

MONEY

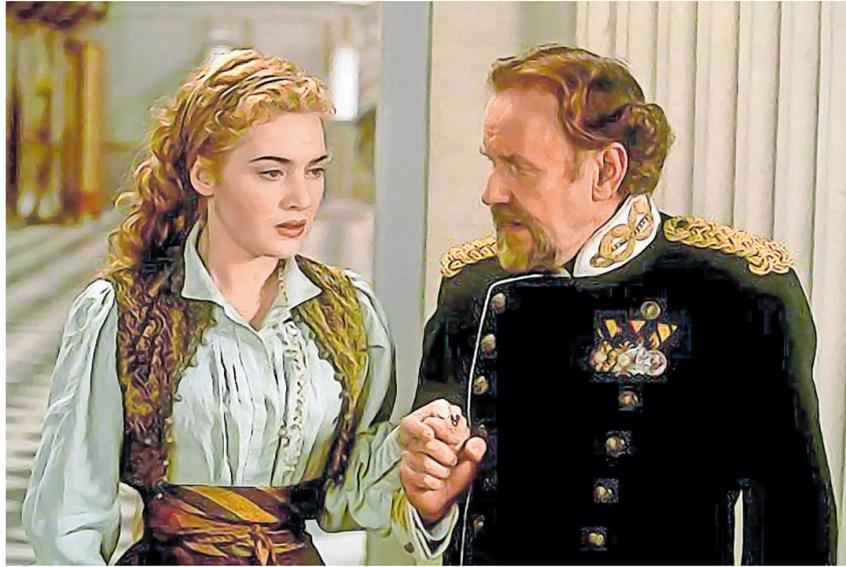
VALUE OF PERSONAL LOANS DRAWN DOWN IN FIRST NINE MONTHS OF 2025

€2.2bn
INCREASE OF 15.7% YEAR ON YEAR

FALL IN THE PRICE OF BITCOIN SINCE FALL-TIME HIGH ON OCTOBER 6, 2025

44.7%
CRYPTO TRACKING NASDAQ RUIT

SOURCE: BPI, COINCECO



northern farmer advised his son in Lord Tennyson's poem – something that has become ingrained in the Irish psyche perhaps more than any other financial maxim before or since.

However, all that changed following the financial crash in 2008, when property was suddenly shown to be an illiquid asset and difficult to dispose of in a downturn. "We've always been told that you should never borrow to invest, and yet people do it with property all the time," Benson says. "It does have its limitations as an asset, which we saw only too well during the crash."

Another piece of property-related advice that may no longer hold true is that "renting is dead money." This comes from a time when home ownership was achievable for most and renting was seen as a short-term stepping stone. Today, a shortage of appropriate property, exorbitant prices, challenging lending rules and life circumstances mean that many people rent long-term or even permanently. "Renting without a plan is risky, but renting with strong pension provision, savings and flexibility can be a rational choice," Brick says. "The danger is not renting itself – the danger lies in assuming ownership will somehow happen later without planning for any other alternatives."

PAY OFF YOUR MORTGAGE FIRST

Paying off your mortgage early can feel like the ultimate financial milestone. While it can improve psychological well-being, among other benefits, mathematically it does not always stack up. "Mortgages are often the cheapest form of borrowing available, and aggressively overpaying in order to clear early can come at the expense of other, more profitable opportunities such as investing in the market," Charalambous says. "There are clear pros, including peace of mind, reduced interest costs and increased equity. However, there are also downsides, such as reduced flexibility and tying up cash that might be better used elsewhere."

The smarter approach is balance: look at your interest rate, the remaining term, any penalties for overpayments and your wider financial goals. If your mortgage rate is low, investing spare money elsewhere may allow you to build wealth faster while still servicing your loan comfortably.

YOUR PENSION CAN WAIT

This is one of the most damaging pieces of advice people still follow, according to Charalambous. "Delaying pension contributions is one of the biggest financial mistakes people make," he says. "Pensions should be viewed as long-term savings vehicles, not something you think about later in life. They come with powerful tax advantages that are difficult to replicate elsewhere."

For higher-rate taxpayers in particular, contributing to a private pension can be extremely effective. A £100 contribution may only cost £60 after tax relief – that's an immediate return that few other investments can match."

Inherited financial wisdom was shaped by a very different era. While some of it still holds value, much of it needs to be updated to match the current financial landscape. It is not so much about adhering to rigid rules, handed down through the generations, but understanding why these rules existed in the first place and deciding if and how they apply today.

"It's a shift from rules to reasoning, but without losing the core values that drive those rules in the first place," Brick says. "Some inherited advice remains valuable precisely because it reflects human behaviour, not just numbers."

"Money decisions don't happen in spreadsheets, they happen in the real world under stress, uncertainty and emotional pressure."

"During the financial crisis, mortgage debt proved uniquely flexible," she adds. "It was the loan most likely to be restructured, renegotiated or supported when borrowers got into difficulty. That experience still shapes why prioritising mortgage security brings peace of mind for many households."

"After all, financial planning isn't just about maximising returns – it's also about being able to sleep at night."

The old saws of financial wisdom have lost their teeth

Famous adages such as 'safe as houses' and 'cash is king' are no longer necessarily truisms, writes **Kieran O'Daly**

Most financial education is informal and picked up socially from friends, relatives or colleagues. It shows up in the form of folk wisdom, neatly summarised in catchy slogans such as "cash is king" and "safe as houses". They have the ring of truth about them, but are they actually correct? Should we treat them like laws of nature or something more contingent?

These homespun lessons may have had utility, but often they were shaped under very different economic conditions than those we have today, including high interest rates, limited access to credit and little or no exposure to investing. They were well intentioned, but rooted in caution and security. Things have changed since then.

"In today's financial landscape, blindly following these inherited rules can actually hold people back," Nick Charalambous, managing director of Alpha Wealth, says. "The world of money has changed and our habits need to change with it, which makes it worthwhile to re-examine some of the financial maxims we grew up with and ask whether they are still relevant today."

CASH IS KING

It used to be keeping a wad of bills under the mattress, now it's holding large amounts of money in an easily accessible deposit account. However, while it might feel like the safe thing to do in these uncertain times, the reality is that hold-

ing on cash is making you poorer by the day. Irish households hold more than €170 billion in cash deposits, the vast majority of which is sitting in low-yielding accounts with returns far below the rate of inflation.

"Years of near-zero interest and the lasting psychological impact of the 2008 financial crisis have combined to make people more risk-averse," Charalambous says. "Cash feels comforting, but, when inflation consistently outpaces deposit returns, the purchasing power of those savings is steadily reduced."

"Cash has a role for short-term needs and emergency funds, but holding excessive amounts long-term can mean your money simply isn't working hard enough for you."

Ralph Benson of Moneycube agrees. "It's important to have some liquidity, maybe three to six months' worth of reserves in an easy-to-access account in case of emergencies such as illness or job loss," he says. "Anything over and above that should be invested."

ALL DEBT IS BAD

Debt has long been framed as something to avoid at all costs. In many cases, it makes perfect sense. For instance, high-interest debt, particularly consumer credit card debt, can be financially crippling and take years to recover from, but borrowing for certain things, such as buying a home or expanding a business, can make good sense.

And not all debt is created equal – something that may have been lost on our antecedents but is certainly worth

The advice from older generations may not always be welcome, as with Polonius (Richard Briers) and Ophelia (Kate Winslet) in Hamlet (1996)

remembering now. "Earlier generations associated debt with hardship, as credit was expensive and unforgiving," Carol Brick, managing director of Contracting Plus Financial, says.

"Today, the distinction is not debt versus no debt, it's good debt versus bad debt. High-interest consumer debt remains dangerous, but mortgages and education-related borrowing can support long-term stability when used responsibly. Avoiding all debt can now mean missing opportunities, particularly in housing and retirement planning."

LOOK AFTER THE PENNIES

"Look after the pennies and the pounds will look after themselves." Born in times of scarcity, it's the one old adage that raises the hackles of most financial experts these days.

"It's condescending, irritating and not very helpful," Benson says. "It will just stress you out over things that actually don't matter very much. Rather than sweating the small stuff, it would be better to build good financial habits that will last you a lifetime."

Obviously, it is important to have a budget as part of your overall financial strategy, but Benson emphasises that people should not obsess over every small thing. "It's never a straight line and there will be ups and downs along the way," he says. "My advice would be to make the most of the good years when they come. As the saying goes, mend the roof while the sun is shining."

SAFE AS HOUSES

Originating in Victorian times, the phrase "safe as houses" equated owning property with wealth and financial security. Listen to the horse's hooves as they go "property, property, property", as the

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Eoghan Gavigan
Gary down the pub won't be replaced by AI, so neither will advisers



The growth of artificial intelligence has led to speculation about the fate of several professions, with translators, receptionists and data entry operatives featuring in one list of occupations under threat. Also on that list are financial advisers.

"I'm old enough to remember manual telephone exchanges. Coming from a farming background, I can remember being told to call the operator and ask for Elphin 14 to request a visit from the AI man, at a time when AI meant something else altogether: an artificial insemination service for cattle."

At a recent industry event assured that financial advisers will not be replaced by AI. Instead,

they will be replaced by financial advisers who use AI.

"Gary down the pub" is an expression sometimes used by financial advisers when describing challenges to convince clients to pursue certain strategies, such as saving to a pension: "Gary down the pub told me pensions are no good since, while you get tax relief on contributions, you pay tax on withdrawals." This statement holds truth but is misleading about the relative costs and benefits and is very damaging if implemented.

My AI journey so far leads me to conclude that it has some very useful features, such as the ability to synthesise information from different sources. When we used internet search for a query, the user had to choose a website from the results and read the content from that source. With an AI search engine, the software very usefully brings together information from many sources. The problem is that you need a fairly good understanding of the subject matter to begin with to determine how

“It takes serious conviction to convince an AI engine that it is wrong on a topic

much of the response you get has been gleaned from the Revenue pouch, so choose not to do that. After a recent holiday when we stayed in a hotel which had no staff, I'm going to pass on the option to turn my business into a faceless computer program. I think we can all agree that more human touch and tasks is what is needed in the world.

So are financial advisers going to be

and only when you provide evidence to prove it are you met with a profuse apology and a promise to do better. Pension legislation is just too nuanced for AI and, based on recent changes to legislation, that's not going to change.

I recently participated in an exercise to determine how I might use AI in my business. Much of what resulted was designed to automate tasks I perform manually. I could, for example, install an AI chatbot on my website that would annoy existing or potential clients by not answering their questions and then gather their contact details for a call during office hours.

As a sole adviser, one of my selling points is the human touch, so I chose not to do that. After a recent holiday when we stayed in a hotel which had no staff, I'm going to pass on the option to turn my business into a faceless computer program. I think we can all agree that more human touch and tasks is what is needed in the world.



I'll be retiring soon and drawing down two pensions. There's a chance their combined value could push me over the standard fund threshold (SFT). How can I limit my tax bill? If I become self-employed after retiring and start a new pension, can I use any higher SFT that might be in place at that time?

The SFT, which is the limit on the total capital value that an individual can draw down from tax-relieved pension arrangements over their lifetime, was raised from €2 million to €2.2 million at the start of this year. If the total value of your drawn-down pensions exceeds that, the excess is usually liable for tax at a rate of 40 per cent. If the combined value is only just over the €2.2 million threshold, you could offset some or all of the SFT-related excess tax against the tax to be paid on your lump sum.

Under Revenue rules, you can usually take up to 25 per cent of your pension funds as a tax-free lump sum over your lifetime but anything above €200,000 will be taxed. Lump sums of €200,001 to €500,000 are generally taxed at 20 per cent, with any balance over this taxed at the marginal 40 per cent rate plus the universal social charge. When an individual has tax deducted from their retirement lump sum, the chargeable excess tax they face if they're over the SFT may be reduced.

For illustrative purposes, let's say your two pensions combined are worth €2.35 million. You can take up to 25 per cent of this – €587,500 – as a lump sum. As €200,000 is tax-free, you would pay tax on €387,500 if you took the full lump sum. It would be more tax efficient to limit the lump sum to €500,000, so you paid only 20 per cent tax on the excess €300,000, for a bill of €60,000.

With a €2.35 million pension fund, you face a tax bill of €60,000 for being over the SFT limit. Yet this can be offset against the €60,000 tax on your €500,000 lump sum, thereby cancelling out your SFT tax bill.

Note that if you retire in 2027 rather than this year, the SFT will be higher again. Under the Finance Act 2024, the SFT will rise by €200,000 a year until 2029, reaching €2.4 million in 2027, €2.6 million in 2028 and €2.8 million in 2029. After 2030, the threshold is indexed to wage growth.

If, after retirement, you decided to return to work and fund a new pension, you could not avail of the higher thresholds if you previously fully utilised your SFT. However, if you only partly utilised the SFT, a portion of the increases would be available.

We would recommend getting independent and expert advice before drawing down your pension.

Glenn Gaughran is head of business development with Independent Trustee Company

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



replaced by AI? Well, AI is emerging at a time when some advisers, certainly those who practise real financial planning, are pivoting to an offering that includes things that AI cannot do, like coaching clients to determine what they value and what kind of future life they want to give themselves and those close to them, and then putting a plan in place to achieve that. Advisers who provide only technical advice and access to products, which have been largely commoditised anyway, will struggle. Consumers will use AI to question the poor advice that has been a feature of the industry because of inappropriate remuneration structures that result in conflicts of interest.

Not everyone is under threat. Gary down the pub isn't going to be replaced by AI. Gary is going to be replaced by another bar stool adviser who uses AI.

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