

Investment advice for your pension

The area of pension guidance can be a minefield, but it's one which Highfield Financial Planning is happy to negotiate for its clients

BY SIOBHÁN MAGUIRE

Finding the right fit when it comes to investment advice and pension guidance can be difficult.

The very topic of pensions can give rise to confusion and a lack of clear understanding of what this lifelong investment can deliver.

For Eoghan Gavigan, a specialist investment adviser and a certified financial planner at Highfield Financial Planning, the task at hand is far greater than dutifully dishing out advice. Rather, it is a calling to impart the right information in a way that is easy to understand, so there is no ambiguity about the pension products on offer.

"A significant number of pension savers admit that they don't know what their pension is invested in," said Gavigan. "While we wouldn't expect everyone to remember precisely what funds they are invested in, your fund choice should make sense in terms of your return objectives and your risk profile, and your adviser should have talked to you about the likely range of probable outcomes that might result."

"Advisers often talk of clients being upset because their fund value didn't increase during a 12-month period or fell by, say 2 per cent, but what this actually means is that the

way that investments markets work wasn't adequately explained to the client to begin with. Pensions are a long-term game, and history shows that those who stay invested reap the rewards."

Highfield Financial Planning, a firm that operates in the midlands and Dublin, knows a thing or two about pensions. Gavigan, the brains behind the operation, worked in banking for 19 years before pivoting his second career into pensions and investments in 2015.

For him, the result is transparency, where clients feel satisfied and informed with how they choose to invest their pension.

"Investment advice isn't about guessing which fund will outperform in a given year, or timing the next correction in the market," he said. "Trying to do either of these two things really isn't a good approach."

"If your adviser comes at the process by quantifying your return objective, and then assesses what your attitude to risk is, what your tolerance for risk is, and what your capacity for loss is, he or she can guide you in the selection of investments which should help you to grow your pension assets with only as much volatility as you can comfortably bear."

"A key thing about this process is to remember that, if you manage to achieve your re-



Eoghan Gavigan, a specialist investment adviser and a certified financial planner at Highfield Financial Planning

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turn objective, the additional satisfaction you may get from exceeding it is less than the disappointment you will experience if you take too much risk and fall short."

The firm provides specialised financial advice to business owners and professionals who require an alternative to the mass market offering generally made available by the industry via tied agents and the traditional broker model, both of which are driven largely by product sales. The

firm caters for clients who want quality advice, tailored to their needs. It can provide the service for a fee or alternatively, if the client prefers, using the traditional commission-based model.

A self-confessed "pensions nerd", Gavigan likens his vocation to that of a mechanic getting under the bonnet of an old car.

"I get a fair bit of slagging from my wife and kids about my enthusiasm for talking about pensions, which they

don't share," he said. "But I do love what I do and imparting sound advice to my clients."

Gavigan said there were simple facts about pensions that everyone needs to know. The first is that the earlier you start a pension pot, the better the outcome.

"How early you start is critical, it's far more important than how much you contribute at the start," he said. "If a person starts contributing to a pension at a young age most people find relatively

soon that they have capacity to increase their contributions and the earlier you commence investing, the earlier you start to benefit from the effect of compounding of returns, which is a very powerful driver of investment returns."

Charges are another area that can cause confusion among those saving into a pension.

Gavigan said the need for clarity and understanding in this area should be a top priority for advisers to ensure

clients are comfortable with the product they hold.

"There are a lot of financial products in the market which have heavy charges," he said. "If you have an existing pension product and you don't know what the charges on it are, get a financial adviser who you trust to advise on this and what's available."

"Like many consumer products which you can buy, cheapest isn't often the best, but if your pension has heavier charges than comparable

products, then you should be getting a service which reflects this, from an adviser who has the credentials to back it up."

Gavigan said a key bonus of having a pension – not least for comfort when you retire – was the tax relief aspect of the saving.

"Few people seem to appreciate just how valuable tax relief on pension saving is," he said. "Special Saving Incentive Accounts [SSIAs], which were introduced by the government in 2001, provided a top-up of 25 per cent of the amount saved or invested, and uptake was extremely high."

"Tax relief available for contributions to a pension equates to a top-up of 25 per cent for lower rate taxpayers and a whopping 66.6 per cent for top rate tax payers [when the top-up is viewed in terms of net income forgone], within certain limits linked to your age, yet pension uptake is running at less than 50 per cent."

"It's true that apart from the tax-free lump sum, withdrawals from a pension are subject to tax, but unless you have a substantial pension, or you have other income in retirement, the reality is that you are probably not going to pay a huge amount of tax on your retirement income."

"You can ask your adviser to show you how much tax you would pay on different levels of income in retirement – although this will be based on current legislation. The tax treatment shouldn't, in my view, stop anyone from at least funding for a modest pension, yet many people don't do even that."

For more information on Highfield Financial Planning and the services they offer, see highfieldfinancialplanning.ie