FAME & FORTUNE

PETER CASEY TALKS TO LARISSA NOLAN

Spending my way to prosperity

The Dragon bounced back from going bust and says austerity just doesn't work for him

JOEL GOODMAN

Casey has never had a pension and drew up a will only after an accountant friend said it was a good idea for a man with five children

> I HAVE GONE THROUGH PERIODS WHERE I HAVE MADE MONEY AND I HAVE GONE THROUGH PERIODS WHERE I HAVE LOST IT

HAVING been an investor on RTE's Dragons' Den, Peter Casey is turning his hand to politics. The 58-year-old hopes to become a senator on the upper house's industrial and commercial panel, having decided against running in Donegal in the recent general election.

Born in Derry, his first business venture was selling plastic bullets as souvenirs to tourists. One of nine children, he witnessed the events of Bloody Sunday in 1972.

He left Derry at 17 to study economics and philosophy in Birmingham. After university, he joined Xerox and credits the American document services company for developing his work ethic. After rising through the ranks in Europe, he moved with Xerox to Australia.

He earned his first million at 27, having founded his own search and IT contracting business in Sydney in 1985. He invested heavily in the property market but lost all his money in an economic downturn.

He returned to Ireland in 1993 but two years later relocated to America, where he set up Claddagh Resources, a global recruitment and search business based in Atlanta.

The company operates on four continents and in six countries, including Ireland, and opened a European head office in Donegal in 2000.

In recent years, he has become a familiar figure on RTE's Dragons' Den.

He is married to Helen, from Crumlin in Dublin. They have five children: Fionnbarr, Ryan, Neala, Ailisha and Siofra. The family live in Atlanta, with other homes in Derry and Donegal.

Casey is also a writer and political and business commentator. His 2014 book Tata: The World's Greatest Company, lifts the lid on one of India's biggest conglomerates. It is in its second reprint in India, where he has conducted signing and speaking tours.

Peter was named by Irish America magazine as one of the leading Irish American businessmen for 2007.

Spender or saver?
Definitely a spender. I never saved in my life. My wife Helen is a good spender too. The funny thing is, I hate shopping. I bought a car last week and the whole transaction was done in 15 minutes. I haggled for a bit, wrote a cheque and walked out.

I'm not a big believer in austerity. I don't think you can save your way to prosperity. It hasn't worked in Japan for the past 25 years, and it won't work here.

What was your first job and how much were you paid?
I worked in Kevin McLoughlin's garage on the Buncrana Road in Derry as a petrol pump attendant on Saturdays when I was about 13. I got £4 (€5.20) a week. One week in the school holidays I did 42 hours overtime. I got time-and-a-half for it.

Pension or property?
I have never had a pension plan and, up to 10 years ago, I didn't have an insurance policy. I didn't even have a will.

I'm sure my wife would have got it all [if I died]. I made a will, though, when a friend who is an accountant questioned why I didn't have a will when I have five children.

I bought a large farm in Derry about 20 years ago, which exhausted my funds, so I didn't get a chance to get into property in Ireland, and avoided the bust.

Do you have stocks and shares?
I bought 1m shares in Bank of Ireland, which I still have — I like Bank of Ireland. I have five Berkshire Hathaway shares, Warren Buffett's company. I bought them quite some time ago, they were about €100,000 each. I don't look at the share price [Berkshire Hathaway currently trades at about $209,000 (€190,000) a share].

Any investment tips?
Don't invest in anything you don't understand. Never follow people into investments. I bought Bank of Ireland shares because I knew what I was getting into. So many people have lost a lot of money investing in things they have no idea about, such as Lehman Brothers. People were buying bonds and they had no idea they were toxic. Don't go near anything you don't understand.

What's the best financial advice you have received?
Cash is king. My father, Leo, used to say this, and he was right. The reason good businesses go broke is because they mismanage cash flow.

My father also used to say there's no right way to do the wrong thing. That's another good piece of advice in business.

How could the government help people financially?
Small businesses are the lifeblood of any country. We should do more to encourage people to jump off the entrepreneurial cliff. The government could allow bona fide entrepreneurs to live tax-free for two years to build up their businesses.

Are you better off than your parents?
Oh Lord, yes. I was one of nine children. I have no idea how my parents managed. We had no car, no washing machine, and an outdoor toilet.

But I never felt poor. I never felt I needed anything. I was the eldest boy, so I got all the new clothes before they were handed down a few times.

We all felt we were our parents' favourite. They raised a very successful family. I'm the least qualified, with my economics degree.

My siblings are dentists, doctors, solicitors, teachers. There is no doubt that my parents are the ones behind our success.

Where did you buy your first house and how much did it cost?
It was a nice little bungalow in Sydney that I bought for A$275,000 (€188,000) in 1983. I paid half in cash and borrowed the rest. I lost that house when the banks took all my money.

What is the best value in Ireland?
There are some real bargains in property in rural Ireland. Dublin is saturated, and eventually the government will realise that. We need to decentralise.

On the upside there is a great opportunity to buy houses outside of Dublin. You could buy a home on the water in Donegal for €50,000 but there wouldn't be jobs or public transport. There are plenty of wise buys, however.

Can money buy happiness?
I have gone through periods where I have made money and I have gone through periods where I have lost it. Anyone who knows me will tell you I am a much happier person when I have money.

I don't think it can buy happiness but earning money can make you happy. I have friends who are very rich and very unhappy — they inherited their money. If you earn it, that's different.

Biggest rip-off in Ireland?
We're being ripped off at the petrol pumps. Oil has gone from $145 a barrel to $30 a barrel. Yet in Ireland it has hardly gone down at all. They are getting it so much cheaper but they are not passing it to the consumer. That's to do with government charges. There's a slight drop in the cost, but not as much as there should be.

What would you do for €1m?
Nothing. I have my goals and values established and in place. My family is No1. I wouldn't change anything or do anything for €1m. I have a lovely life and a lovely wife.

Any advice for budding entrepreneurs?
Be prepared to work 100 hours a week and keep some gas in the tank to ensure you can stop before you run out. Draw a line in the sand and define when to call it quits. Don't keep going if it's not working — know when to pull out. And ideally, have a partner who is totally onside and supportive.

Manage your money or you'll feel old before your time

Sticking to some simple guidelines can reap rich rewards and improve your prospects of achieving a comfortable lifestyle in retirement

EOIN BUCKLEY

As a financial adviser, my job is to help clients manage their money, which often means undoing some of the mistakes made in the past. Here are some of the most common mistakes I encounter.

NOT JOINING AN EMPLOYER'S PENSION SCHEME
A typical defined contribution scheme requires employees to contribute 5% of salary, with a matching 5% employer contribution. By not joining, you are refusing your employer's contribution which is akin to turning down the offer of a 5% pay rise. Pension schemes differ between employers, so you do need to review your own specific situation.

NO PENSION TARGET
The most you can have in your pension fund is €2m, which is out of most people's reach. I challenge clients to target a fund of at least €400,000. Somebody who starts pension saving at 45 would need to contribute about €1,000 a month to reach the target fund at 65. Starting your pension journey without a target in mind is a bit like trying to use the sat nav in your car without inputting the destination.

IGNORING THE MIRACLE OF COMPOUND INTEREST
Small differences in annual performance can add up to big differences over time. Suppose you invest €100,000. If it makes 5% a year, you would have growth of €165,329 after 20 years. If it made 6% a year, you would have €220,713 — an additional €55,000.

UNDERESTIMATING INFLATION
Compounding also works against you, as evidenced by the corrosive power of inflation. Cash yielding close to zero on deposit will become an obvious victim of inflation over time. An annual inflation rate of 3% for 10 years would cause cash to lose 25% of its value in real terms.

TOO MUCH CAUTION WHILE YOUNG
All of us would recognise the danger of having too much exposure to high-risk equities and property for those approaching retirement. However, I often meet clients who, with decades to go until retirement, invest their pension funds in cash. They are guaranteed to lose money over time because their pensions will not keep pace with inflation.

OVERLOOKING PENSION TAX BREAKS
The offer of 40% tax relief is there for the taking for top-rate taxpayers making pension contributions. A €60 contribution receives a government bonus of €40, which equates to an instant top-up of 67%. If this is not enough to entice you in, consider the underrated advantage that your entire retirement fund grows tax-free.

IGNORING LIFE INSURANCE TAX BREAKS
Life insurance is a financial necessity if you have loans, children or other dependants. You may be eligible for tax relief of up to 40% on the premiums if you are self-employed or an employee who is not a member of an occupational pension scheme.

TRANSFERRING A PENSION FUND FROM JOB TO JOB
Rather than transferring a pension to a new employer's scheme, job hoppers with large funds would be advised to leave their funds with their previous employer or to transfer it to a personally owned buyout bond.

This can be a more favourable option on death because the full value of the buyout bond would be paid out tax-free to a surviving spouse.

Should you transfer a large pension fund to your new employer's scheme, you would find your wings clipped in terms of access. This would not be allowed until at least age 60 and there would be a limit on the amount that could be paid out tax-free if you die before retirement.

FAILING TO UPDATE YOUR PLAN
Should serious illness strike, those with large pension funds should consider switching from an occupational scheme to a personal retirement savings account (PRSA). On death before retirement, the full value of a PRSA would be paid tax-free into the estate of the deceased.

Showing too much caution in your financial affairs while young could catch up with you in later years

NOT CONSIDERING ALL OPTIONS AT RETIREMENT
One of the benefits of a defined contribution occupational pension is that you get a choice of two options at retirement.

Most members take a tax-free lump sum of 25% of the value of their funds. Those with more than 20 years' service and relatively small funds, however, may be better off choosing the second option: a lump sum of 1.5 times final salary. However, they must purchase an annuity with the balance of the fund. There are three definitions of what comprises "final salary", so good advice is likely to increase your tax-free wealth.

NEGLECTING ESTATE PLANNING
By utilising a trust form or a deed of assignment, couples can give of up to €6,000 a year to each of their children or grandchildren without affecting the children's liability for gift or inheritance tax. Most clients appreciate the need to save for children's education and other needs but fail to structure it tax efficiently.

CHASING RETURN BUT IGNORING RISK
Investment is about risk and return. A single-minded focus on return is insufficient because investment is not about getting the best possible return. Rather it is about the optimisation of returns: getting the best return for an acceptable or appropriate level of risk.

NARROW INVESTMENT FOCUS
In the recent past, an overexposure to Irish property and bank shares has given many investors a harsh and costly lesson on the dangers of specific risk.

Diversification is the most important overall objective. It involves diversification across all asset classes — cash, bonds, equities, property and alternatives — followed by diversification within asset class — spreading equities by geographical and industry sectors.

For those seeking returns in excess of inflation over the medium to long term, a broadly diversified unit-linked multi-asset fund is an effective way to gain exposure to all five asset classes.

OVERCOMPLICATED AND OUTDATED STRATEGIES
There are only the same five main asset classes to choose from — cash, bonds, equities, property and alternatives — regardless of whether you are saving for retirement or other purposes.

One or at most two broadly-diversified unit-linked multi-asset funds is normally all that is required. As you would expect, lower-risk funds will have a higher allocation to cash and short-dated bonds; higher-risk funds will have a higher weighting towards equities and property.

PANICKING OVER SHORT-TERM MARKET FLUCTUATIONS
Investment risk decreases in proportion to the length of the investment period. Over time, we can be certain that the investment markets will encounter and move through many crises. There will always be short and even medium-term market declines. However, they should not dissuade us from our long-term investment journey.

SAVING WHILE IN DEBT
Would you like a risk-free return of 18% or 0.59%? A typical credit card interest rate is 18%, while the bank that issued the card would pay only 1% for money on deposit, or 0.59% after deposit interest retention tax. The wise approach would be to use accumulated savings to repay the extremely expensive short-term debt.

Eoin Buckley is a certified financial planner and director of ABM Financial Advisers in Cork. eoin@abm.ie. ABM Financial Advisers is regulated by the Central Bank of Ireland