



DEATH is a taboo subject, something we'd rather avoid talking or even thinking about. Research published last month by the charity My Legacy found that people's biggest concern about dying was that their family would suffer financially. However, only half had engaged with any of the financial practicalities of dying, such as making a will or discussing their wishes with family.

Despite our reluctance, experts say that some simple financial planning can massively reduce the financial impact that death has on families.

"People have a natural reticence to think about death and dying, but it makes huge financial sense to plan ahead," said Oonagh Casey Grehan of Fagan & Partners, an adviser in Dublin.

"A bit of forward planning can leave your family in a much better financial position than simply hoping it never happens," she said.

We show you how to cheat death – financially.

WILLS

Writing a will is vital if you want a say in how your assets are distributed after you die. Yet fewer than one in three people has written their will, according to mylegacy.ie.

Bernadette Parte, solicitor at Parte and Associates in Dublin, said: "People think that if they write a will they will be hit by a bus the next morning, but in my experience this has never happened. Making a will is nothing to be afraid of."

According to Susan Murphy, solicitor with Make My Will (makemywill.ie), writing your last testament gives peace of mind and reduces the risks of arguments over who gets what after you die.

"I've seen the squabbles that can break out when there are no written instructions," said Murphy. "Having a will means that, rather than your family wondering what you would have wanted, it's all there in black and white."

According to Murphy, the average cost of getting a will drawn up is €200 plus VAT. She charges €98 to draw up a will for one person and €160 for a couple.

Her service is unique because she gives the consultation over the phone or online, and posts out the final will document with instructions on how to execute it.

INHERITANCE TAX

Smart financial planning can reduce the inheritance tax bill faced by your family after you die.

The amount that can be inherited tax free from a parent to a child was increased from €280,000 to €310,000 in last month's budget, while you can leave up to €32,500 tax-free to lineal descendants, such as siblings, nephews and nieces.

"Using these thresholds efficiently can maximise the amount of your estate that remains tax-free," said Casey Grehan. "You could leave money to your children, and some to your grandchildren with a view to using up their thresholds too."

Casey Grehan added that people could also make use of the small gift exemption, which allows you to make someone a gift of up to €3,000 a year tax-free, without eating into the recipient's inheritance tax threshold.

"Using the small gift exemption is a great way to transfer wealth to children and grandchildren, if you can afford to, and want to reduce the risk of an inheritance tax bill down the line," she said.

Meanwhile, the dwelling home exemption, which was left untouched in the budget, allows you to leave a house to your children tax free, subject to certain conditions. "If it fits with your family circumstances, this is definitely worth considering," said Casey Grehan.

PROBATE

Taking a DIY approach to probate could save you thousands of euros in unnecessary legal fees. Probate is the right of an executor named in a will to deal with the estate of the deceased.

Most executors assign the job of probate to a solicitor who will typically charge 1% to 3% of the value of the estate for the work. A solicitor's fee of 2% on an estate worth €400,000 would be €8,000 plus VAT.

If you have the time and resources, you could reduce costs significantly by doing much of this work yourself.

Claire Smith, of Thomas Coughlan & Co Solicitors in Cork, said: "People don't realise that there are aspects of the process which are very administrative and which they could do themselves to keep costs down."

Smith said that most solicitors take an



Keanu Reeves, left, as Ted, and Alex Winter in Bill and Ted's Bogus Journey manage to beat the Grim Reaper, here played by William Sadler, to return to the land of the living

YOU CAN CHEAT DEATH

Well, you won't live forever but careful planning can at least take the financial sting out of your demise for those left behind. **Mark Channing** looks at the rising cost of dying

"all or nothing" approach. Her clients can save money by electing to take on the administrative burden.

"I would advise people to discuss with their solicitor all the steps that have to be taken, and all the documentation that needs to be gathered," she said.

"Find out which of those bits of the work the person can do themselves and how that should reduce the fee."

LIFE INSURANCE

A life insurance policy can help your family to avoid financial hardship by paying out a lump sum on your death. There are two main forms of life insurance: term assurance, which pays out if you die during an agreed term, and whole-of-life cover, which is more expensive, but pays out regardless of when you die.

Term assurance is more appropriate for someone worried about how their family will cope financially if they die, say experts. John Geraghty of LA Brokers, which sells discounted life insurance, said: "You won't have the responsibility of providing for your family for your whole life. It will likely be for a set number of years, so term assurance is more suitable."

A 35-year-old non-smoking man can buy a 20-year term assurance policy that will pay out €200,000 lump sum on death from Zurich Insurance for €13.23 a month, according to the cheapest quote sourced by LA Brokers.

Geraghty added that a "section 72" whole-of-life policy could be an efficient way to set aside funds for the purposes of paying inheritance tax.

Normally the proceeds from a life insur-

ance policy form part of the overall estate and become liable for inheritance tax. With a section 72 policy, however, the proceeds are not counted as part of the estate for tax purposes, provided they are used to discharge the inheritance tax bill.

FUNERAL COSTS

The average cost of a funeral in Ireland is more than €4,000, but varies widely depending on where you live.

Research published by Post Insurance, which sells funeral insurance, put the average standard funeral cost at €4,062. However, you could pay as much as €6,310 for a funeral in Tipperary or as little as €3,408 in Co Wexford.

Colm Kieran, spokesman for the Irish Association of Funeral Directors, said: "It's very important to sit down with the funeral

director and itemise all the costs at the outset. That way you can avoid a shock when the funeral bill comes in."

Coffins and burial plots are the big-ticket expenses, said Kieran. A standard coffin was most affordable in Waterford at €1,177 and most expensive in Kerry and Laois, with each costing €2,000, according to Post Insurance.

Meanwhile, the cost of a double plot in Dublin costs from €5,600 to €32,000, according to the survey.

Even if you already have a family plot, Kieran said that opening it up could cost more than €1,000, depending on the work involved.

Choosing cremation over burial is a much cheaper option. Post Insurance found that a cremation costs €770 in Cork, €682 in Dublin and €527 in Galway.

MARKET MOVERS ANTHONY MacGUINNESS

Anthony MacGuinness is head of quantitative strategies at Irish Life Investment Managers, which has more than €60bn of assets under management.

His responsibilities include the Global Low Volatility Active Equity Fund, which provides equity exposure to Irish Life's Multi Asset Portfolio range of risk-adjusted funds. These funds are open to lump-sum investors with at least €10,000 to invest, and to regular and pension investors who agree to invest a minimum of €100 a month.

Philosophy

The Global Low Volatility Active Equity Fund aims to achieve equity market returns but with downside protection and less volatility than investing in equities.

"We aim to create a smoother investment journey for investors without the 'white knuckle ride' moments that can come with investing in the stock market," said MacGuinness.

He highlighted the fund's systematic investment approach. It targets undervalued stocks with strong balance sheets, with a preference for companies in defensive sectors.

"We have stocks that we like and sectors that we like. By marrying the two together in a systematic way, we can create a portfolio that is less volatile than the market but still captures returns," MacGuinness said.

Performance

According to MacGuinness, the fund is capturing about 90% of the upside of equity markets, while suffering about 60% of the downside.

The fund's one-year return is 12% compared with 10.6% in its benchmark, the MSCI World Index. Since launching in July 2014 the fund's gross return is 32% compared with an uplift of 23.9% in the index over the same period.

"The volatility we have seen in markets over the past two years has allowed us to showcase the downside protection of the fund. It significantly outperformed the benchmark, but with lower volatility," said MacGuinness.

Buying and selling

The fund is overweight utilities, healthcare, consumer staples and energy sectors. Its top overweight holding is gold producer Newmont Mining, which accounts for 1.34% of the portfolio.

"While we are overweight industrials as a sector, we like Newmont because, among other reasons, it has interesting diversification characteristics," said MacGuinness.

"It has performed extremely well for us over the past year."

The fund is also overweight US food company Tyson Foods, whose shares are up more than 40% over the past 12 months. Utility company Consolidated Edison is another of the fund's overweight holdings; its shares are up almost 10% in the past year.

Outlook

MacGuinness said uncertainty over the long-term effect of Brexit in Europe, and possible interest rate rises in America, could bring back equity market volatility.

"Over the medium term, equities can generate annual gains of mid-single digits, although increased volatility is likely to remain a feature. In that type of environment, a strategy like ours has tended to perform well," he said.



Irrational decisions by investors not to sell are costly own goals

A colleague of mine is fond of saying that investors make no money when they buy an asset. Even if the market price of the asset rises after buying it, they make money only when they sell it. This statement of the seemingly obvious holds profound insights for investing.

Consider the experience of the many technology investors who bought shares and sat on unrealised profits up to the peak of the Nasdaq in March 2000, only to watch those profits evaporate and often turn into big losses. Investors in Irish property and bank shares suffered a similar fate during the financial crisis.

All investment ultimately boils down to two separate and distinct

decisions: to buy and to sell. We are hard-wired to systematically treat the decision to sell in a fundamentally different way from the decision to buy, and there can be significant costs to not understanding this. From the vantage point of conventional economics, however, this makes no sense.

Before making the decision to buy, a rational investor is assumed to consider the probability-weighted options available and dispassionately choose the one offering the most attractive risk-adjusted return. The decision to sell is arrived at by the same rationally consistent process. So the decision to sell is simply the inverse of the decision to buy, and arrived at by an identical process of logical decision-making. While

this economic analysis is mathematically elegant and undeniably rational, it is an almost useless description of real-world behaviour.

Behavioural economics is a relatively modern discipline that grapples with the seemingly systemic irrationality of decision-makers in many environments.

While distinguished economists such as Keynes and Minsky were interested in such behaviour, its transformation into a modern discipline can be traced to a 1974 paper called Judgment Under Uncertainty: Heuristics and Biases, by psychologists Daniel Kahneman and Amos Tversky.

Richard Thaler, the US economist regarded as the father of behavioural economics, was inspired by Kahneman. Thaler's



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book *Misbehaving: The Making of Behavioural Economics* is a wonderful account of the evolution of the discipline. Thaler recounts the story of Richard Rosett, a professor at his university, to illustrate his "endowment effect".

Rosett, a wine collector, told Thaler he had bottles bought long ago for \$10 that were now worth more than \$100, and that a wine merchant named Woody was willing to buy some at current prices. Rosett said he occasionally drank one of those bottles, but would never pay \$100 for one, nor would he sell any to Woody.

To Thaler, this was illogical. "If he is willing to drink a bottle that he could sell for \$100, then drinking it has to be worth more than \$100. But then, why

wouldn't he be also willing to buy such a bottle? In fact, why did he refuse to buy any bottle that cost anything close to \$100?" he wrote. Thaler concluded that as an economist, Rosett knew such behaviour was not rational "but couldn't help himself".

In conventional economics, Rosett's decision-making makes no sense. His choice not to buy a bottle of wine for anything close to \$100 is logically at odds with his refusal to sell an equivalent bottle for the same price. The endowment effect is swamping all else in determining the outcome.

Put simply, the fact Rosett already owned the wine changed his behaviour, even though rationally it should make no difference. His decision to buy is being driven by something

fundamentally different from his decision to sell.

For investors, replace bottles of wine with stocks of companies. Thaler's understanding of the endowment effect, and that we are hard-wired to systematically treat buying and selling in a fundamentally different way, likely make him a better investor.

We should follow the seemingly obvious advice of my colleague and take heed of this crucial effect. Combined with an awareness of this and other insights from the growing canon of behavioural research, we will likely end up richer.

John Looby is a senior portfolio manager at KBI Global Investors, a global investment manager based in Dublin. The views expressed are his own