



Six commandments to successful financial planning

The six commandments

1. Have a financial plan
2. Don't try to time the stock market
3. Be disciplined
4. Protect against inflation
5. Automatic savings and investments
6. Go back to number 1



At MGM Financial Services, we love a list and what could be better than one designed for successful financial planning? Having spent a number of years mulling over this very question, we've devised the six commandments of financial planning for our clients. **Declan Gahan** gives an overview of these key recommendations

1. Having a financial plan

The first of the commandments is all about having and updating a financial plan, which is paramount. This plan should focus on what's known as 'goals-based' investing. Goals are different for everyone; yours might be retiring at 55 or putting your kids through university, and your plan should reflect what your goals are. A financial plan needs to be fluid and collaborative, and it needs to be updated annually. As we all know, life brings many changes – some expected and some unexpected but both need to be allowed for in your plan. And, don't forget, having a portfolio is not a plan and outperformance is not a goal.

2. Don't try to time the stock market

As financial advisers, we're very aware that the stock market rewards the patient and punishes the rest. From our experience, we've learned that it's about 'time in' the market not 'timing' the market. What we mean by this is that it's nigh on impossible to call the highs and lows of the markets. The best advice is not to try.

3. Be disciplined

Closely related to your time in the market is maintaining disciplined behaviour. And this may well be the hardest part of successful financial planning. The first thing to do is to invest through all market cycles as nobody can predict things such as Brexit or the election of Donald Trump as president of the US. The temptation is to react to market movements and sell out of

assets such as equities that are volatile at the time. It can be hard to explain this in words, so we've chosen to use a graphic (see below) to demonstrate how this works in the real world. The best advice is, once you have your plan, stick to the plan!



“The investor’s chief problem and even his worst enemy is likely to be himself” – Benjamin Graham

4. Protect against inflation

Although inflation hasn't been an issue in Ireland in recent years, we all understand that over time prices increase. For instance, what did your parents' house cost them to buy compared to what it would cost you to buy the same house today?

On the other hand, if you were selling that same house now as opposed to 20 years ago, the change in price would favour you. So, rising prices can be your best friend or worst enemy.

The figures show we're living longer with most people living more



Business Medical team: Declan Gahan, Sandra Clarke, David Giles, Alan Connolly, Mary Goodman, Orla Murphy, Joe McVeigh

PREPARING FOR RETIREMENT

BUSINESS MEDICAL SEMINARS

DATE	LOCATION	HOTEL
Tuesday May 15	Galway	Clayton Hotel
Thursday May 17	Cork	Rochestown Park Hotel
Wednesday May 23	Limerick	Castletroy Park Hotel
Thursday May 24	Dublin	Talbot Hotel, Stillorgan

than 20 years after retirement. You need to allow for this in your plan by investing in real assets such as equities and property. Investing in cash or deposits will not account sufficiently for inflation in the long term.

5. Automatic savings and investments

Automatic savings and investments involve putting away part of your earnings regularly and turning your investments from ad hoc decisions to a part of your regular monthly spend.

This easy-to-put-in-place, autopilot method of saving keeps your plan on track even when you get distracted by market movement, or life in general, and prevents your emotions from influencing your financial decisions. Many of us delay investing (or fail to start at all) because we're either intimidated by choosing investments or we're afraid of the perceived risk. This process helps reduce that fear factor.

You can set the wheels in motion by reviewing your current savings and investment plans. If you don't have a plan in place, set one up today. And make transfers to your plan automatic and regular – remember the success of the SSIA's? An automatic investment plan is the cornerstone upon which wealth is built.

6. Go back to number 1

Having and updating a financial plan is paramount. Now that you know the six commandments to successful financial planning, you can use these tools to create your own plan.

If you'd prefer a more collaborative approach, please contact MGM Financial Services directly on: 01 293 9333 or info@mgmfs.ie

MGM Financial Services Ltd is regulated by the Central Bank of Ireland.

Mary Goodman Director, MGM Financial Services	Retiring your GMS Pension – all you need to know
Orla Murphy Founder, Business MedicalCEO, GP Match	The Importance of Early Engagement when Preparing for Retirement
Declan Gahan Director, MGM Financial Services	When Can you Afford to Retire?
David Giles Tax Partner, BDO	Don't Just Walk Away! Tax-Efficient Exit Strategies from General Practice
Sandra Clarke/Alan Connolly Partners, BCC Accountants & Registered Auditors	Topical Accounting & Tax Tips for GPs
Joe McVeigh Partner, Baily Homan Smyth McVeigh Solicitors	Redundancy & Employment Obligations for GPs