MONEY

RYANAIR ANCILLARY EARNINGS IN THE YEAR TO END OF MARCH 2024

€4.3bn

OR €23.40 PER PASSENGER, UP 12%

INCREASE IN AVERAGE RYANAIR FARE IN THE YEAR TO END OF MARCH 2024

21%

TO €49.80, FROM 183.7M PASSENGERS

SOURCE: RYANAIR

Banking relationships don't have to last for ever

Switching your current account should not be put on the long finger – you can save a fistful of cash by avoiding monthly fees, writes *Eithne Dunne*

ALAMY

Many of us, it seems, are more likely to divorce our spouse than change our bank. Yet for some customers, tired of paying fees for access to their cash – off which the banks are making hundreds of millions of euros in profit – the lure of free banking is strong enough to spur them into action.

Unless you already do all your banking using a free account, such as from EBS, Revolut or N26, you will be paying fees regularly. A few years ago several banks waived their charges for anyone who maintained a minimum balance, but now you pay regardless. If you have a current account and mortgage with AIB, the fees are waived until your final repayment.

Not only are fees now largely unavoidable, some banks have increased their charges. This is particularly outrageous as the banks are earning massive interest on lodging your money with the European Central Bank. In the UK, by contrast, banks have been vying for customers' money to the extent of offering up to £200 in cash incentives to switch.

Last month Permanent TSB, for example, upped its monthly fee from €6 to €8, making its maintenance fees the highest on the market, at €96 a year. Not all its customers will pay this, though: it gives 5c back every time you use your card, up to a maximum of €5 a month, so actual fees could range from €3 to €8 a month.

If you have a current account with Bank of Ireland, meanwhile, you would pay €6 a month, or €72 a year. With An Post it is €5 a month, or €60 a year, plus 60c for every ATM withdrawal – unless you do it at a post office, in which case it is 50c. AIB charges a relatively low €4.50 per quarter, or €18 a year, but unlike most others it then applies charges for various day-to-day transactions.

Credit unions generally charge €4 a month, or €48 a year; this covers everything bar a 50c fee for each ATM withdrawal beyond the first five each month. Bunq, a Dutch fintech, costs €3.99 a month, or €47.88 a year, but there is a 99c charge for ATM withdrawals that jumps to €2.99 after the first five each month.

If you issue or receive cheques, lodge cash or simply like to visit a bank branch to do your banking, the free fintech accounts with N26 or Revolut are no use. However, the EBS MoneyManager offering is also fee-free but will still allow you to do these things.

It is a "no-frills" account, with no fancy app or payment wallets – although you can manage your money online – so if these are important to you, and assuming you don't need the aforementioned services, those two fintechs are probably your best low-cost bets.

Let's look at a customer who in a typical month makes two ATM withdrawals totalling €200; ten chip and PIN, 30 contactless and five online transactions; and has five direct debits. According to Bonkers.ie your lowest-cost option in terms of monthly fees would be N26, Revolut or EBS, which are free, followed by the Credit Union (€4), PTSB (€5.75), Bunq (€5.97), Bank of Ireland (€6), An Post (€6.20) and finally AIB (€6.20).

If you withdraw cash frequently, the fintechs become less appealing price-wise. If our customer makes six ATM withdrawals totalling €300 in the month, the only free option would be EBS. Next in order of costs would be Revolut (€2), followed by the Credit Union (€4.50), PTSB (€5.75), N26 (€6), Bank of Ireland (€6), AIB (€7.60), An Post (€8.60), and Bunq (€9.93).

The Irish banks offer little in the way of sweeteners. PTSB pays cashback if you're a customer of Sky or SSE Airtricity at 5 and 2 per cent respectively, and knocks 4c off per litre for purchases with a Circle K fuel card.

"Things like branch access, in-app transfers, and withdrawal, account and transaction fees can differ hugely between traditional and digital banks, so customers should always take their time to compare what's out there and check the small print," Eoin Clarke, director of Switcher.ie, says.

MAKING THE MOVE

One former Bank of Ireland customer says she was intending to close her current account ever since the bank introduced its flat €6-a-month maintenance fee in late 2020. She opened an account with Revolut in 2022 but kept putting the closure of her main bank account on the long finger.

"I was basically too lazy to look through my direct debits and contact people to change my account details," she says. After yet another monthly fee was applied to her account last October, she decided to move.

Customers are advised not to feel wedded to their bank when better offers are available on accounts

She first contacted her employer to start directing her salary to her Revolut account; this was straightforward. She then informed the Department of Social Protection of her new details as she was also in receipt of the child benefit payment. Then she looked through her Bank of Ireland statements online, picking out the various direct debits. One by one she contacted each issuer. In all cases she was able to make the change of details fairly quickly online.

> **It didn't sit well with me to be basically lending a bank my money and then paying them for it too**

She stopped using her Bank of Ireland debit card entirely and waited six weeks or so to make sure payments were coming in and out of her Revolut account. After that she closed her old account.

"I'm glad I've finally done it, though. It didn't sit well with me to be basically lending a bank my money and then paying them for it too," she says.

Opening a new account can generally be done online fairly easily. The hard work comes when switching all payments, inward and outbound, to your new account.

You can use the Central Bank of Ireland's "switching code" and let your new bank do some of the legwork, or manually update all your direct debits yourself. Even if you opt for the first of these, you still need to update your details with anyone who pays into your account, as well as handle any overseas direct debits or recurring payments from your debit card. The code also applies only to the high-street banks.

As Daragh Cassidy, head of communications at Bonkers.ie, puts it: "It would be a lie to say that current account switching can all be done online and is hassle-free. You'll usually end up having to do some of it yourself, and the odd call here and there may be needed to your utility providers. If you use Apple or Google Pay, your new card details will need to be updated on your phone."

You'll also need to download your new bank's mobile app and set yourself up with online banking details, which can, Cassidy adds, be a bit time-consuming.

Grainne Griffin, director of communications at the Competition and Consumer Protection Commission, says that changing current accounts can be a "significant administrative exercise" given that many of us have multiple recurring payments and subscription charges as well as payment accounts such as PayPal linked to bank accounts or cards.

"It can also be a very challenging budgeting exercise as a consumer will usually need to keep funds in both accounts for a transition period to ensure all bills are paid," she adds.

In a government consumer sentiment survey from August last year, among those who have not switched in the past five years the "perception of the general difficulty in switching" was a common theme.

Griffin believes the process "could and should" be made easier. For example, she says, the switching code could be expanded to include the fintechs, credit unions and An Post.

N26 uses non-Irish international bank account numbers (Ibans). This should not make a difference – all companies are legally obliged to accept them – but some customers still hit obstacles.

"Over the past few years utility providers and employers have got better at recognising foreign bank account numbers, but it's still a problem," Cassidy says.

"Ironically, government agencies can be among the worst offenders, so it's something people need to be aware of when choosing a current account."

QUESTION OF MONEY

I have a number of pension funds — an occupational scheme, personal pension and a personal retirement savings account (PRSA) — all invested conventionally in shares and bonds. However, I would like to be able to use some of the funds to invest in property as I have expertise in this area. How do I go about doing that?

PF, Dublin

The two main ways to invest in property through a pension are a direct property investment, where you buy a property directly through your pension, or by investing in a fund with exposure to property.

The extent to which, and how, you can invest in property with your pension fund will depend on the type of pension you have. With direct property investment, for example, you can generally buy through approved retirement funds (ARFs), buyout bonds and non-standard PRSAs, but you should check this in advance with your financial broker or the provider, as typically all of these will need to be self-directed.

One of your pension funds may let you buy property, but whether you can would also depend on how well funded the pension is. Another option is to transfer one or two of your pension funds, specifically the personal pension or PRSA, to a self-directed pension, which offers you a greater say on how it is invested. This should let you buy a specific property directly, but this method is generally best suited to well-advised, experienced investors.

Be aware of any investment risk with any asset to which you gain exposure via a self-directed pension. Be aware too that there may be costs involved in transferring pension funds from one fund to another.

You may already be able to buy property through your personal pension or PRSA, so check this with your financial adviser first.

You don't mention if your PRSA is standard or non-standard. If the latter, you have a far wider range of investment choices. To buy property through a non-standard PRSA, you would need a provider that facilitates direct property investment and to have sufficient funds in your pension. If you have a standard PRSA, you're restricted to investing in pooled funds, which could include one with exposure to property.

You are unlikely to be able to buy property through your occupational pension, and your ability to direct pension savings into an investment fund with exposure to property will depend on the choice of funds available. If you are at or near retirement, it's worth noting that a property in a pension could be transferred into an ARF at retirement.

Paul Murray is director of Quest Retirement Solutions; qrsl.ie

Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

Hedonists be advised: save now and you can live it up upon retiring

I came across a financial term recently which caught my ear, so to speak: the hedonic treadmill. It comes from a related concept called hedonic adaptation, which can be explained as follows.

Many people will remember how happy they felt after buying their first car. Do you recall how long the increase in happiness lasted? In reality, probably not that long. It's likely that the sudden boost in happiness was short-lived and you were back at your baseline happiness in a matter of days or weeks. In order to achieve a similar subsequent boost in happiness you would have to buy a much higher spec and newer car, and again, in a matter of days or weeks, the happiness caused by the shiny new thing would abate.

Would you be that happy with a second-hand car purchase today? Probably not. These days many people need to buy a new, top-of-the-range car to get the same satisfaction they got from buying a second-hand banger in their twenties. That's hedonic adaptation at work, and it's a killer on your personal finances.

A good aspect of hedonic adaptation is that it also works in relation to negative events. If you experience a negative event, the feeling is generally worse closer to the event, and over time you return to your baseline happiness, the level of which has more to do with your personality type and the kind of relationships you have, rather than the stuff you own.

It doesn't have to relate to your car, but given the depreciation cost of owning one, it's as good a treadmill as any. You would probably need to be an unlucky dealer in abstract art or have a liking for NFTs to do as much damage to your finances.

The availability of personal contract purchase finance plans has added fuel, if you pardon the pun, to the mix, with one person's car payment often dwarfing another's mortgage payment. Our finances generally expand as we age. Many people who, like me, have made over 50 trips around the sun, will observe how much more they spend on a particular category of their budget now than they did in, say, their twenties.

> **Is the stealthy expansion of your finances always a bad thing?**

Is this stealthy expansion of your finances always a bad thing? Not necessarily, if you tap into the positives by using your money in a way that increases your future wealth.

Take saving for a pension, for example. If you start making any level of contribution, the vast majority of people will soon find they can comfortably raise the amount. If you don't start or wait till you can make exactly the contribution you need for the pension you want, you may never get to that position. Anyone who has ever deferred starting a pension and revisited the required contribution level in later life will attest that every year that passes makes successful retirement planning an exponentially steeper hill to climb.

I recall meeting a pension adviser during my early days working in financial services. His recommendation was that I should start a pension with a monthly contribution of £150. In short, given my modest salary as a lowly bank assistant in the 1990s and other demands on my purse – none of which were adding to my net worth – I never gave it consideration. It simply couldn't be done, so it wasn't.

Luckily for me I subsequently became entitled to join a company pension scheme, but this might never have happened and, had it not, it is likely that had that adviser suggested saving just £50 a month I might have stretched to this and improved my financial position.

There will always be another expenditure on the horizon that could cause you to defer making the leap, and as you get older much of your non-essential expenditure is caused by hedonic adaptation. That's fine once you are at least on course to have the pension you need, but if you haven't started that process then consider doing so now. The pension you accumulate may enhance your happiness for decades rather than weeks.

Of course, like many things in life, it's about balance. I heard a great saying from a client of mine recently: "If you slept in a coffin, you'd remember to live."

The odd splurge can be good for the soul.

Eoghan Gavigan is a certified financial planner and owner of Highfield Financial Planning; hfp.ie