Feature | Oakwood

Strategic steps in managing cash to create wealth in the pandemic era

"Is a cash deposit account costing you money? A strategy of investing in stocks offers the opportunity to benefit from the long-term growth offered by equities and protect your funds from the impact of inflation *writes* **Ronan McGrath**

Whether it's your retirement fund, or money you have sitting in a bank, many of our clients, just like you, have been asking what's best to do with it. All are looking for an alternative to actual cash. It requires skill and experience to be able to make predictions that establish a solid investment approach to obtain good returns that are, indeed, available in the market. The following does just that, as well as setting the scene of recent happenings.

Ronan McGrath,
Oakwood Financial Advisors

Exceeding the State guarantee

Last year, as the Covid crisis unfolded, there were many Prophets of Doom circulating. Many deposit holders were concerned about the security of the funds they had in Irish banks, some of which exceeded the applicable State Guarantee amount.

Quick turnaround of fortunes

A year later, we have had a strong economic recovery, jobs growth, and a surge in corporate profits. While there is still significant economic uncertainty - both in Ireland and on a global basis - we are now looking at meaningful inflation for the first time in over a decade. There are sky-high valuations of asset prices — particularly in residential property. Meanwhile, the markets shrug and move on, displaying significant positive equity market returns over the last twelve months.

A bank charge for holding your cash!

The big talking-point, from an Irish perspective, is the recent announcement from Irish banks that they will start imposing negative rates on deposits for both pension and corporate accounts. In truth, there has always been a cost for holding cash — inflation and cost of living.

Inflation once again

The biggest difference between this crisis and previous ones has been the speed and size of Central Banks globally to give financial support. The Covid crisis left a giant hole in the economy. The stimulus has been several times larger - thus stoking fears that this extra money will spill out and cause inflation. Also, it isn't realistic to shut down an economy, then turn it on again, and expect supply to be ready to meet demand. So perhaps we shouldn't be surprised to see a spike in prices.

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Holding cash, the pros and cons

There are a myriad of reasons why investors hold cash. Unquestionably, a considerable portion of uninvested cash is not needed to meet short-term spending requirements. The risk of not meeting your financial goals rises in proportion to the levels of uninvested surplus cash that is held. This is because the cost of long-term needs increase over time. The impulse to protect what we have is instinctive in us all. This applies to all manner of possessions, not least our wealth.

The decision by the banks to begin applying negative interest rates on deposits, for certain clients, understandably struck a sour chord. All investors should now address immediate liquidity requirements as part of their financial plan. It may be that there are legitimate reasons for holding cash in a portfolio. However, you should question the extent that the amount of cash held goes beyond requirements for short-term expenses.

The reasons provided are generally a variant on a constant 'safety' or 'peace of mind' theme.

Determining your investment strategy

We regularly get queries from clients who are getting overly concerned due to the level of negative news that flows in the media. The media's job is sell the news, and negative headlines aid this goal. Over time, the negative bias in what we read and hear may begin to wear away at us — sapping our long-term focus, our patience and our investing disciplines.

Don't be led by alarming headlines

In that sense, financial journalism potentially has a more direct effect on us than does other 'news' because it makes us think —"This sounds bad; maybe I need to do something about it. Maybe I need to put some distance between my investments/retirement portfolio and these looming negative developments/trends. If my portfolio does take a hit, because I ignored these warnings, I'm not only going to be impoverished: I'm going to feel stupid."

You almost wouldn't be human if you didn't think this way on occasion. But, steady on.

No knee-jerk reaction for our clients

For our clients, we make investment decisions focused on the long term. We do not make investment decisions based on short-term — and insidiously negative — stimuli or media news flow. Where we will be in five year's time, none of us know. But the markets will still keep operating. The great companies of the world will still be generating profits and giving positive returns to investors.

Pick winners — the two asset classes that have, historically, performed strongly are Global Equities and Property.

Equities assume growth

Over the long-term, equities have outperformed all other asset classes. The simple reason being that those businesses, in aggregate, generate a higher return on the capital invested in them. This they achieve by reinvesting some of their earnings back into the company to find new projects and products or new markets.

Such companies generate growth in earnings, dividends and cash flows.

However, investing exclusively in equities assumes ongoing prosperity. It ignores the possibility (and risks) of overvaluation in equities. Economies can enter recessionary, inflationary or even the dreaded deflationary conditions.

Property and Multi Assets

Property has also been a provider of strong returns over the longer term but can have liquidity issues due to the time it can take to sell a property. Multi Asset Funds offer diversification by investing in a range of assets, including equities, property, commodities, bonds (fixed income) and cash to spread the risk.

Adopting a 5-10 year strategy is advisable

Equities and property may have delivered the best returns over the long-term for reasons outlined earlier, but the economic cycle is routinely interrupted by recessions. A recession knocks corporate earnings, and in the stock markets, share prices will fall in anticipation of such events.

Since an investor cannot foretell when a recession might occur, in the real economy, he/she needs to take a 5-10 year view. This provides the time to let their investments positively recover following downturn events.

History teaches us that if you take a 5-year view with your investment programme there is a 75% probability that you will end up with positive returns. On a 10-year view the probability of positive returns rises substantially further (to well over 94%). So, while you don't get a guarantee regarding a positive outcome, a 5-10 year strategy would seem to be sufficient time to overcome most unforeseen economic occurrences.

Multiple benefits from regular investment strategy

In order to manage risk levels prudently, I recommend the regular saver option to clients. Compared to saving with low-risk assets such as bank deposits, An Post or Government bonds, the

Cash and security, different definitions

I think this is confusing certainty with security.

Certainty is defined as a fact about which there is no doubt or something that you know will happen in a particular way. Does cash provide certainty? Unequivocally, yes. We are certain about the direction of deposit interest rates and that cash holdings will be negatively impacted.

Security is the state of being free from danger or threat. Does cash provide security? Unequivocally, no. The certainty of cash, does not provide security against the real risk that investors face. And that risk is the real value of savings — to which the primary threat is inflation.

alternative regular investment approach offers multiple benefits:

- You are building up a fund gradually (reducing any initial risk) with a smaller amount at the start;
- It significantly reduces the risk of mis-timing your entry (i.e. investing only when markets are possibly overvalued). Investing in good times and bad irons out the volatility, and means that you are investing when markets are undervalued, and minimising when they are overvalued; and
- It allows you to methodically obtain the superior returns that stock markets have traditionally delivered. Over the long-haul, stock markets have delivered returns of circa 5% above annual inflation (net after charges).

Spreading any potential risk

In addition to the above points, any of the investment or regular saver products we structure allow clients access to their funds whenever they are needed. There are no exit or entry costs. You also have the facility to add additional lump sums at any time. Starting out, the investor that is investing regularly has minimal risk.

This is because they are investing over time, gradually building up a nest-egg. Asset prices will rise and fall over this period. You may buy sometimes at a higher price and then at other times will buy at a lower price when assets are less expensive.

Looking forward to protect your wealth

We believe that we are in for a decade of lower than usual asset returns and a wider range of inflation outcomes than we've become used to. Not a disaster, but not very exciting either.

Cash and bonds will still lag behind and lose their purchasing power. You will need to take on more risk than in the past, either in volatile stock markets, or in illiquid private assets, both of which are expensive. There are no miracle cures for lower returns, despite what crypto-enthusiasts might tell you. But there are some simple steps we can take to protect your wealth.

Stay focused and disciplined

There are many things investors can do to help contribute to a better investment experience. Pursuing a globally diversified approach; managing expenses, investing under the correct tax structure, reducing turnover and staying disciplined through market volatility.

All of these can help improve your chances of achieving your long-term financial goals. Fashionable investment approaches will come and go. Investors should remember that a long-term, disciplined investment approach based on robust research and implementation has proven to be the most reliable path to success in investment markets.

Avail of experience and expertise

As we have said in the past, work closely with an experienced, trusted financial advisor who will help you devise a plan towards retirement or an investment portfolio.

One that meets your individual needs and risk tolerance.

A regular investment, on a monthly basis, provides the best opportunity, over time, to protect the value of your assets and avoid a real loss of value. To ensure this, make certain to seek the right advice from an experienced financial advisor. IMT

Information:

Oakwood Financial Advisors are specialist financial advisors to the medical profession with a unique understanding of both the GMS Pension scheme and also the Health Service Executive pension benefits.

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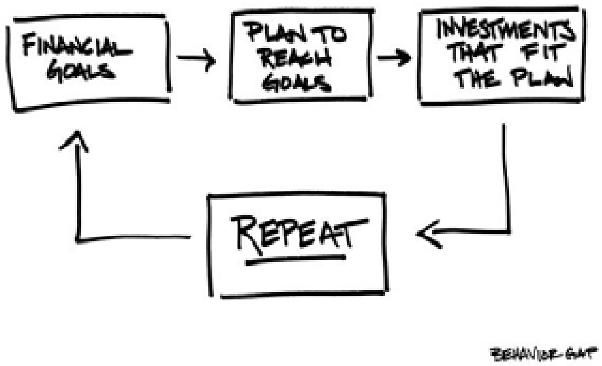
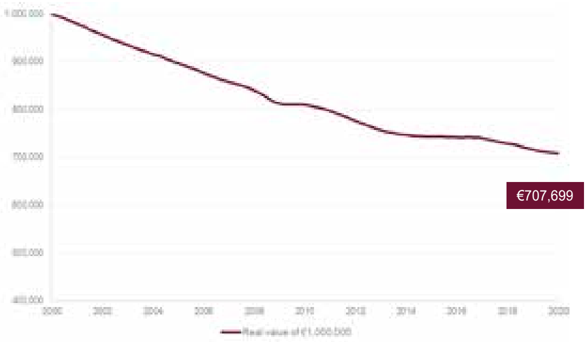


The impact of inflation on your deposits

€1,000,000 in 2000 had a real value of **€707,699** in 2020.



Source: Bloomberg, June 2021. Note:
Top chart: Inflation data used from Jan 2000 - Jan 2020 is based on Euro Area harmonised index of consumer prices (HICP), year-on-year percentage change.

News | Health Innovation Hub

Magnificent 7 win scholarships in innovation postgrad

Claire Henry

Seven HSE staff have been awarded the Health Innovation Hub Ireland Champion Scholarships for 2021/2022 The seven scholarships are part of a joint government initiative by the Department of Health, the Department of Enterprise, Trade and Employment and Health Innovation Hub Ireland (HIHI). The successful candidates have been awarded a scholarship on the third year of their clinical-led HIHI and Trinity College Dublin Postgraduate Diplomas in Healthcare Innovations.

The seven successful candidates were identified as high potential change-makers in the Irish health system. The scholars represent a diverse range of roles, departments and levels, and are now part of an action-focused learning community that will accelerate change within their organisations.

The Postgraduate Diploma in Healthcare Innovation graduates will join a growing network of high potential change-makers in Irish health. The graduates of this unique course are qualified to lead and shape the direction of Irish healthcare innovation.

Eimear Galvin, HIHI Manager with Trinity College Dublin, said, "We are entering our third year now with this third cohort commencing next month. Of the three classes, there have been 21 places allocated as scholarships to date."

"Sustained innovation in Irish healthcare must be a collaborative effort at an economical and fiscally responsible pace, requiring input from key players across the health landscape. HIHI and TCD recognise this and deliberately recruit students from the health sector and the enterprise of health for this postgraduate diploma."

Course Director and HIHI TCD Principal Investigator Professor Seamus Donnelly said, "Speaking as a clinician on the frontline, I know we need to adjust and reset some approaches in healthcare in Ireland, and this postgraduate course is part of that effort. All of our students share a common vision of creating an innovative healthcare system to change the system and improve outcomes for patients.

"The application process for this year's Postgraduate Diploma in Healthcare Innovation was the most competitive ever. I want to publicly congratulate the outstanding applicants who have been accepted onto the programme."

The HIHI was established in 2016 by the Department of Business, Enterprise and Innovation in conjunction with the Department of Health and is supported by Enterprise Ireland and the Health Service Executive to drive collaboration between the health service and enterprise.

The health services in Ireland and worldwide are increasingly seeking innovations in health-related technology, products and services to drive improvements in the quality, access and value of healthcare delivery. The HIHI provides a vital bridge between the health service and Irish innovators – understanding the evolving needs of the health system and the journey to market for enterprise. HIHI enables frontline piloting and testing across three locations based in Cork, Dublin and Galway.

The seven scholarship winners are:

Mícheál Bailey – a Senior Physiotherapist in pain and musculoskeletal management at St Vincent's University Hospital.

Jacinta Greene – a Senior Paediatric dietitian based in Children Health Ireland (CHI) at Tallaght University Hospital.

Mary Hickey – the Quality Improvement Lead, based in Tallaght University Hospital.

Arathi Noronha – a Higher Diploma Midwifery Practice Co-ordinator based in the Coombe Woman and Infants University Hospital.

Dr Síle O'Connor – a Senior Antimicrobial Pharmacist based in University Hospital Kerry.

Dr Ivan Yu – a Paediatric Specialist Registrar and National fellow for Innovation and Change with the Sparke Programme at Midlands Regional Hospital Mullingar.

Cliodhna Cotter – a Senior Pharmacist based in Connolly Hospital, Blanchardstown.