

# Protect your pension fund against stock market falls

*With stock markets falling so considerably in the last 18 months, many dentists are looking at their pension funds and wondering what is the best thing to do with their hard-earned pension savings.*

## What to do when your funds are falling

In certain cases we are recommending to clients that they move their existing savings to a capital secure bond that gives them exposure to the stock markets when they recover. The three-and-a-half-year bond creates a floor for your pension fund, which it can't fall below. This, in essence, stops the upset of seeing your funds continually dropping, which is extremely disheartening. The bond itself has a stock market exposure to it so that if it recovers you will benefit from the gains. Investing in a prudent manner like this gives you the best of both worlds because you have security and potential growth.

## Pay your premiums monthly rather than annually

Paying your pension contribution once a year increases the investment risk to your pension fund. By making just one single contribution in November each year you are at the mercy of the markets at that time. If you make your contributions on a monthly basis you get an average of 12 prices within the year. If markets are falling, by investing

monthly you benefit by getting a cheaper price each month. Whereas if markets are high and you invest once in a year you can end up with a falling pension fund value very quickly.

## Your regular contributions

Because you will need considerable savings in your pension to be able to retire, you need to maintain your regular contributions. For peace of mind you need to invest your regular premiums into funds that have a relatively safe mix of cash, bonds and some equities (depending on your age). At some stage stock markets should turn around again so make sure you can change your investment strategy again in the future.

## In summary

The three key things to do to protect your pension are:

1. Move existing savings to a bond that will protect your capital and offer stock market growth in the event of recovery;
2. Reduce your risk by making your pension contributions monthly rather than annually; and,
3. Pay your regular monthly contributions to a secure fund that has reduced stock market exposure until we see some recovery.



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# What is income protection?

*Income protection is a type of insurance which provides you with a replacement income if you are unable to carry out your usual work due to any illness, injury, disability or accident.*

## Why would you need it?

Self-employed dentists are not entitled to social welfare benefits in the event of them being unable to work. This means that if someone breaks a leg in a skiing accident, for example, they literally have no income coming in to support themselves and their families. Public service dentists may be entitled to an ill health pension and some state benefits, which would be quite paltry in comparison to their earnings. One of the great features of this cover is that you get tax relief on your premiums to Irish providers. This reduces the cost considerably.

## What is the likelihood of ever having to make a claim?

Here are some figures in relation to the claims experience of one of the main dentist income protection providers:

### Female analysis

It is quite staggering to see that 70% of female claimants are 45 years of age or under. 26% of female claims were for musculoskeletal

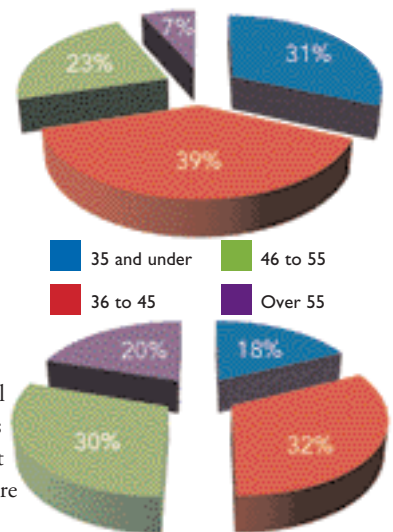
disorders, 14% were for accidents and 12% were for psychiatric disorders. In fact, only 15% of claims were related to cancers and cardiovascular diseases.

### Male analysis

Similar to their female counterparts, the higher claims statistics were with psychiatric disorders (18%), musculoskeletal disorders (24%) and accidents (14%). It is interesting to note that exactly half of male claimants were over 45 and half under.

## In summary

Because there is little or no safety net for dentists if they cannot work due to illness, protecting yourself with income protection is essential.



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