

Get smart: don't let your cash rot away

Inside Track

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One of the banks is offering a 1.5pc rate and you can't touch the money for five years. Guess what you get back on a lump sum of €25,000 in 2020 after tax? €26,126. A paltry gain of €225 per year.

Here are six things that you need to think about:

1 Investing is the way forward

Imagine you were in a busy town looking for something to eat. The first shop you walk into has a few thin, dry-looking sandwiches. What do you do? You walk out and find somewhere better. Why aren't the hundreds of thousands of depositors in Ireland with thousands and thousands of euro in low-rate savings accounts doing the same thing? Inertia and fear. The banks are delighted. They're paying you a puny amount while they lend out your money or invest in things that pay them returns of 5pc or 10pc. Do yourself a favour and invest some of your precious time to do better.

2 Education begins now and doesn't stop

It's all about learning how to go about getting better returns on your hard-earned money. You need knowledge and confidence. People can be intimidated by the financial markets, by the vast array of products and options available and by banks and brokers trying to sell them something. Look online for educators, seminars and other events. Start talking to your friends and family. Gradually increase your

know-how and very quickly you'll have the confidence to do new things.

3 Think about good companies

By and large, people buy things from companies and businesses they like or have to use. Those firms get bigger and better, they attract shareholders, profits grow and the best ones start paying a dividend each year. For example, Procter & Gamble has brands like Gillette and Duracell. This company keeps growing; its share price doubles every so often and it pays a dividend of more than 3pc every year. Not a lot wrong with that.

4 Who cares most about your money?

The financial services industry wants and needs your money. So guess who gets paid first? You're right - they do, not you. This is very important because ideally you want to get the best value and advice that's out there. Always ask about charges. Always ask how they get paid. Some charges are hidden. Ask your broker how much they charge on FX conversions. Odds are they'll say something like: "We'll give you a good interbank rate". What that means is that you're paying through the nose. Be firm, ask for transparency and your money will grow quicker.

5 The markets are really interesting

The markets can be really fascinating. Pick things that you find interesting and follow them. A friend in passing mentioned Vertex, a firm that's developing a drug to help people with Cystic Fibrosis. Such stocks are speculative but, having looked at it, I bought some and it has more than doubled since then.

6 Always diversify your portfolio

If you have more than 10pc of one thing in your portfolio, you're vulnerable. Spread your risk.

So get out there, get interested, get educated and get your money growing.

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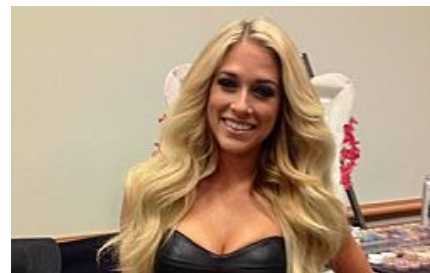
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