



latest word

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Mortgage Rates

There has been lots of discussion in the financial press recently regarding mortgage rates. Those who are on tracker mortgages, will want to hold onto these products as if their life depended on it, as typically they are paying an interest rate of between 0.5% and 1.25% above the European Central Bank Rate (ECB). This ECB rate is currently at 1% and therefore the institutions whose customers are on tracker rates are losing money on these deals. They would like these customers to consider fixed rates, which, once this decision is taken, they cannot go back to a tracker rate again. One lender, Bank of Scotland (Ireland) are now offering €1,000 for customers with tracker mortgages to move their loans to other institutions.

In terms of interest rate increases on standard variable loans, EBS has become the latest lender to hike up their mortgage rate even though the ECB decided last week to leave its key interest rates at a historical low of 1%. EBS have increased their rate by an extra 0.6% with effect from 1st May 2010. This means that their standard variable rate will be 3.23%. This would typically add about €75 per month to repayments on a 25 year €250,000 mortgage. Interestingly, EBS had said in March last, that they had no immediate plans to raise its interest rates.

Bank of Ireland also confirmed recently that it will be increasing its standard variable mortgage rate by 0.5% from Friday last to bring it to 3.1%. AIB recently added 0.5% to its standard variable rate to bring it to 2.75% but is likely to increase it on two more occasions as the year progresses. KBC homeloans have also announced an increase in its rates and it is likely that all of these lenders will look to increase again later this year.

Those customers not on tracker rates should be looking at what's available in terms of fixed rates from their existing lender and whilst it is difficult to obtain finance from many institutions currently, it would be worth looking at what other lenders have to offer in terms of fixed rates. As mentioned earlier those on tracker mortgages should very much stay put as these deals are unlikely to be ever seen again.



did you know

Oil Surged to 18 Month High

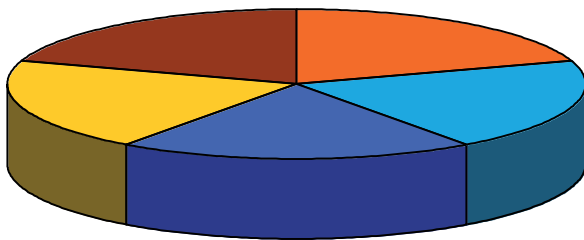
Oil prices surged to an 18 month high recently after data showed the United States adding the most jobs in three years, boosting prospects for economic recovery in the top oil consumer. This surge is also based on signs that global economic growth is accelerating bolstering optimism that fuel consumption will increase this year.

Investing? Let diversification be your watchword.

There is a secret to successfully investing your money. It's called diversification.

Diversification allows you to benefit from a rise in the value of the assets your money is invested in, and not lose out too much if those values fall. Although there's no cast-iron guarantee against losses with well-diversified investments, it's generally accepted that diversification is the most reliable investment strategy for achieving a long term financial goal.

Essentially, diversification involves spreading your investment money across multiple asset classes - shares, property, bonds, currency and cash. It aims to ensure that a downturn in one asset class, such as shares, is counterbalanced by an upswing in another, such as currency.



Diversification also applies within asset classes. Say, for instance, that your investment portfolio consists solely of shares in airlines. At times of strong demand from the traveling public and low oil prices the value of most airline shares will tend to rise and you will benefit. However, when fuel prices rise this eats into airlines' profit margins and their shares will tend to fall, so you would lose out.

If, however, you had diversified by including oil company shares in your portfolio, the fall in the airlines' value would have been countered by the rise in oil company shares, which traditionally benefit from rises in fuel prices. So, while you would not have enjoyed the full benefits of the airline shares' rise, you would also have been spared the worst of their fall.

Of course, it's not usually as simple as that. Effective investment diversification involves giving your portfolio exposure to a broad range of sectors and territories which would not react in the same way to events that affect the market. These are what's called uncorrelated investments.

So, for instance, you could look to hold shares in Asian technology companies as well as South American banks because the two industries and

did you know

IBM to Create 200 Jobs in Dublin

IBM will create up to 200 jobs in Dublin over the next three years at a new research centre. This €66 million development will be assisted by the IDA and located at IBM's Mulhuddart site. In making the announcement Minister for Enterprise, Trade and Innovation, Batt O'Keeffe said "The decision taken by IBM underscores the Irish Government's commitment to providing an environment where industry and academia can collaborate to create economic growth through innovation and through research."

Whilst these new jobs will be highly skilled positions in research and development, it's good news for Ireland.

territories are unlikely to experience a downturn at the same time. You might think then that the best diversification policy is to hold shares in dozens of different companies across multiple sectors and territories, but the problem here is that your potential for gain is diluted and your assets are so uncorrelated that they don't have the critical mass to generate a healthy return between them.

It's generally accepted that successful diversification involves spreading your investment across 15 - 25 different shares in different

industries and territories. There is much disagreement over this in the financial community and the degree of diversity of your share portfolio may be largely determined by your attitude to investment risk.

There are, however, many other ways of diversifying your investment portfolio by looking beyond the stock markets to property, currency, bonds and cash. Bonds are a particularly good way of balancing exposure to the stock markets

did you know

Queue to Buy Apartments

It might be bucking the trend but one weekend recently, over a 1000 people queued to purchase apartments at Irishtown in Mullingar. There were 46 apartments sold over one weekend and were available for as little as €70,000. This price was for one bed units while there were two-bed apartments available for €82,450 and three-bed units for €98,000. All exempt from stamp duty, which applies to properties priced at over €127,000. These apartments are being sold by the instructions of the receiver John McStay acting on behalf of National Irish Bank who are heavily discounting units for sale. Originally, when the units were built some were expected to fetch prices of up to €202,000. It just goes to show what can happen when people perceive the price to be right.

did you know

EBS Approach the Irish-Led Consortium

Recently, Minister for Finance Brian Lenihan told the Dail that EBS would need new capital of €875 million, which is nearly three times the amount previously speculated. "EBS is currently exploring the availability of private market capital, and has had an expression of interest from a private party," Lenihan said. An investment consortium led by Nigel McDermott and Nick Corcoran of Cardinal Asset Management are believed to be interested in taking a substantial minority stake in the building society. They are believed to be backed by a group of international investors. They were both involved in a bid to invest in Bank of Ireland in 2008. Any investment will have to comply with EC guidelines for an institution in the receipt of state aid.

- traditionally when stock markets struggle the bond markets prosper as investors look to move their money into largely Government-backed assets.

Property investments are often strongly correlated with the fortunes of the stock markets, particularly in Ireland where construction-related companies and financial institutions comprise a substantial proportion of the market. So be wary of using property to balance risks taken in the stock market.

Currency can be an effective route to diversification as it is a very liquid, tradeable asset which is relatively uncorrelated with the fortunes of the stock and bond markets in particular.

It's important to ensure that any managed funds in which you have invested money are effectively diversified. Traditionally, many Irish managed funds have been heavily weighted in favour of Irish stocks, leaving them over-exposed to any downturn in the fortunes of the few Irish companies that dominate the Irish stock market. So it really pays to check the diversification strategies of any managed fund you are considering investing in

did you know

Dublin Port Fears Exports Up

Dublin Port Company has confirmed that for the third successive month there has been an increase in trade through the port. Exports have increased by 10.7% during February when compared with the same month last year. Imports have increased by 3.7% in the same month. Economist Jim Power said that trade was particularly important for Ireland's economy and suggested "Our return to growth will be dependent on exports so trends in Dublin Port, which accounts for over half of this country's trade, is an important barometer in assessing economic recovery," he said. "While underlying economic challenges clearly remain, it is particularly reassuring to see that export levels for February grew by over 10 per cent on the corresponding month in the previous year."

- look for a spread of industry sectors, assets and especially territories.

As you can see, there are many, many ways to introduce diversification into your investment portfolio. But it's worth remembering that diversification is not a magic ingredient that will drive growth and always protect against losses. What diversification can do, however, is allow you to manage the degree of risk within your portfolio while protecting you from the worst effects of a decline in asset values.

did you know

RBS: 'Government Bonds offering massive value'

Following a recent statement on the NAMA loan transfers, RBS have said that due to the lack of default risk and the Governments strong budgetary action, Irish government bonds are now offering 'massive value'. RBS believe that whilst Irish government bonds were priced at high risk and that Ireland's debt profile was similar to that of Iceland, that these risks have now receded therefore providing value in Government bonds now on offer. Credit ratings agencies, Moody's and Standard & Poor's, have both spoken positively about the effect NAMA would have in the repairing of bank balance sheets, but did warn that operating conditions for the banking industry remained weak.

Ultimately, how you choose to diversify your investment portfolio is up to you. An experienced financial adviser is best-placed to help you capitalise on prevailing market and investment conditions and use diversification to manage a balance between risk and reward that you're comfortable with. At framework, we recommend that clients now undergo a Risk Profile test to assess their risk tolerance. A risk tolerance level is the level of risk with which he or she is comfortable.

This profiling allows for further discussion with our client regarding how monies are invested, the appropriate asset allocation and an agreed benchmark in terms of investments return.



Wendy Stunt

We would like to take this opportunity to welcome Wendy back to Framework Financial after the arrival of her second child, Dylan. We all look forward to working with her again.

What We Do For Clients?

From time to time, people ask us, what we actually do for clients. As you know we provide a range of services for our clients with the main emphasis being Financial Planning. The best example we use for potential clients is to show

them a case history, which would provide an insight as to how we work with an actual client. The following is taken from our website and is a case history for a medical professional.

Case Studies

Medical Professional

Mr. Client, Age 52, Medical Professional, married with 3 children, aged 9, 12 & 14

Background (at outset)

Home €1,000,000

Various Pensions €320,000

Cash €100,000

Shares €40,000

Challenges:	Solution:	The Results:
1. Increasing impact of taxation on my income	1. We recommended that the client's wife be employed at the maximum salary allowable on a tax rate of 20%	1. This lessened the impact of the Income Levy and increased the family net income as a result of lower taxation
2. Whilst happy with my current lifestyle, I am concerned about maintaining this in retirement	2. By building a Financial Plan with the client we established the 'Number' required to fund his desired lifestyle	2. In identifying his 'Number', the client then realized this was very achievable with the right strategy in place. Whilst taking account of revised revenue guidelines regarding pension investment for dual earners we consolidated existing arrangements into one fee based transparent solution. This resulted in lower costs with maximum growth potential aligned with the clients risk profile
3. I wish to pay off my mortgage at the earliest affordable date	3. Within the Financial Plan, we budgeted for an affordable monthly overpayment	3. This resulted in a mortgage term reduction of 7 years for the client with the associated interest savings. This will allow the mortgage to be redeemed prior to retirement



Last word

Thanks for taking the time to read our "latest word"

Should you have any suggestions or topics you would like us to visit, please let us know.

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