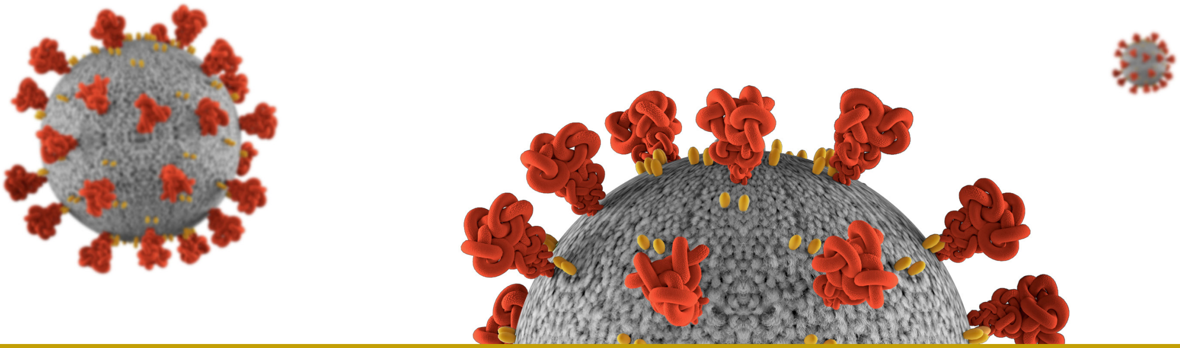

What to do when your investments go down in times of crisis?

An interview with Dick Denieffe, Director, KFS

Should I stop investing? What to do when your investments go down in times of crisis?

We live in unprecedented times, and while many newspaper headlines shout about the financial negatives, it's understandable that customers have questions around their investments and retirement funds.

With the global economy starting the year off relatively strong, it wasn't until the coronavirus hit Europe that markets really began to fall. You don't have to be an expert trader to know that a sharp line heading downwards on a graph is bad news. Indeed, the FTSE 100 has plummeted by almost 25% since the start of the year.

The good news is that markets can also bounce back, as they react to daily news and announcements and while entire industries such as travel and tourism have taken a major hit, there are always upsides in a crisis. Whether that's a dramatic increase in the share price of stocks such as Just Eat as we indulge in takeaways, or AstraZeneca as they look to market a vaccine for COVID-19, the market will always have its Ying and Yang.

25% FTSE 100 has plummeted by almost 25%

But what does that mean for our investments and pensions right now?

Many news outlets are trying to base their predictions on the 2008 crash, where the FTSE dropped by 8.85% in a single day. **Dick Denieffe is the Managing Director at KFS** and has helped customers ride out various storms including 2008 (where the average Irish pension fund dropped by 35%), steering them to recoup their losses within 18-months.

Understandably, customers are worried and anxious at the moment. Here, Dick answers some of the more common queries:

1) Why is there so much volatility in the financial markets right now?

Financial markets are experiencing a level of volatility unprecedented in recent times and unlike the more gradual effects of the global financial crisis in 2008-2010, the COVID-19 pandemic has been understandably unsettling for everyone. From an investment perspective, the sharp falls have significantly undermined investor confidence and might tempt some to alter their long-term investment goals. In times like these, investors reaction is often to postpone new investments or even sell their current holdings, with the aim of re-investing when the markets stabilise. However, if investors are able to take a long-term view, it is often best to hold onto investments through periods of volatility, in other words, stick to their original financial plan.

-$37.63

The May futures contract for Texas Intermediate Crude fell to -$37.63 on Monday 20th April

2) Why is everyone talking about oil?

Oil prices hit negative territory for the first time ever (the May futures contract for Texas Intermediate Crude fell to -$37.63 on Monday 20th April), but this was largely due to over-supply – when people stay at home, the demand for petrol falls. Although there were a few "technical issues", oil futures have subsequently moved back into positive territory.

Continued on next page...

What to do when your investments go down in times of crisis?

Other green shoots include the Irish stock market closing up 2.2% for w/e 24th April, although global stock markets fell back slightly as investors reacted to Q1 earnings in the US and negative oil prices, however the Dow Jones Industrial Average had recorded its best two week return since 1938, i.e. +15%.

3) What has been the effect on interest rates?

ECB rates have remained at 0%, as they have been since 2016, whereas UK and US rates have fallen considerably, from 0.75% and 1.75% respectively in 2019 to 0.15% and 0.25% year to date. The European Commission is due to announce a series of measures to provide capital relief to banks, to ensure the flow of credit, including relief on how banks calculate leverage ratios.

4) I'm due to retire shortly, what advice to you have?

I guess it depends on your timeline, but if you are approaching your retirement date, then I would hope that there's been a gradual "de-risking" over the past number of years – if not, then you should contact ourselves immediately. In the event you have +5 years to retirement age, then staying invested, even during this volatile time, is recommended. For instance, according to Morningstar S&P 500 Index returns, in each and every 10-year period between 1927 and 2019, stock markets have been positive 95% of the time.

5) I've heard economic downturns are a good time to buy, is this right?

The short answer to this is nobody knows. Financial advisers don't have crystal balls when it comes to the rise and fall of the stock market, but we do give advice with people in mind. After the 2008 crash we had some customers who were advised to move their shares to cash while the markets recovered, only some didn't follow up on moving it back – that lost them a lot of money. Essentially, don't panic – even if the graph looks scary. Think of the long term if you can, and always contact your financial adviser if your circumstances change.

If you are worried about your pensions and investments, why not give our Dublin team a call at KFS, we have years of experience that can help you find the right path during this unusual time.

Please contact us should you require advice on this matter or other matters that affect you and your business at this time

Contact

Dick Denieffe - Director
DD: +353 1 616 3024 | T: +353 1 661 8080

www.keaneyinsurance.ie

Keaney Insurance Brokers Ltd | 30 Lower Leeson Street, Dublin 2, Ireland,

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