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MARKET UPDATE

Markets have been reacting to the recent trade disagreements between the US and their largest trade partners including China. The US has imposed tariffs of over $34 billion on Chinese imports and China is vowing to retaliate. Oil prices have increased due to the US pushing restrictions on the import of Iranian crude products. European stocks got a boost after the U.S. offered to abandon threatened levies on European cars in return for concessions, with German Chancellor Angela Merkel saying she would back lowering E.U. tariffs on U.S. car import. Concerns are growing that a trade war could now lead to a global recession. While that does seem a little drastic we must remain conscious of the ongoing volatility. Brexit is causing its fair share of disruption in the markets with concerns from companies such as BMW and Airbus that a no-deal departure could lead to massive disruption and their relocation to elsewhere in Europe. Last week global equities had a tough week with most markets experiencing falls; however year to date is still positive with global equities up 4% in the first half of the year.

PRODUCT IN FOCUS: CHILD SAVINGS ACCOUNTS

It's that time again when we need to start looking towards another year of school/ college costs. Education in Ireland is supposed to be free, but each year back-to-school costs are rising for families. The annual cost of primary school education is estimated to be €766 per child per annum, while in secondary school this increases to €1,629. This rises to over €8,200 in the college years. That is why it is so important to start saving for your child's education as soon as you can. There are a number of options available to people, whether it is saving the children's allowance or starting off with a small amount each month, it is important just to START.

By using a savings plan you can maximise the Gift Tax saving for a child, by legally assigning the plan to the child, thereby making full use of the annual Gift Tax exemption limit of €3,000 from any individual (€6,000 from a married couple). Provided you stay within the Small Gifts Exemption limit, the child will not incur any Gift Tax or have their threshold reduced, either when you make the contributions or when the plan is encashed.

By starting a long term savings plan you are giving yourself peace of mind that there will be funds available to help your child to further their studies if they so wish. You will also have full control over the investment and can dictate what level of risk, if any, you wish to take. As unforeseen events can happen you will have the flexibility to vary your payments during the term.

Remember if you invest the child allowance of €140 per month from when the child is born, it could build up to a fund of over €42,000*, by the time the child reaches the age of 18. This can help to significantly reduce the burden of the inevitable future expenses. So start now! *(Contributions increase at 2.5% pa. Investment returns at 3.3% pa)

STATE PENSION REFORM

The Government recently announced its State Pension Reform proposals. Workers will not be able to draw down the State pension until they reach the new retirement age, which currently stands at 66, but will rise to 67 in 2021 and 68 from 2028.

Anyone who retires after 2020 will have their pension calculated using a new method known as a 'total contributions approach'. This will benefit some workers, particularly women who took time off to care for family members, but it could disadvantage others including the self-employed and part-timers. The new method means you must be making contributions for 40 years.

Pension reform will also look at automatically enrolling workers in a new scheme, which has been promised for years and now looks to be in place by 2022. While full details of how this will work have yet to be announced, it seems to be good news for private sector worker. However, SMEs may not be so happy with the extra cost which will be applied on businesses.

MORTGAGE NEWS

The Central Bank is introducing new rules from January 2019 which will require Irish banks to disclose to its customers the savings they could make by switching to cheaper rates with other institutions. There are concerns over incentives offered by banks to customers and the lack of transparency around the rules behind these offers.

Ulster Bank have recently introduced a new 2 year fixed rate of 2.3% for all new and existing customers, across all Loan to Values. This is expected to launch a new rate war so it will be interesting to see what will follow from other lenders.