A business owner's guide to successful investing

Please note

This guide is for information only. It does not constitute advice.

It describes the financial planning services that iQ Financial can offer to you. Financial planning services are not regulated by the Central Bank of Ireland.

iQ Financial is not a tax adviser and tax advisory services are not regulated by the Central Bank of Ireland.

The value of your investments (and any income from them) can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.

Investments should be considered over the longer term and should fit in with your overall attitude to risk and financial circumstances.

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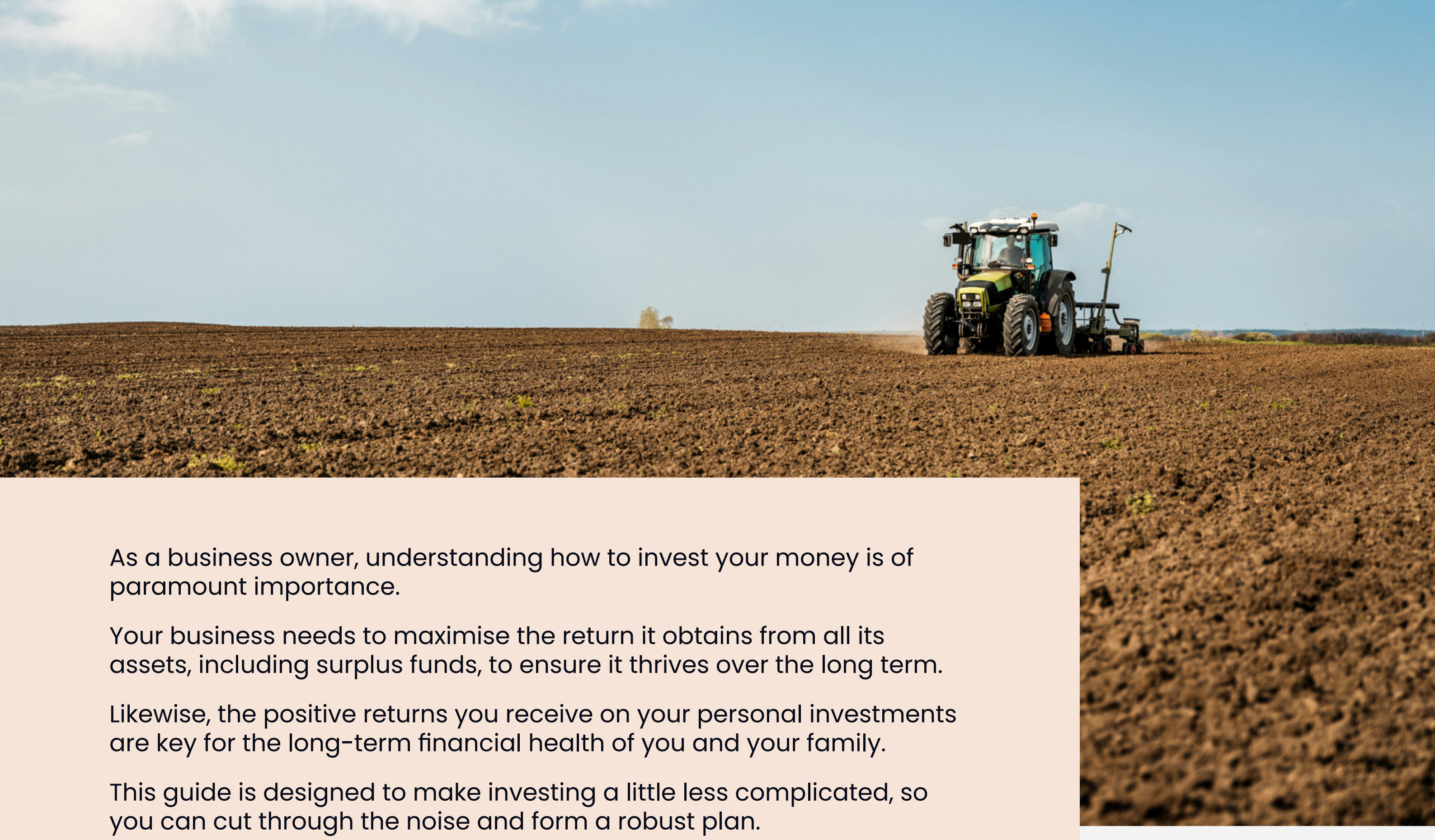

As a business owner, understanding how to invest your money is of paramount importance.

Your business needs to maximise the return it obtains from all its assets, including surplus funds, to ensure it thrives over the long term.

Likewise, the positive returns you receive on your personal investments are key for the long-term financial health of you and your family.

This guide is designed to make investing a little less complicated, so you can cut through the noise and form a robust plan.

Keep reading to discover the core principles of successful investing, our philosophy here at iQ, and why bespoke financial planning could put you on course to achieve your goals.

Speak to us

Our financial planners work exclusively with business owners who want to put their personal wealth plans into action.

This includes exit planning, funding your retirement, protecting your personal wealth, and of course, investing in line with your goals.

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I have worked with the team at iQ Financial for the last five years, and I cannot recommend them highly enough. The journey so far has been a real joy, as a business owner I was very good at managing the company’s financials but didn’t take any time to focus on my own! Thanks to iQ I now have a clear plan in place for both mine and my family’s financial future. They keep me on track and are just a pleasure to deal with. Thanks for keeping me focused on the end game.

Sarah, iQ client

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5 integral questions about investing, answered

Later on, we will detail our investment philosophy. But first, let's go through some of the things you may wish to consider in order to reach a better understanding of investing.

1. What is investing?

Investing is the practice of allocating resources, typically money, into various financial instruments or assets with the goal of generating a return or profit over time. It involves a deliberate choice to commit funds to assets like equities, bonds, property, or businesses with the aim of increasing their value and/or generating income.

2. Where can I invest my money? The most common options include:

- **Equities:** Ownership of the great companies of the world.
- **Bonds:** Debt issued by governments or companies. You are, in effect, lending money to these entities over a specific term for a set annual return.
- **Property:** Residential or commercial property purchased to generate rental income and/or capital appreciation.
- **Commodities:** Raw materials and agricultural products that can be bought and sold, such as metals, energy resources, and agricultural goods.

3. How do I define my investment goals?

- Assess your financial situation.
- Establish specific goals and quantify them (in numbers).
- Determine your time horizon.
- Understand your investment options.
- Choose an investment that suits your goals and risk tolerance.

4. How much should I consider investing?

Before you invest, ensure your finances are built on a solid foundation. This includes taking control of your cashflow, paying off high-interest debt, and establishing an emergency fund in cash. Combined, these measures will allow you to start your investment journey on a solid footing.

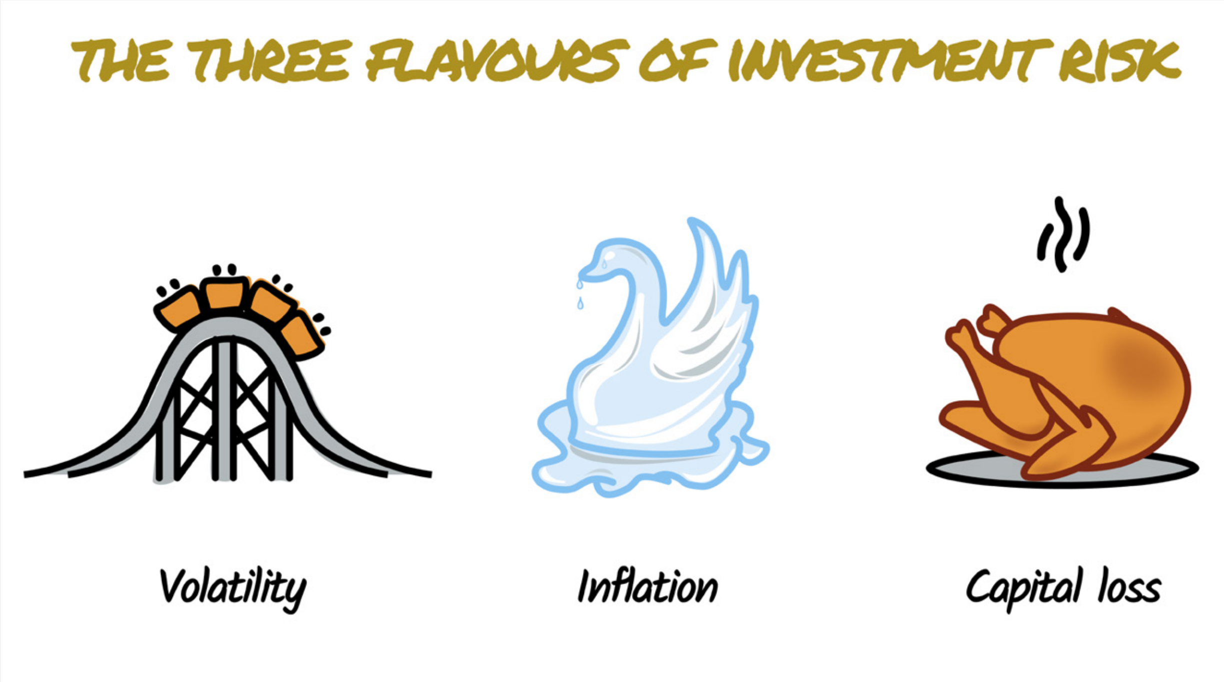
The amount you invest should be dictated by your investment goals, the purpose of the investment, and the amount you can afford to "lock away" for the long term (10 years or more).

5. What risks are involved?

When you invest, it's important to understand that the value of your investment may rise or fall. This is a risk, and you need to be comfortable with the possible scenarios that may play out. Do your research and understand how similar investments have behaved in the past so that you have a realistic expectation about how they may behave in future.

There is also the risk you will run out of money before you pass away. This is perhaps the biggest risk of all, which may be heightened by keeping a large portion of your wealth in cash. Then, there is the risk that you will suffer a permanent loss of capital so severe that your finances do not recover.

Being clear on your goals, having a strong financial plan and choosing a suitable investment (in that order) will help to mitigate the risks you face, but nothing can remove risk. Ultimately, investing is about choosing the type of risk you're comfortable with.



HUMANS UNDER MANAGEMENT PREMIUM

3 flavours of investment risk and how our 3 Ps can help

As you can see, the three "flavours" of investment risk are:

- **Volatility.** Factors outside of your control can cause asset values to fluctuate, be it interest rates, political elections, or once-in-a-generation events like Covid-19.
- **Inflation.** When you keep your money in cash, its spending power will be eroded by the rate of inflation, which represents the rising cost of goods and services over time. Inflation will affect the real value of your investments too.
- **Capital loss.** When you invest, there is almost always a chance that you won't receive a return and that you will lose money. Normally, the risk of capital loss decreases the longer you remain invested.

Our 3 Ps can help you form a portfolio that matches your appetite for risk

1. **Priorities**. Think about why you want to invest, over what time frame, and what your priorities are.
2. **Plan.** Form a plan with the help of a professional.
3. **Portfolio.** Start building your bespoke suite of investments.

5 important tips for achieving your investment goals

1. Invest for the long term. That's usually five years at the very minimum and ideally more than 10 years.
2. Select investments that suit you, ideally after you've consulted an experienced financial planner, and stick with them.
3. Do not be swayed by short-term events. Stay focused on the long term and your plan.
4. Ensure you retain a healthy cash emergency fund to reduce the risk of being forced to withdraw funds from your investment at the wrong time.
5. Consider tax. Tax is one of the largest expenses we face in life, and it should be given careful consideration when it comes to investing.

It's important that you choose investments with the most attractive tax rate for your unique personal or business situation.

At the time of writing (September 2024), the rates include:

- Capital Gains Tax (CGT) – 33%
- Exit Tax – 41%
- Corporate Tax – 25% (limited company investments)
- Income Tax – 20% or 40%, depending on your earnings
- Deposit Interest Retention Tax (DIRT) – 33%.

When you work with us at iQ, we'll support you in using these tips to help make your investment journey more successful.

> I'm highly impressed with the level of service, in-depth knowledge and overall excellence of the team at iQ Financial. Giving me peace of mind and reassurance, and great results too.
>
> **John, iQ client**

7 common investing mistakes to avoid

1. Reacting to short-term market events
2. Investing in the new “hottest” trend
3. Constantly reviewing your investment performance
4. Being led by what others are doing
5. Trying to choose the perfect time to invest
6. Attempting to forecast the economy
7. Overreliance on property investments.

Once again, our financial planners are here to steer you away from these mistakes and towards a healthy investment philosophy (read more about this on the next page!).

Why we don’t recommend relying too heavily on property investments…

Direct property, particularly if you can hold the property for the long term, can be a great investment. Historically, however, there has been an overreliance on property in Ireland. We all know situations where property investment has not gone as hoped – it is by no means a sure thing.

Relying exclusively on a relatively small number of properties to be the foundation of your wealth for you and your family for the rest of your days is a risk that business owners do not need to take.

Our investment philosophy

Our philosophy has been informed by our observations of what has worked for many decades, what hasn't worked, and what makes the most sense to us.

We have a strong conviction in how we invest our clients' money. We are confident that following our investment advice over the long term will give you a great chance of reaching your goals.

The 9 investment principles that guide us are:

1. Invest in what you know

We encourage our clients to invest in thousands of the most established, well-funded, and innovative companies in the world at a low cost over the long term. The type of companies that we all use every day, without a second thought.

We believe that these companies are likely to continue to thrive in future and to deliver good returns for long-term investors.

2. Your behaviour has a huge impact on the returns you achieve

Investing is more about our emotions than figures on a spreadsheet. It is really important that you are aware of your biases and try to manage your emotional responses. If you can master these elements, you will make better decisions and perhaps avoid making the wrong choice at the wrong time.

3. Stay invested for the long term

Time is your friend when it comes to investing, so let the markets do the work for you. This means investing for 10 years or more. Be patient and disciplined and a long-term owner of consistently successful, profit-seeking, capital-preserving companies.

As Warren Buffett said: “Our favourite stock holding period is forever.”

4. The economy cannot be predicted

Nobody knows what will happen in the future, and even if you did, it’s impossible to know how investment markets will react.

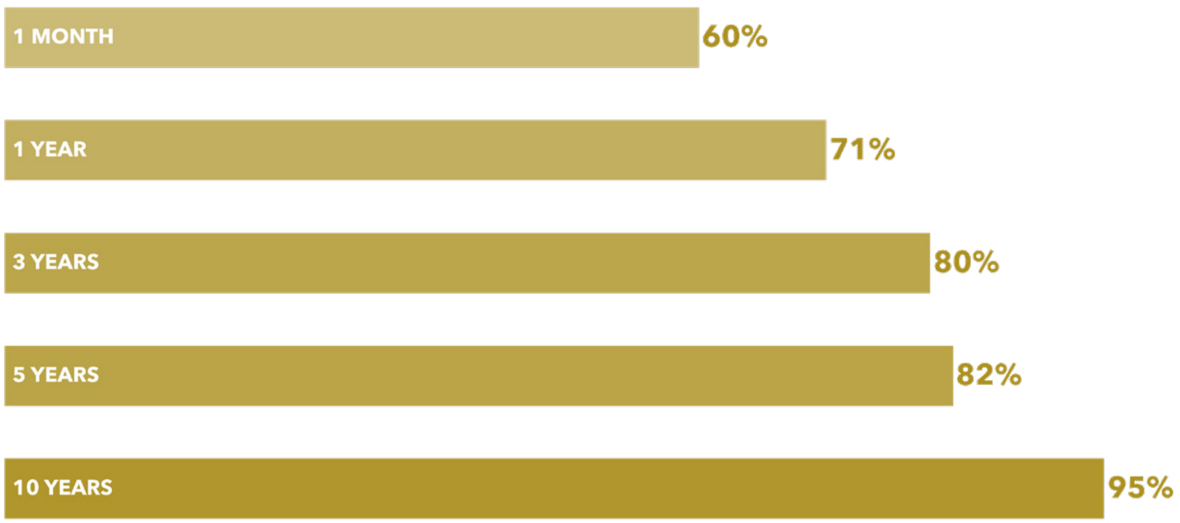
5. The market cannot be timed consistently

It is impossible to properly time your investments or consistently pick individual companies that will continually outperform the rest. It’s much more productive to invest in a broad portfolio of globally diversified equities and stick with that investment for the long term.

The Magic Of Time

The difference between long term investors and speculators is patience

Based on historical returns, how likely are global equities to provide a positive return over...



Source: MSCI World Index (excluding dividends) from 1970 to 2024. For illustrative purposes only.

6. Volatility (the rise and fall in the value of equities) is part and parcel of stock market investing

Volatility often causes alarm for those who aren't prepared for it. Remember, in the past, the declines in share prices have always been temporary, whereas the advances have been permanent.

7. Focus on what you can control

There are plenty of factors that are outside your control when you invest – interest rates, tax rates, and government policy, to name but a few. Having the discipline to focus on what you can control matters greatly. An investor who spends less than they earn, saves and invests regularly, has a good investment strategy and a well-thought-out financial plan which they review every year, has an excellent chance of achieving positive long-term returns.

Having the discipline to stick to your plan, particularly when values are falling, is critically important.

8. Be positive and look beyond the headlines

Pessimists are unlikely to do well investing as they will inevitably be influenced by the incessantly negative media "noise" about "the markets", leading many to eventually lose faith and withdraw from the market.

9. Be conservative with your assumptions and plan for the downturns

Relish the bonus when things go well, but don't allow your plan to become dependent on unrealistically high expectations of returns. Always keep an emergency fund as a buffer to maintain your lifestyle during the inevitable downturns.

Having the discipline to stick to your plan, particularly when values are falling, is critically important.

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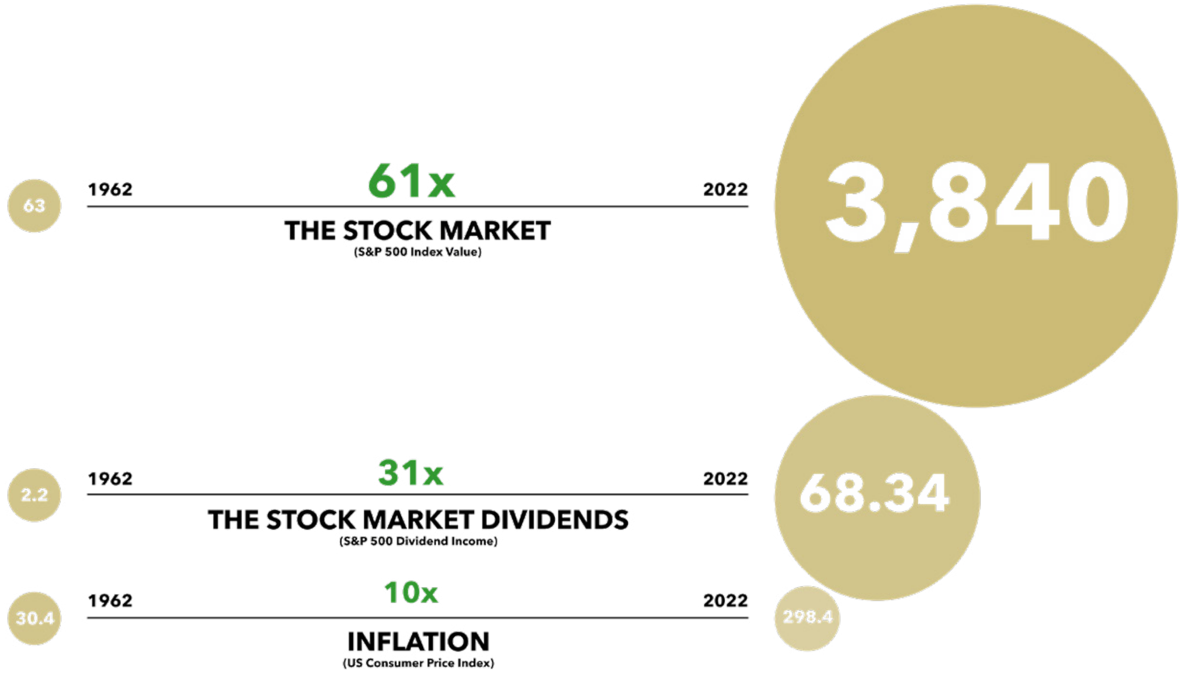
6 steps to achieving long-term investing success

1. Keep your costs low and your investments as tax-efficient as possible (an experienced financial planner can help you with this).
2. Don't allow your long-term investment goals to be affected by short-term market news and financial headlines.

The Case For Equities

The key numbers over 60 years.
The rising capital values and rising dividend income of the great companies of the world makes it the perfect antidote to the destructive force of inflation.



Source: U.S. Bureau of Labor Statistics, Stern School of Business ast New York University, Humans Under Management. For illustrative purposes only.

In the 60 years from 1962 to 2022, the US S&P 500 index grew in value by a factor of 61, far outstripping inflation which grew by a factor of 10. This fantastic increase in value happened despite the frequent short-term declines which will continue to take place and which you should not fear. If investors had cashed in every time something went wrong, they would not have benefited from this growth.

3. Accept that you cannot predict the future, time the market, or forecast the economy with any consistency, and don't waste any time trying to do that.
4. Diversify by investing in thousands of companies across the globe, be patient, and stay disciplined. Be prepared to earn returns slowly.
5. Stick to your plan and stay on track, even when things are not going smoothly. Remember: inflation can outstrip the spending power of your cash, whereas historically, equities have grown faster than the rate of inflation over the long term.
6. Manage your emotions to ensure you don't make the wrong decision at the wrong time and sabotage your plan.

Why iQ Financial is the perfect partner for your investment journey

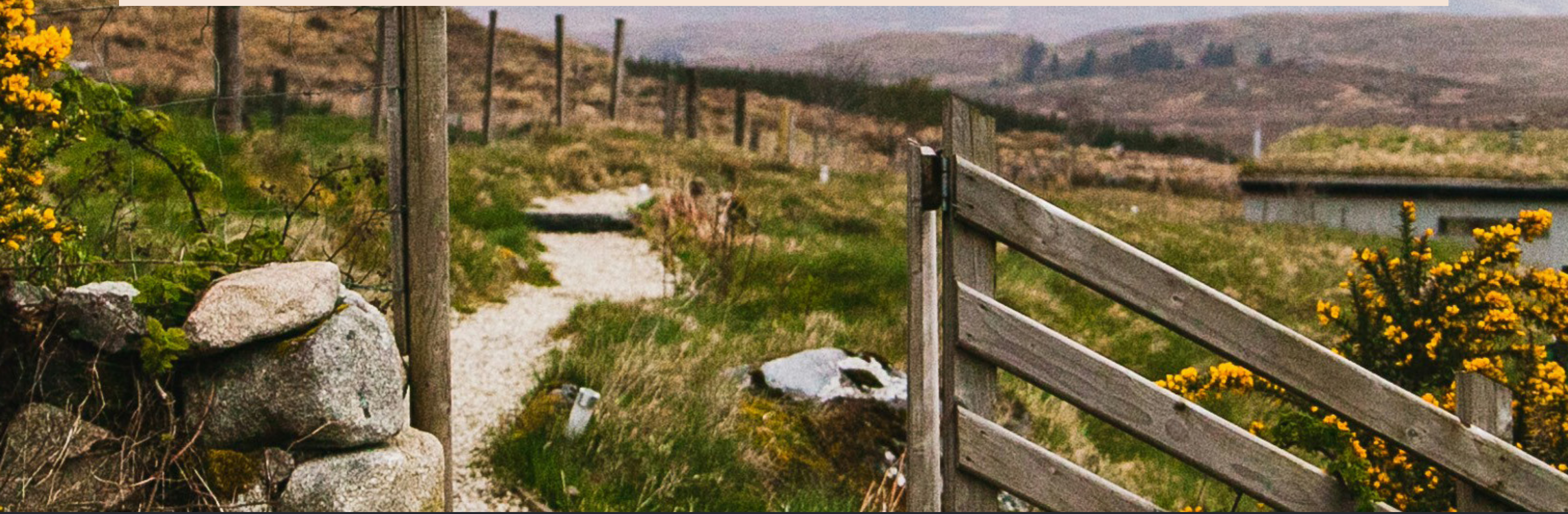
It's easier to invest in line with your goals when an experienced, impartial, and qualified expert is by your side.

We are financial planners, not economists or market forecasters. We consider the next economic or financial event that will impact the markets to be not just impossible to predict but largely irrelevant. We can't predict but we can plan based on the very longest-term historical norms and on simple financial logic.

Short-term market fluctuations shouldn't concern the long-term, goal-focused, plan-driven equity investor who is, by definition, invested in equities all the time. Because we know that the economy cannot be consistently forecasted, nor the market consistently timed, we know that the best time to buy more equities is simply when you have cash available and the best time to sell is when you need money.

Unfortunately, as a busy business owner, you might become inhibited by "What if?" questions. What if there's another event similar to Covid-19? What if the value of my investments fall and I panic?

The graph on the next page might soothe your mind. Take a look at the events that have caused market volatility in the past, and observe how markets have always come back fighting after each one.



Wall of Worry

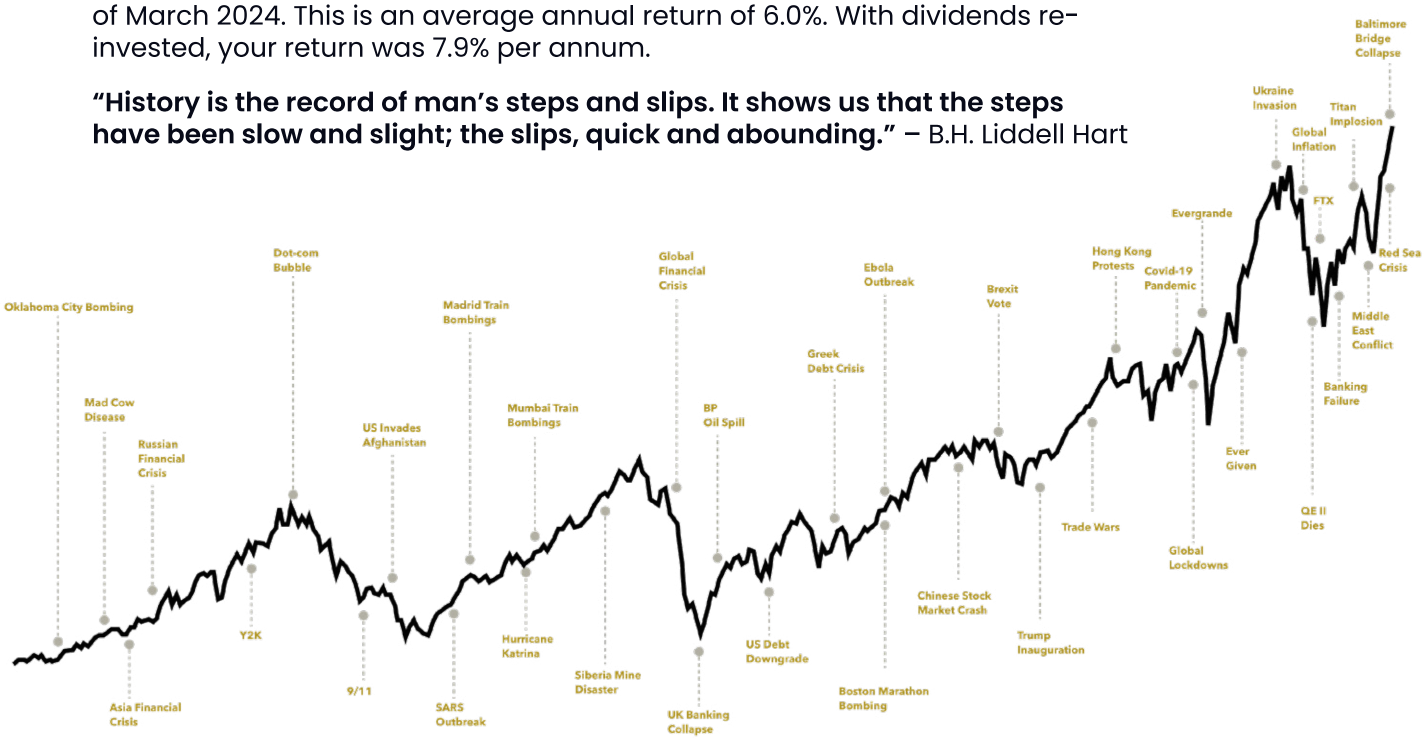
A Timeline of Negative World Events.

HUMANS UNDER MANAGEMENT PREMIUM

The chart below shows the growth in world equity markets despite a never-ending stream of negative world events.

Despite ongoing uncertainty, $1 invested in April 1994 grew to $5.73 by the end of March 2024. This is an average annual return of 6.0%. With dividends re-invested, your return was 7.9% per annum.

"History is the record of man's steps and slips. It shows us that the steps have been slow and slight; the slips, quick and abounding." – B.H. Liddell Hart



Source: MSCI, Humans Under Management. Returns are based on the MSCI World index from April 1994. For illustrative purposes only.

Working with us could help you climb the "wall of worry" and invest in line with your goals.

We ensure that before our clients invest a cent, they have a written financial plan charting a path that will allow them to retire with enough money to live a comfortable life. We'll check in with you regularly to offer bespoke advice to help you provide for your family, reduce tax where possible, and invest wisely.

If this sounds like a service that could be beneficial for you, please get in touch with us for more information.

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> iQ Financial have been a superb advisory team to us throughout the process of selling our business. We are delighted with the building blocks we have for the future. Thanks for everything, much appreciated.
>
> **Shane and Darragh, iQ clients**

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