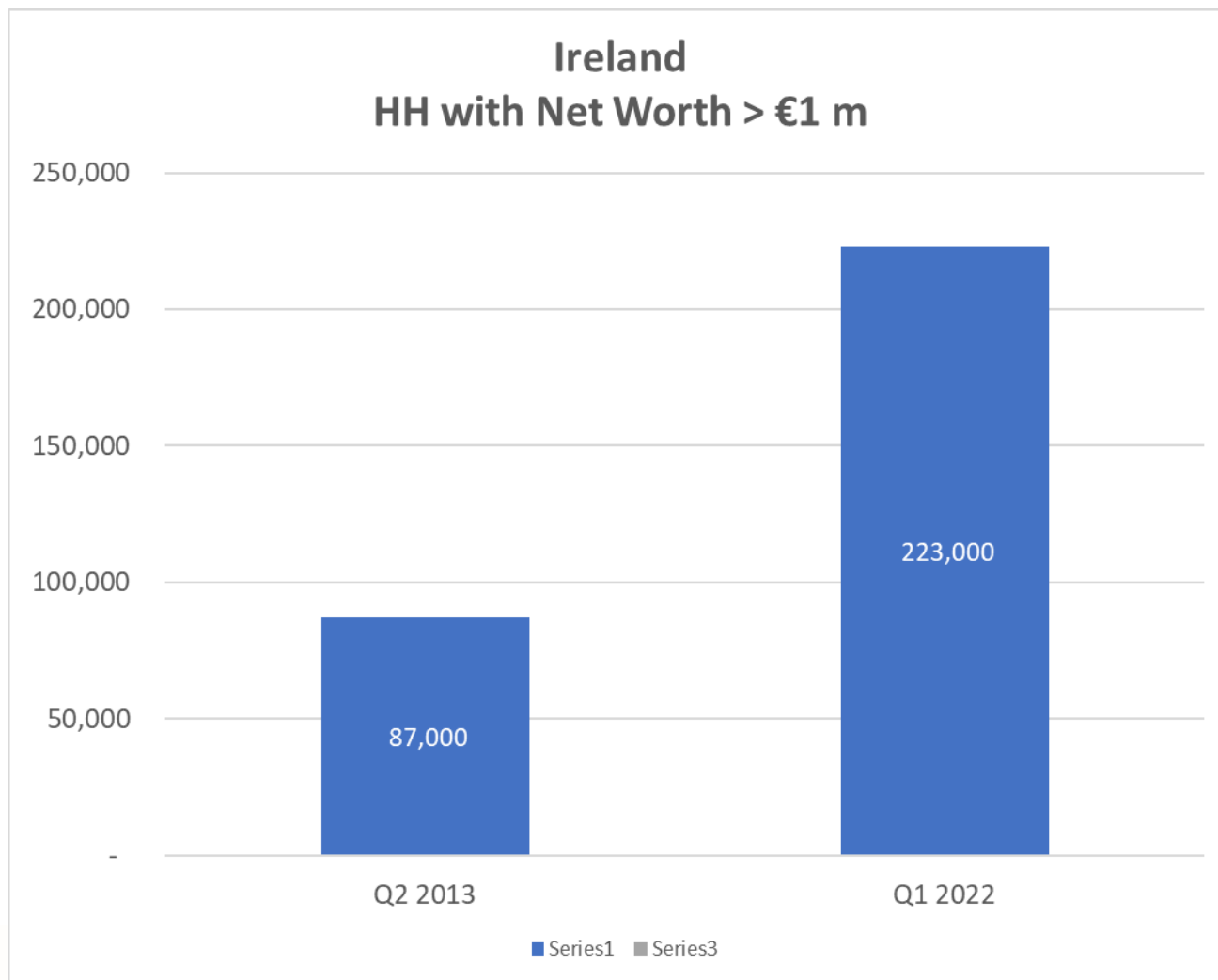
# Ireland – Major Move in Disposable Income



- 6.2% Growth in Disposable Income PA for 5 Years To 2023
- **Lost 8 Years To Return To €100bn DI in 2017**
- **+€54bn increase since 2012**

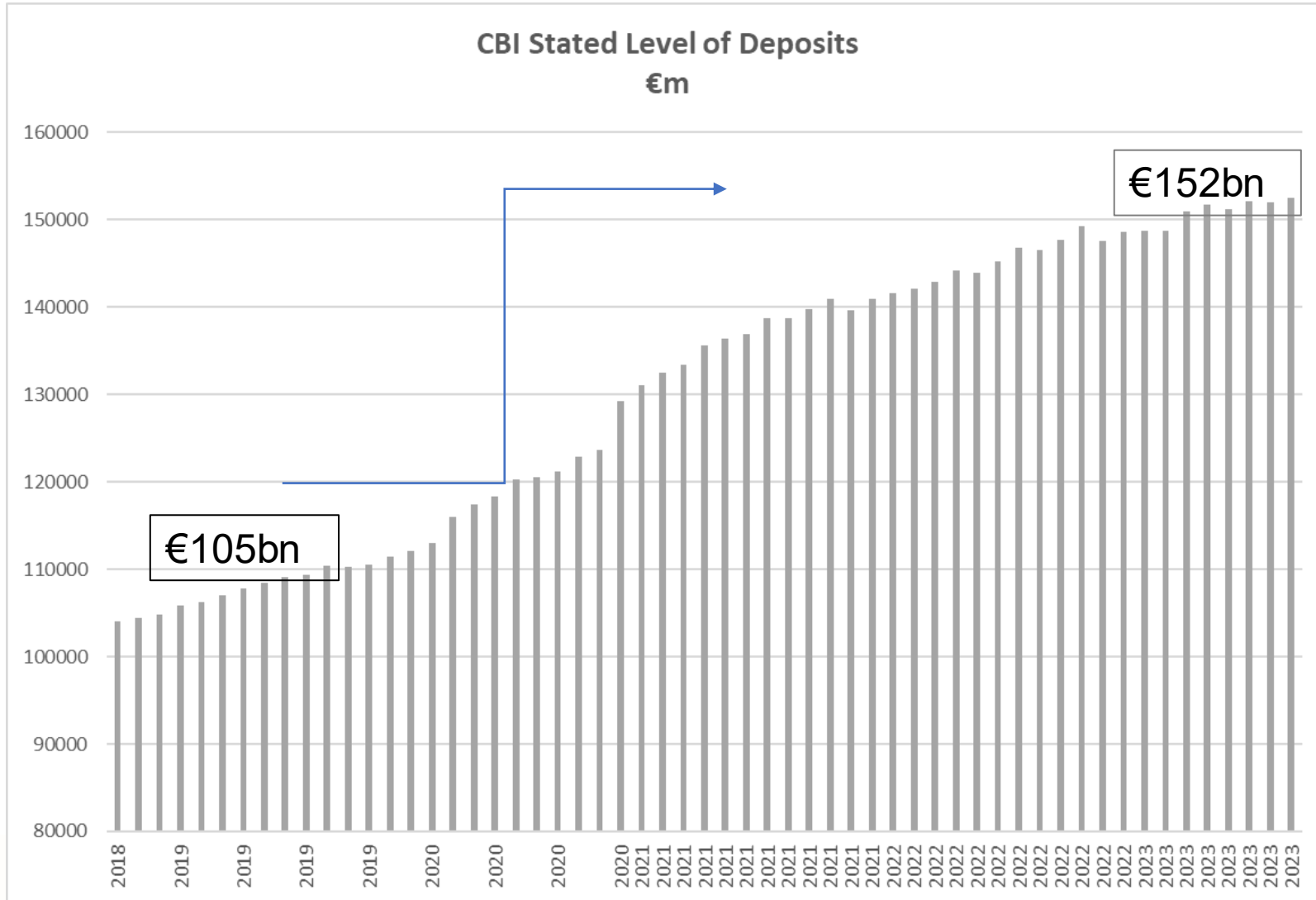


## Estimated Number of HH > €1m NW



2.5X times more  
HH > €1m NW

# Retail Deposits Level – Ireland – May be a Silicon Valley Bank Effect in Numbers?

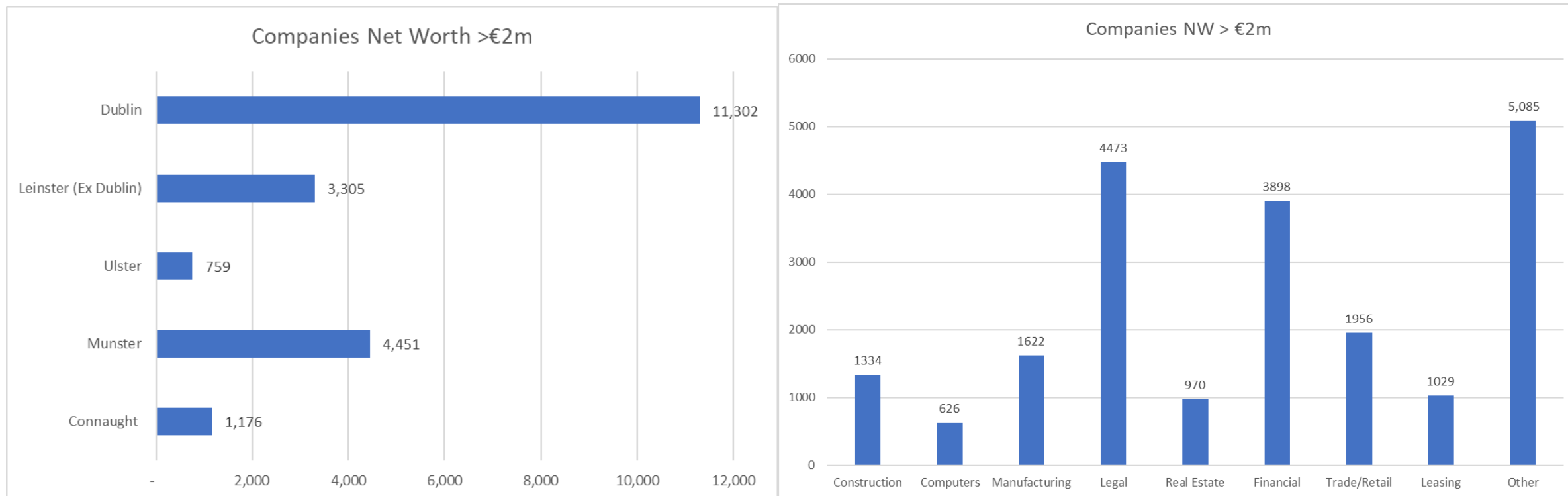


### **3. Take Aways For Financial Planning**





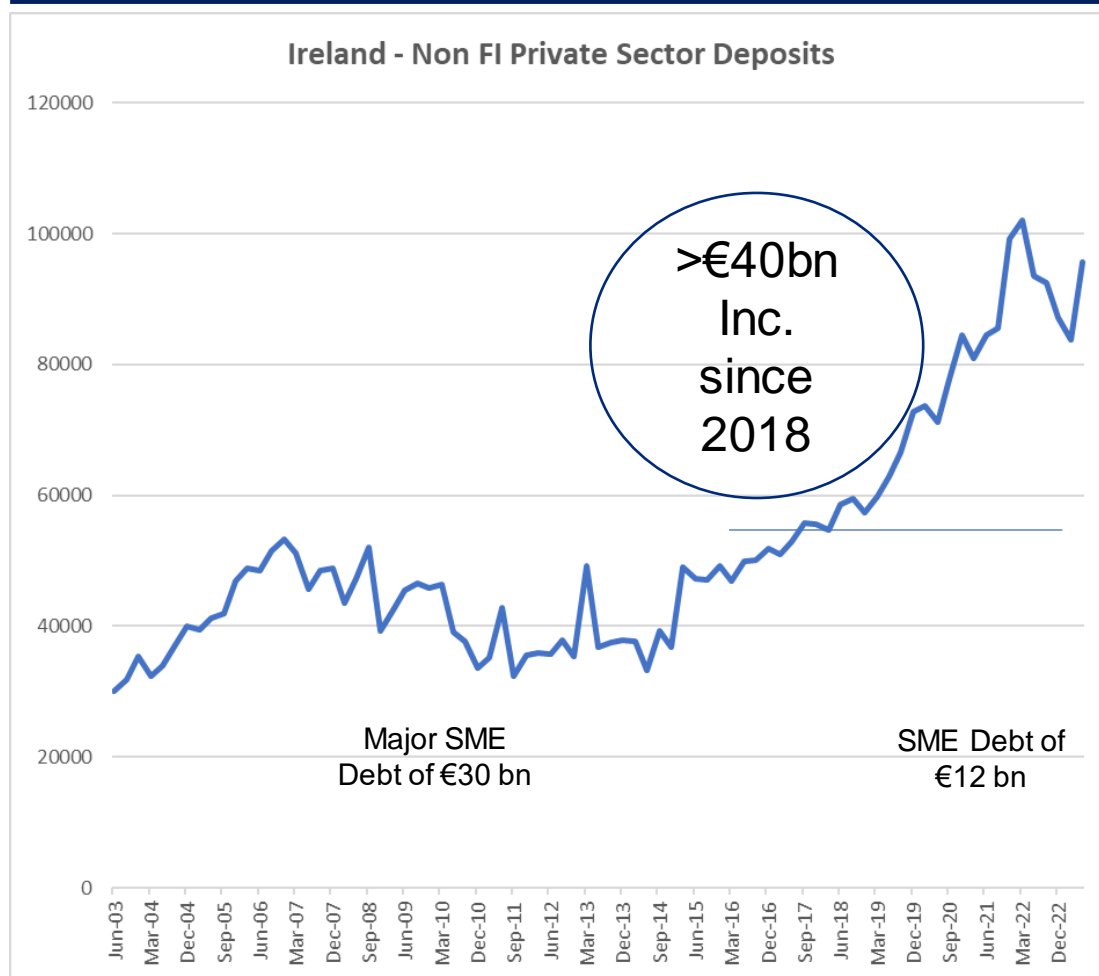
## Companies Net Worth of >€2m -> Now over 20,000



- There is a massive opportunity to change the pension landscape in 2023.
- Company NW and commercial deposit levels are illustrating we have the strongest private sector in history



# Corporate Strength -> Increase in Commercial Deposits In Ireland



- Private Enterprises have seen deposit increase by a massive €40bn since 2018 as the economy expanded rapidly in size. This excludes “funds”.
- Commercial deposits are running at X2 the levels of 2007
- €40 bn in Commercial deposits + €45bn in personal retail deposits since 2018 !!!! Puts c€85 bn of deposits into the wider pension pipeline
- **€270 bn of Irish Retail/Commercial Deposits (€170 bn + €100bn)**

# Defined Contribution Sector -> Very little growth despite massive increase in Cash Savings since 2019

## Defined Benefit -> Generally shut

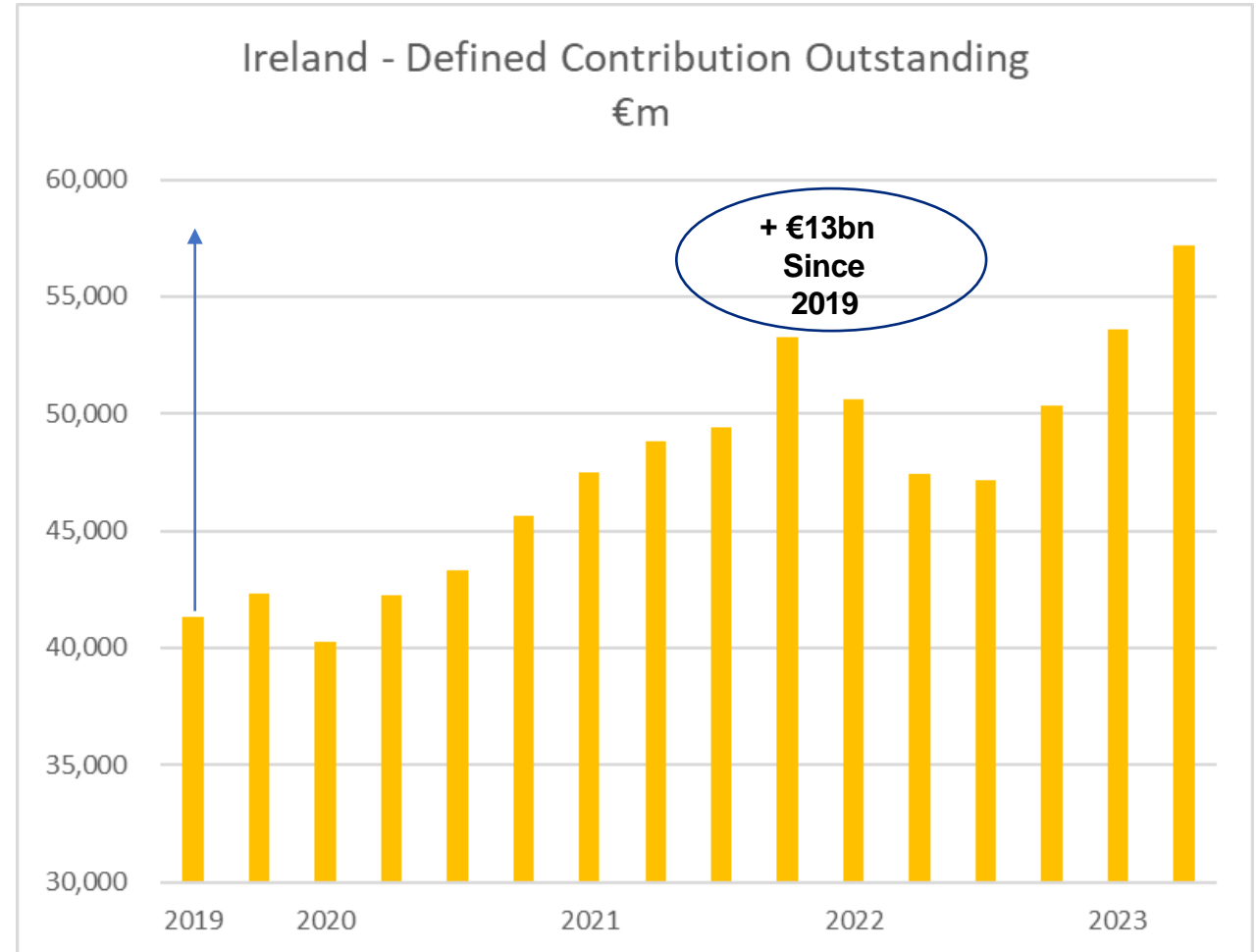


- €100 bn of new savings since 2019:  
-> €50 bn of Retail Deposits
- €40 bn inc in commercial deposits since 2019

€90 bn of new deposits since 2019

↓  
**Increase in DC is €13 bn  
(Assume 50% of which is performance)**

**Possible only c€6 bn of DC Pension Flowed into the system in the most buoyant period for wealth creation in Ireland ever.**



**DC PENSION SYSTEM**



# Don't Wait For Auto Enrolment !! Companies Have The Opportunity NOW

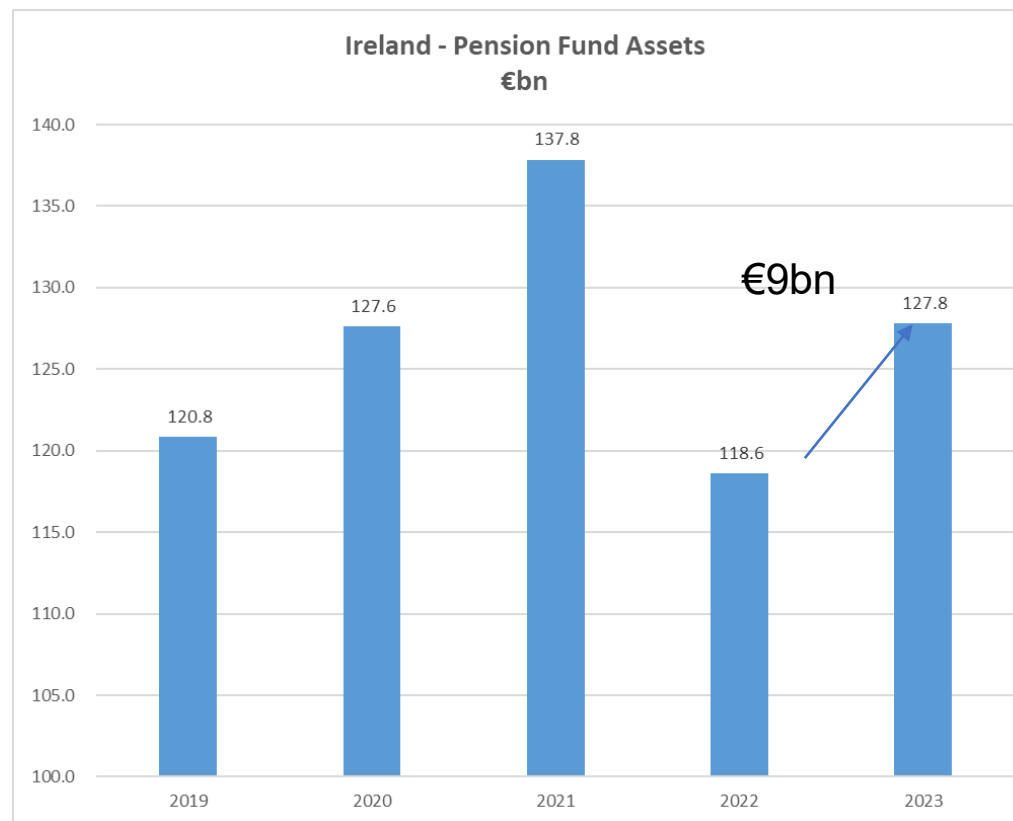
- **PRSA Wage Cap has been lifted..** PRSA contributions for directors/employees **do not have a ceiling** in 2023/24. An employer can contribute to an employee PRSA without taking into account the age-related tax relief contribution limits.
- Employer contributions to a PRSA are no longer treated as benefit in kind (BIK).
- There is no limit on employer contributions to an employee's PRSA... **(HOW LONG WILL THIS STAND?)**
- **Companies can start PRSA today** and avail of a massive opportunity to increase pension contributions for employee/directors, employees.. **DO NOT WAIT FOR AUTOENROLLMENT !!!**
- Over 63K companies have a net worth of >€200K of > 200K companies in Ireland
- Of that 63K, 50% have a net worth of €1 million
- 21K companies have a net worth of >€2m

**THERE IS “ZERO” GUARANTEE THAT THE PRSA PENSION CONTRIBUTION CAP WILL REMAIN IN PLACE OVER THE NEXT 2 YEARS!**

# Updated Irish Private Pension Fund Coverage – Concentrated and Weak

2022	Members		
	Active	Deferred	Retired/ Beneficiaries
1,558,330	691,280	762,749	104,301
	44%	49%	7%

- €128 billion of pension fund assets +€9bn since December 22– 30% of GDP
- 50% in DB schemes/ 50% in DC schemes
- Pension Asset €81,000 per member for 1.6 million members
- Very deceiving – reflecting poor pension coverage
- Australia 130% of GDP / Netherlands 210% of GDP / (Iceland at 206% of GDP)/ Denmark 229%. Ireland at just 35%
- Additionally, only 31% of private sector workers currently included in a scheme (691K out of 2.2 million) ..
- Active up 90K in year to 691K in 2022



Movement in pensions still relatively slow

% of GDP	2020 (or latest year available)
Denmark	229.4
Netherlands	212.7
Iceland	206.9
Canada	179.7
United States	169.9
Switzerland	167.0
Australia	131.7
United Kingdom	126.8
Sweden	108.9
Total OECD	99.9
Chile	75.8
Israel	68.9
Finland	64.1
Belgium	40.4
Costa Rica	36.9
<b>Ireland</b>	<b>35.5</b>
New Zealand	34.1
Colombia	32.0
Korea	31.7
Japan	30.1
Mexico	22.8
Portugal	22.0
Estonia	21.8
Latvia	19.5
Spain	14.5
Slovak Republic	14.4
Italy	12.7
Norway	12.3
France	12.2
Lithuania	9.5
Czech Republic	9.5
Germany	8.2
Slovenia	8.0
Poland	7.9
Austria	6.6
Hungary	5.6
Turkey	3.4
Luxembourg	2.9
Greece	1.0



# SCORECARD FROM LAST YEAR : 6 questions on Pension/Savings/Investment

## 2022

- We need people to invest in long term investment products - surely its time to review the treatment of **FUNDS that are taxed as income rather than capital gains** -> 41% v 33% ... **but also sends the completely wrong message !**
- **8 Year Exit Rule on Funds** -> Tax payments are hitting the impact of compounding
- **Successful ARFs products but “deemed distribution”** – charging tax on 4% every year from 61 to 71 then 5%.... Self defeating in encouraging people to build savings for retirement!!!! Plus % retiring in early 60s dropping dramatically outside Public Sector
- **Launch ISAs here** -??? Pipelines into Pensions/ Visibility/Learnings and Gateway into Pensions
- **Pension “access”**- need ability to borrow against pension for House Purchase, (401K type product). Pensions seen as “locked away”
- Why are we trying to solve the growing number of retirees with moving the pension age upwards rather than investment in markets for demographic factors!
- State roll out of MOT for Financial Planning needed with tax relief on periodic advise.



Only 35% of private sector workers have pension

**Avoid Killing Benefits of Diversification**

**Impact on the benefit of compounding**

**Hitting Pension Pots in the early 60s????**

**Create Pathways to Investment**

**Create Long Term Assets For Longevity Risk**

## 2023

**40% V 33% In Discussion**

**LIFTING OF PRSA CAP !!!!**

**PROGRESS FINALLY**



# Quick View on Ireland Inc

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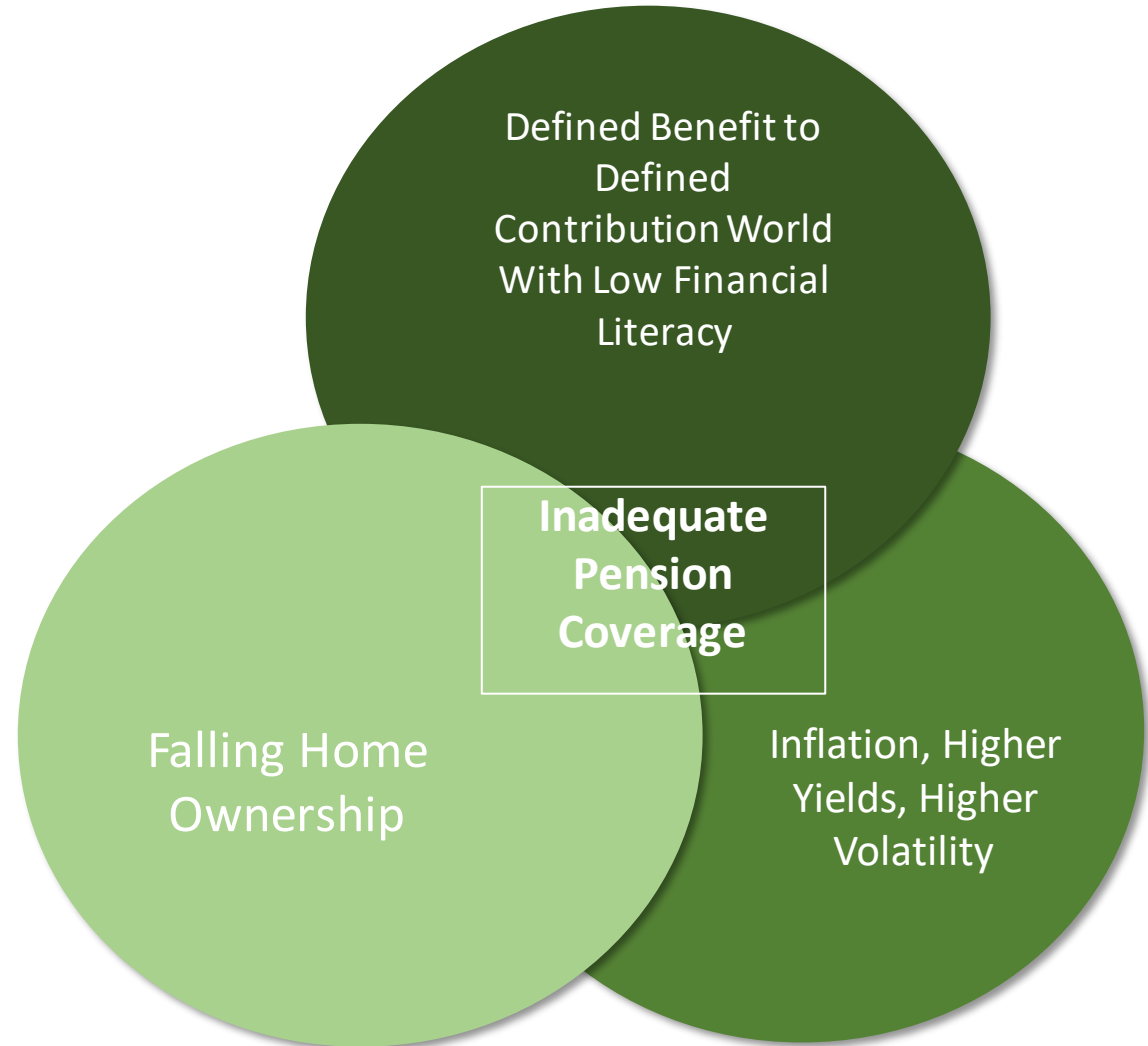
## Economy

- Export Slowdown after boom still biggest growth of any major economy through the cycle in GDP terms
- Rates to move lower
- Domestic Demand : Record Income and Wealth, low debt levels increases resilience against global recessionary conditions ... still job creation .. But will turn
- Government Finances: Bumper tax receipts ( nearly all categories !) -> Debt to GDP <50% . Tax receipts hugely ahead of expectation: Stronger budgetary position to stimulate growth-> impact on Housing Supply/Infrastructure in Ireland -> growing “Green”?
- Corporation Tax impact on 340 K employed direct/indirect FDI unknown.....but safe haven Ireland/ BREXIT.
- House-wealth “preserved” and GREW! Saving need to be converted into pensions!
- Consider additional sovereign fund to allow for domestic investment (Still no SOLIDARITY FUND??)
- Life Demographics shifting to older customer with greater wealth / less debt, while high (1 million plus) numbers in the key house ownership segment .
- Digitally aware population reflected in strong home working backdrop driving
- Strong economic performance inflation easing
- 1.3 Million works still with no pension !!!
- Number of New Owner-Occupiers one of lowest in Europe
- Higher rates but to fall in 2024 -> much smaller impact overall than in 2007

# Pensions Coverage Crisis

## Take Away for Financial Planners

- Representative of the individual in Pension/Financial Planning now a vital role
- Switch from DB to DC world without any increase in financial literacy is a disaster
- Client Education absolutely crucial (Risk/Return/ Liquidity / Time Horizons )
- Higher yield/ Higher inflation environment major change in potential investment landscape
- **Renting creates intangible liability** and massive loss of net worth / Need to solve Home Ownership core to financial plan or face escalating rental costs in retirement







## Kevin McConnell CFA

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# Q&A

with

# Kevin McConnell