MONEY

VALUE OF HOUSEHOLD TERM DEPOSITS LODGED DURING MAY 2026

€1.4bn

UP 2% OVER LAST YEAR

DECLINE IN MOTOR INSURANCE PREMIUMS SINCE JULY 2016

36.3%

NINTH MONTH OF DECREASES

SOURCE: CENTRAL BANK OF IRELAND, DEPARTMENT OF FINANCE

Dispelling the myths that stop savers from embarking on investments

Too many Irish savers are letting a combined €175 billion rot in low-interest accounts because fear and complacency are keeping them from exploring the markets, writes *Kieran O'Daly*

Irish people are missing out on the chance to increase their wealth because of fear, complacency and misinformation.

Despite inflation eroding the value of cash and the relatively modest returns available from savings accounts, most people with investable assets still tend to leave their money sitting on deposit. While a certain amount of caution is understandable – especially for a generation that got burnt by the financial crisis – much of the reluctance to invest is based on popular myths.

"The stock market is for the rich, you need lots of money if you want to play that game." "It's basically gambling, you could lose everything if you don't time it right." "Once it goes in you'll never see it again – you're better off keeping your money in the bank." "It's too complicated."

These are just some of the pearls of wisdom about the dangers of financial markets that advisers hear from clients. That partly explains why Irish households have €175 billion sitting in low or no-interest accounts, an increase of almost €10 billion on the same time last year, according to the latest Central Bank of Ireland data.

The average interest rate across these accounts is 0.14 per cent, because most of it is sitting in current accounts rather than term deposits. Inflation was 3.3 per cent in June 2026, meaning the real value of this cash is decreasing significantly. Meanwhile, average returns on a global index fund are around 7 per cent per annum.

The rational choice is obvious, yet something stops people from making it.

TREPIDATION

Fear and caution are definitely underlying factors in this reluctance to invest, according to Fonz Scanlan, founder of Money Smart, a financial advisory company.

"The financial crisis left a deep psychological mark on Irish households and memories of property crashes and bank failures have created a natural aversion to risk," he says. "As a result, many Irish savers associate investing with volatility and potential loss, even though, in the long term, diversified investments outperform cash by a wide margin."

Scanlan points out that misconceptions on risk and volatility have been supported in the mainstream media at times, which he feels is unhelpful. "I have heard a business presenter on Irish radio refer disparagingly to the stock market as a 'dartboard', which may make some sense when referring to a stock picker but has no relevance when referring to stock index investors," he says.

Market fluctuations and dramatic headlines about stock market corrections clearly reinforce the belief that investors are simply betting on luck. In reality, long-term investing in diversified portfolios has historically delivered stronger returns than cash over extended periods.

"Confusing short-term speculation with long-term investing deters many people from taking even the most modest first steps," Paul Merriman, chief executive at askpaul, says. "It's a fear of loss rather than a fear of risk. Most people aren't actually weighing up risk and reward properly – they're simply reacting to the idea of seeing their balance drop. A bank account never shows a red number, so it feels safe even when inflation is quietly eating into it every year."

This "loss aversion" leads savers to prioritise certainty over returns, even when inflation is chipping away at the purchasing power of savings. That's because people feel the pain of losses more intensely than the satisfaction of equivalent gains. This is basic behavioural economics, which also says that people value more "available" information when weighing up pros and cons.

> **Most people aren't actually weighing up risk and reward properly**

"It's definitely a hangover from the financial crisis," Hugh Lambert, founder of Integral Financial Planning, says.

"People lost a lot of money on things like bank shares and property, and they haven't forgotten that. They crave security and want to keep their money where they can see it, where they feel it's immediately accessible.

"There is a lot of fear around the concept of investing."

Another issue is that, for decades, investing was associated with stockbrokers, large sums of money and exclusivity. Wealth accumulation was not seen as something for everyone, but rather for an insider clique. That picture is outdated now.

Many investment platforms available in the market are open to people who can make only small monthly contributions. The barrier to entry is lower and, with passive investment funds, less knowledge and monitoring are required. It is a more democratic environment than in previous eras.

COMPLACENCY

Another factor is that people are reluctant to change the habits of a lifetime. "When it comes to surplus cash, a savings or deposit account has always been the default option for most people," Scanlan says. "They have some awareness that investing brings better long-term returns, but don't see it as a compelling enough reason to adjust their behaviour."

This sentiment is backed up by the deposit guarantee scheme, which protects up to €100,000 per person per institution. "It's an additional layer of security which actually makes it easier for people to leave their money where it is rather than make a proactive decision," Scanlan adds. "Surveys consistently show that Irish adults feel less confident about investing compared with their European counterparts. Without clear guidance, cash feels easy and understandable – no market swings, no jargon and, critically, no decisions."

You can expect a few ups and downs on your investment journey — rather like Matt Damon in The Odyssey

TAX CONCERNS

Nobody likes tax, but the myth that having to pay tax on gains makes investing "not worth it" keeps people out of the market. Unfortunately, this is a myth with a kernel of truth. Under the current tax regime, the 38 per cent exit tax and the "deemed disposal" rule on funds, whereby a tax bill arises every eight years, are serious disincentives to individual investing.

Simon Harris, the tanaiste and finance minister, is trying to address this issue with the forthcoming personal investment account, which is likely to have some tax-free component, but for now people tend to rely on pensions as their main investment vehicle.

In parallel, the Department of Finance is exploring an overhaul of the current investment tax regime to harmonise the exit and capital gains taxes to create a more equitable landscape.

"When it comes to investing, people are more comfortable to put money into their pension rather than a basket of shares, even though that's exactly where their pension manager's scheme will be putting it in many instances," Lambert says. "The tax treatment is more favourable and it gives them the feeling of security they need. They're happy to take the long-term risk associated with pension payments but not the shorter-term, more visible risk associated with investing."

CHANGING PERCEPTIONS

Addressing these misconceptions requires more than encouraging people to invest, Merriman believes.

Governments, schools, employers and financial institutions all have a role to play in improving financial literacy, he says – something that has been acknowledged by both government and industry.

"Clearer communication about risk, better education on the benefits of long-term investing and easier access to trustworthy guidance can help people make more informed decisions," he says.

Merriman also adds a note of warning. "Investing is not appropriate for every financial situation, and maintaining emergency cash savings remains essential," he says.

"However, dispelling the myths surrounding investing could help many households make better use of their money, improving long-term financial resilience and helping more people build wealth over time."

Lambert agrees that education is crucial. "Financial management, including how to invest, should be part of the school curriculum," he says.

"We are taught how to budget, spend and save, but we need to learn how to invest as well. Sensible investment should be an integral part of any smart financial strategy."

Question of money

My husband and I are in our late forties but not yet homeowners — and I fear how this might affect us financially in retirement. We're both in steady, fairly well-paid jobs but the costs of rent and raising children have made it hard to save for a deposit and in our company pension plans. We joined only recently and make the minimum contribution of 5 per cent of salary. While buying a home is our priority, we also want to prepare for retirement before it's too late. How can we balance these needs?

Anon

You are not alone: rising house prices and a chronic housing shortage mean many rent well into their thirties, forties and beyond.

While the high cost of rent and raising your children has restricted your saving into a company pension, it's good that you and your husband have joined schemes. Maintain these pensions savings if you can. Even if you put in only the minimum, you may get employer contributions too, which will make it much easier to build up a reasonable pension pot by the time you retire.

In some cases, employers match your contribution, so the more you save, the more the employer puts in. Find out your employer's maximum contributions and do what you can to secure that level, paying in more if necessary when you can afford it.

If you get pay rises or annual bonuses, consider using some of them to increase the amount you're saving into your pension, too.

Remember that pensions tax relief substantially reduces the cost of making a contribution. Simply put, every €100 you pay into a pension costs higher-rate taxpayers just €60, or €80 if you pay tax at the standard 20 per cent. The allowable tax relief on annual pension contributions is 25 per cent of relevant earnings in a year for those aged between 40 and 49, and this could allow you to make substantial contributions to your pension.

You are right to have home ownership as a key priority. As long as you borrow prudently, home ownership will put you in a much stronger long-term financial position because it will help you to build wealth. Furthermore, while new rental rules have boosted security of tenure for renters, ultimately you will have greater security if you own your own home.

Be mindful, though, that buying a home late in life can eat into your retirement income and could even mean having to work into retirement. To avoid your mortgage having an impact on your retirement income, or indeed the age when you can retire, ideally, if you can, clear your mortgage before you reach the age of 65, or earlier if possible.

Mark Reilly is pension propositions lead with Royal London Ireland

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

Eoghan Gavigan

Buy now, pay later on a pizza shows the hunger of lenders

I have written previously about the dramatic increase in the use of consumer credit since the 1950s, but credit has been around for much longer than you may think. The wording on a Babylonian tablet from circa 2000BC roughly says: "Two shekels of silver have been borrowed by Mas-Schamach, the son of Adadrimeni, from the sun priestess Amat-Schamach, the daughter of Warad-Enlil. He will pay the sun god's interest. At the time of harvest he will pay back the sum and the interest upon it." This is one of the earliest known credit agreements.

Early credit would have been largely informal and based on trust. At some point it became more formalised with written agreements. It developed again in the 19th century with the emergence of hire purchase. In recent times advances in technology have made the financing of the smallest of purchases possible at the click of a mouse.

Many people will have noticed and indeed might use the instalment payment option known as "buy now, pay later" (BNPL), which has become more prominent on the websites of some retailers than the credit card payment option. A deliberate nudge, no doubt.

During my time as a lender many moons ago I recall a colleague referring to our industry as the "rarefied world of credit". Not so rarefied any more, as credit provision has expanded exponentially thanks to technology removing the friction of both assessment and distribution.

Lenders like to match term to purpose so, while insurance premiums are likely to be financed over 12 months, your car loan might have a five-year term and your mortgage 30 years or more. All very sensible.

I was surprised and a bit horrified recently to hear that BNPL can be used by consumers in some countries to purchase their Friday night pizza. Financing a pizza with an economic life of about 15 minutes using an instalment plan just doesn't seem sensible, but it's probably not presenting much systemic risk to the financial system either.

From a retailer's point of view, offering BNPL drives higher average order values. A Central Bank of Ireland survey in 2023 found that 43 per cent of respondents said that they "often spend significantly more money than planned when they use BNPL".

Unlike, say, mortgage lending, BNPL terms are short. This means that the paydown rate is very high, therefore measuring usage is more like measuring the water in a fast-flowing river rather than water in a lake. The measure used by providers, gross merchandise value (GMV), overstates usage as initial instalments reduce this, as do returns.

According to Deloitte, the global volume of BNPL last year was probably in the region of $560 billion and it is forecast to exceed $900 billion by 2030. It's likely, however, that some of this is merely displacing other payment mechanisms such as credit cards.

Irish consumers will mainly encounter Klarna and Humm, and Revolut used Ireland for the launch of its Pay Later product in 2022. Unlike BNPL providers where the merchant signs up and pays, when a fintech provides such a service, it is the consumer who signs up and pays the fees. Arguably it is more transparent than retailer-led BNPL.

The danger comes from the fact that while BNPL is a form of credit, many people don't recognise it as such, because it just doesn't feel like taking out a loan. A study of a sample of BNPL applications in the US by the Consumer Financial Protection Bureau revealed that users of the services tended to have disproportionately higher amounts of personal debt, and 61 per cent of applicants had subprime credit scores.

> **Our industry was 'the rarefied world of credit' — not so rarefied any more**

Curiously, despite the size of the market, our pillar banks have not entered the fray. Is this due to a desire to stick to more prudent lending or a strategic mistake? BNPL has a place in the credit ecosystem but offering it for certain types of purchase – like the aforementioned pizza – feels, for me anyway, just a little bit predatory.

As an underwriter said to me many years ago when signing off on a marginal credit: "Sure, if it doesn't work out he can pay it back in easy instalments." Call me old-fashioned, but I would say that it's better to pay for that pizza with cash.

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