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What can we do about inflation and moves to increase interest rates?



Charlie Weston Your Questions

Q With inflation surging and mortgage interest rates about to rise, what can I do to protect my financial wellbeing?

A The European Central Bank (ECB) is changing direction on interest rates as it attempts to slow down inflation, which has been surging in recent months. The ECB may raise interest rates again as soon as September and much will depend on how high inflation is in the next year, according to the founder of financial wellbeing site, MoneyWhizz, Frank Conway.

If inflation remains high, the ECB will have little choice but to keep pushing interest rates higher until inflation eases. As a rough rule-of-thumb, for every €100,000 outstanding, monthly repayments will rise by about €15 per month. So, someone with a €300,000 mortgage will see monthly repayments rise by about €45 per month.

For those with both standard variable rate and tracker mortgages, rising interest rates and monthly repayments will mean they will have to take extra steps to protect their financial wellbeing. For some, it may be possible to switch to a fixed-rate mortgage.

Now is a critical time for all families to keep their household finances in

good shape, Mr Conway said. The most practical way to do this is by using a personal budgeting tool.

As borrowing costs rise and inflation depletes household savings, eventually, families may have to curtail spending. If this happens, it can have a knock-on effect on the economy. Some economists are predicting an economic slowdown, others are predicting a recession.

Families should explore if they are due a refund from Revenue of possible tax-relief, tax credits, etc. People should explore additional income options, including the rent-a-room relief. Mr Conway also advised consumers to reduce food waste. He said people can learn more at mywaste.ie.

Q I have no personal pension and am 43 years of age. I currently earn €40,000, and I have a €5,000 lump sum that I would like to use to start a pension. However, I am at a loss as to how to go about setting one up. There are so many options available. How do I decide which is right for me? I am based in Galway. Can you recommend how I can find a financial adviser in the area?

A It is never too late to start a pension, said Daragh Feely of Royal London Ireland. He said the tax relief

you will receive on your contributions will make this one of the most financially prudent decisions you will ever make.

Pensions, by their nature, can appear complex, so it is best to take advice from an authorised financial broker, he said.

Setting one up will be relatively straightforward and your broker can talk to you about the pension products most suitable for you. You can contribute your €5,000, and

the next step is to decide how much you will make in regular contributions. Once you have set up your pension, you can then pass on the details to your employer so they can make the necessary amendments to payroll, and your contributions

can be taken at source from your salary. The Pensions Authority website has an easy-to-use calculator, to give you some sense of what you need to save to get a decent pension. You can also access a list of local financial brokers at Brokersireland.ie, Mr Feely said.

Q We are due to renew our VHI health insurance in the next few weeks. We are 72 and 76 on the Health Plus Extra plan. Should we stay with this plan or would you have a different suggestion for us? We are

fortunate to be in good health.

A This is the old Plan B Options which now costs €2,740 per adult. It still provides excellent cover but it has been on the market for some time, according to broker Dermot Goode of TotalHealthCover.ie. He questioned the value for money of this scheme.

Before renewing on this plan for another year, you are advised to check out the new Advanced Care 50 Day-to-Day scheme recently launched by VHI.

It covers the same public and standard private hospitals and also includes limited cover for the high-tech hospitals in Dublin, but this plan is better value at €2,016 per adult. Mr Goode said. This plan includes a small excess for each private hospital admission, ie. €50 per stay, €25 for day-case and a further excess of €50 per night if you get a private room in a private hospital. This new plan also includes some enhancements for eligible out-patient expenses as well.

Need to Know

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