



# GLENBAY FINANCIAL

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## IN THIS MONTH'S ISSUE

- ▶ IRISH BANKS AND BLACK SWANS?.....1
- ▶ ONLY THING WE HAVE TO FEAR IS FEAR ITSELF?.....2

# Financial focus

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



## Irish Banks and Black Swans?

**In 1783, Bank of Ireland first opened its doors** to the public at Mary's Abbey in Dublin. The Provincial Bank, founded in 1825, The Royal Bank, established eleven years later and The Munster & Leinster, formed in 1885 were brought together to form Allied Irish Banks (AIB) in 1955. Before the global credit crunch and the collapse of the Irish property market, any reasonable person could have assumed that the Irish Banks would continue to prosper for at least another couple of hundred years.



But the impact of just one improbable global event has devastated that theory and the Irish Banking system still teeters on the edge of financial meltdown or government begging bowl. While the growth of big Irish banks over the last decade, and an increasingly globalized financial system gives the appearance of stability, in reality, it raises the risk of a systemic collapse – when one goes, they all go. Every theory we have about financial risk assessment and sophisticated financial models are vulnerable to the "Black Swan", the unexpected event.

In 1790, just three years after Bank of Ireland first opened its doors to the Irish public, the black swan was first described by English naturalist John Latham in 1790 in Australia. Up until then, all anyone in Europe had ever seen were white swans; indeed "all swans are white" had long been used as the standard example of a scientific truth.

What was the chance of John Latham seeing a black swan, or what was the chance that the two hundred year old Irish Banking institutions would be on the brink of collapse or consolidation? Just like the current global credit crunch, September 11 attack on America in 2001, Middle East oil crisis in 1973, Vietnam War in 1966, Cuban missile crisis in 1962, and Germany invading France in 1940, most of the really big events in our world are rare and unpredictable (except in the rear view mirror).

At Glenbay Financial, we know it's tough to face your financial future, and the recent economic environment has been extremely challenging for all of us. You're probably wondering what you can do to help you stay on track and determine if you need to make adjustments based on current market conditions.

***If you don't have a financial adviser, now is a great time to start the conversation with a qualified and experienced Glenbay Financial adviser. We are here to help you weather a volatile and uncertain time with a long-term view focused on your unique financial goals and objectives.***



## Only Thing We Have to Fear is Fear Itself?

**None of us can control** what the economy and markets will do to us or our jobs. But we can control how we handle our money and the decisions we make when all the news is filled with doom and gloom.



We can also learn from our parents and grandparents who survived the Great Depression. During the Great Depression of the 1930s, Franklin D. Roosevelt (FDR) created the "New Deal" to provide relief for the unemployed, recovery of the economy, and reform of the economic and banking systems. Below is an excerpt from FDR's first inaugural address which provides a great reflection point when the economic situation of the Great Depression was far worse than it is now in 2008.

*"This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance..." "In such a spirit on my part and on yours we face our common difficulties. They concern, thank God, only material things... Only a foolish optimist can deny the dark realities of the moment. Yet our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for... We now realize as we have never realized before our interdependence on each other; that we can not merely take but we must give as well..."*

***If you would like to know the value of money, go and try to borrow some.***

**- Benjamin Franklin**

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

WARNING: Past performance is no indication of future results.