DAVID KELLEHER
FINANCIAL PLANNING

Child Savings

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First step in starting up a Children's savings Plan is to have a look at your risk profile

Within investment funds most are now multi-asset funds and what this means is they would invest in the following.

Equities,These are stocks and shares, such as Technologies Pharmaceutical, Telecommunications etc, Bonds , Government Bonds and Corporate Bond Property Currencies
(they trade these)

The idea behind investing in all of these across the board is so they are not exposing themselves
to any one thing which could obviously lead to huge drops as well as huge gains.

Another idea behind this type of investing is that if some part of the market is not performing then another sector should pull it up by the boot laces so to speak.

This would mean from an investing point of view someone who likes a bit of risk would be investing more in equities being a risk level 5 or 6 investor.
Someone is risk adverse would be more geared then towards bonds and properties and a smaller amount of equities.

When you are putting in your monthly premium into your savings plan you are buying units. So every time you pay your plan it purchases you so many units, even if the value of a fund falls the amount of units you have do not it is just the value of the units fall so when markets turn around it will come back to its value if not higher.

A lot of people pull out of funds when they see the value dropping but this is actually the time to
buy in for more as the unit price is lower ,it took me a bit of time to get my head around this too !

I would recommend to split your funds so that you get higher returns without exposing yourself to too much risk, you could put 60% of your funds into Fund A and then maybe 40 % into Fund B. This will depend on your risk profile the point I'm making here is that you can split yourself between different funds .

We would have no problem switching out again if you are not happy with the results .

The Important thing is to start with what you are comfortable with and that you can forget about because this is going to be another bill and it does need to be in there at least five years in order for it to start making a decent return.

Things to look out for!

Depending on the monthly amount you are putting into these plans they generally give you 101% allocation from year one.

How they do this is by locking you in for at least five years

Year 1	5% exit penalty
Year 2	4% exit penalty
Year 3	3% exit penalty
Year 4	2% exit penalty
Year 5	1% exit penalty

The next charge which will apply for the life of the plan is the annual fund management charge.

This is how the guys running the fund get paid for their expertise. Generally on these types of products it can vary between 1% up to 1.5% of the fund value.

Well worth the money to have these guys running your fund for you !

Get it in Touch

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David Kelleher is regulated by the Central Bank of Ireland