



BY CATHAL O'CONNOR, BA, BAI, MBA, QFA
MANAGING DIRECTOR

GLENBAY FINANCIAL

Mortgage - Protection - Investment - Pension

July 2008

WWW.GLENBAY.COM



IN THIS MONTH'S ISSUE

- ▶ HOW TO SURVIVE THE BEAR MARKET? 1
- ▶ TWO WORKING PARENTS - IS IT WORTH IT? 2

Financial focus

Welcome to the July issue of "Financial Focus" for 2008 Your Trusted Source for Independent, Objective Financial Advice from Glenbay Financial Services Ltd.

How to Survive the Bear Market?



With the global credit crunch in the financial sector, with our ISEQ index experiencing one of the largest stock market declines in the world, and the continued weakness in the Irish housing market and pension funds; how you react to these miserable events will play an important role in your long-term investment success.

Just as in all other areas of investing, discipline is a key skill. Many investors overreact to unexpected market downturns. Of course, market downturns are always unexpected. Below are some guidelines that will help you to continue to survive and invest successfully even when the financial world seems to be in the midst of collapse.



Option 1

Do you believe our entire economic system is about to collapse similar to the Argentine economic crisis of 1999 to 2002? If so:



1. Rent the movie Rambo on DVD
2. Sell your home in Dublin quickly, and all other property and assets
3. Quit your job in Irish Life and Permanent. The money you get will be no good anyway
4. Buy a remote property in the Wicklow mountains that is easily defended with independent water source
5. Buy gold coins (gold bars may be too heavy) and bury them
6. Buy weapons, ammunition, two-way ham radios, emergency medical kits, tools, and rations
7. Buy the Bible, Koran, Torah, or Beano to help you pass the time



Option 2

Do you believe the market turmoil will be rough in the short-term, but will recover over the longer-term? If so:



1. If in doubt, doing nothing at all

Many investors react too suddenly to adverse market conditions, and they almost always do the wrong thing. In fact, selling when one should be holding, or even buying, is an almost sure-fire way to lose money. As uncomfortable as it may seem at the time, doing nothing may be the best way to react during a crisis. A long-revered Wall Street maxim is to "never sell into the market weakness." Wait until things settle down. Also, be very wary of the immediate opinions of experts in the midst of and right after the crisis. Ask yourself, "If they are such experts, why didn't they predict this mess in the first place?"

2. Diversification is your best defence

Spreading your money among various categories of investments (e.g. stocks, bonds, property, cash, and commodities) has always been and will continue to be the best way to cope with bear markets. That's because when some categories are tanking, other categories are likely to be thriving or at least maintaining their value. The better diversified you are, the better position you will be in to emerge from the scary market relatively unscathed.

This is especially important as Ireland's new-found wealth has left Irish households with a skewed distribution towards property in the form of direct holdings or exposure to Irish shares.

3. Always remember that you are investing for the long term

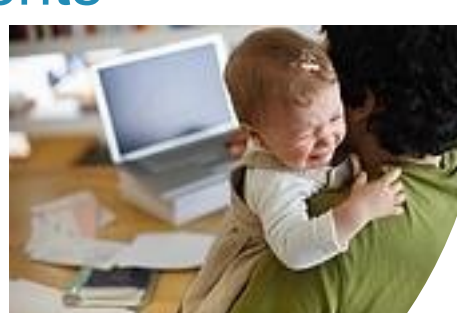
Declining stocks, bonds, and property markets aren't that uncommon. But, unless you recently got a terrible prognosis from your doctor or you're going to need a chunk of money for retirement in the near future, you're investing for the long term, and all of the declines we have experienced in the past have been more than offset by even larger subsequent gains. No matter how badly the markets are faring, no matter how dismal the prognoses of the pundits, a decade from now the market travails may well be a distant memory.

Remember the definition of a Recession? A Recession is when your neighbour loses his job; a Depression is when YOU lose your job!! So by keeping your Head and keeping your Job, you'll be in good shape to Survive the Bear Market.



Two Working Parents — Is it Worth It?

While many Irish parents of young children have to bring home two pay cheques to make ends meet, some are surprised at how little the second pay cheque actually adds to the family budget after childcare costs and taxes are factored in.



Most parents of young children confront the dilemma of whether both parents must work outside the home during their children's early years. Many are greatly conflicted by the choice that involves one partner interrupting a career, not to mention a financial sacrifice, and a great number of parents conclude that they simply cannot afford to live on one pay cheque. But a closer inspection of the amount of money that the second pay cheque adds to the family coffers may be revealing. Consider the following example:

A couple from Dublin (an engineer and an accountant) have two preschoolers, an 18 month old baby girl and a 3 year old toddler boy. Each spouse grosses €52,000 per annum, for a total family income of €104,000. With all their expenses, they cannot foresee any way that one of them could leave the workforce. But before making a final decision, they did some number crunching to determine how much the second-pay cheque earner actually brings home, given childcare expenses and the other costs of having both parents working.

Here's their analysis:

Annual salary		€104,000
Pensions		€5,200
Investment income		€0
Other income		€0
Benefit in kind – company car		€0
Benefit in kind – other		€12,000
Gross Income		€121,200
Tax Payable	€70,800 @ 20%	€14,160
	€50,400 @ 41%	€20,664
Total tax liability		€34,824
Less: Personal tax credits		(€7,320)
Medical insurance relief		(€400)
Net tax due		€27,104
PRSI		€3,589
Levy		€2,424
Total deductions		€33,117
Annual disposable income		€76,083
Monthly disposable income		€6,340
Weekly disposable income		€1,463
Monthly disposable income from second pay cheque		€3,170
Less expenses associated with both parents working outside the home:		
Childcare for two children		€1,800
Other work-related expenses that could be avoided		
If one parent leaves the workforce		
Commuting		€250
Meals at work		€120
Work clothes		€200
Monthly income provided by €3,170 second pay cheque		€800

In this example, only about **one-quarter** of the income ends up with the family, approx. €200 per week. So there may be a lot of compelling reasons why both parents of young children want to work outside the home, but for many, the additional money that the second pay cheque brings home is not as great as it may seem at first glance.

© Glenbay Financial Services Ltd. 2008, All rights reserved.

Glenbay Financial Services Ltd. is regulated by the Irish Financial Regulator.

Contact Us: W: <http://www.glenbay.com> E: coconnor@glenbay.com T: +353-86-605-0956 M: 155 Beatty Park, Celbridge, Co. Kildare.

WARNING: The value of your investments may fall as well as rise.

WARNING: Past performance is no indication of future results.