MONEY

FORECAST NATIONAL AVERAGE FOR THREE-BED SEMI-DETACHED THIS YEAR

€346,000

UP 0.4% ON 2022 (ACTUAL)

ANNUAL RISE IN NEW HOME PRICES IN THE THIRD QUARTER OF 2023

10.4%

SECONDHAND PRICES FELL 1%

SOURCE: GOODBODY IRISH HOUSING CHARTBOOK

Never too late to give cash to a good cause

If you are toying around with the idea of donating money to charity, here are some good ways to help, writes *Eithne Dunne*

Irish donors have held the top spot for charitable giving for four consecutive years now, according to the GoFundMe platform. But even seasoned charity supporters could probably use some reminding as to the best ways to give.

Giving Tuesday, a global initiative encouraging people to help charities in whatever way they can, lands on November 28. The Charities Institute Ireland (CII) hopes people will give the event a bit of thought in advance by choosing a charity and deciding how they want to help, and then spread the word among friends and colleagues. For ideas, see givingtuesday.ie.

TAX BOOST

Should you be in a position to make a hefty donation to a charity – whether as a one-off payment or spread through the year – if you can get it to the €250 mark it will have a much bigger impact than the numbers suggest. That's because with any donation of this magnitude in one year, the charity in question can claim tax back from Revenue, assuming the donor has been paying income tax.

In real terms this amounts to just shy of 45 per cent of the original donation; in other words, if you give €250, your charity gets €362, whereas if you give €240, it gets €240. If you want to check how much your donation will yield after the tax has been claimed, there's a handy calculator on charitytaxback.ie.

To allow the charity to claim the tax, you need to sign the CHY3 or CHY4 form. The first allows tax to be claimed back on any qualifying donations from you for the next five years; the second covers only one year.

"Even if you just want to give a one-year gift, you can still complete the five-year form," Niall O'Sullivan, of the Philanthropy Adviser, says. This does not oblige you to donate in subsequent years. You can usually opt to fill it out online or on paper, and your charity should provide you with the form.

If not, go to revenue.ie or charitytaxback.ie. The charity has up to four years to claim, so even if you donated a few years ago and did not do the form, it is not too late.

TRENDS

O'Sullivan says more people are organising their own fundraising events. "It may be in honour of someone who has passed away, or who received excellent care at a hospital or from a charity," he says.

These are often run through platforms such as iDonate or GoFundMe, which have become an integral feature of charitable giving. Áine Myler, chief executive of Charities Institute Ireland, reckons people are comfortable with using these "sophisticated and secure" platforms.

Overall, according to O'Sullivan, donations from individuals have dipped. "During the Covid years some charities did extraordinarily well; I think a lot of people recognised that the country was in a tough place and they organised events to raise money," he says. This activity has tailed off a little since then.

On the other hand, corporate giving is on an upward trajectory. Philanthropy and larger-scale strategic giving, O'Sullivan says, are rising slowly but surely, with a handful of new foundations or "donor-advised funds" getting off the ground each year.

LEGACIES

The biggest growth area in terms of charitable donations, however, is legacy giving – donating through a will – according to O'Sullivan. He says that even leaving as little as 1 per cent of your estate to a charity would make a real difference. Sometimes, even if money has not been left to a charity in a will, the benefactor – usually a son or daughter – decides to redirect some of their inheritance to charity.

Some legacy giving happens on a massive scale. The heart and stroke charity Croí recently received a donation of €3 million from the Joe & Helen O'Toole Charitable Trust, established after the passing of a well-known Tuam couple who had no children and wanted their wealth distributed to good causes.

O'Sullivan chairs My Legacy (mylegacy.ie), an umbrella organisation of more than 90 charities across Ireland that are ready to accept legacy donations. Its website features useful information on making a donation via a will, including suggested wording from a solicitor, and a "jargon buster" on will terminology.

"We have an ageing population, many of whom belong to the baby boomer generation and therefore potentially have wealth to leave, which was not always the case in Ireland," O'Sullivan says.

We still have a way to go. Myler notes that in 2021 the value of legacy donations to charity here amounted to €87 million, whereas in Scotland, which has a similar population, it was the equivalent of €136 million. Nonetheless, she says it is rising every year and she expects it to become a bigger feature in the future.

CHECKING OUT THE CHARITY

If you want to make sure your money will be used responsibly, first check that your chosen charity is registered with the Charities Regulator (charitiesregulator.ie). After that, take a good look at the charity's website. "Here you should be able to view annual reports and get a sense of whom you are dealing with," Myler says.

Some charities have "triple lock" status from the CII (charitiesinstituteireland.ie). Among other things, Myler says, charities in this bracket have particularly transparent annual reports, allowing a donors to "get under the hood of what's come in and see where it has been spent".

OTHER WAYS TO HELP

At this time of year, Myler says, charities are keen to see people simply passing on items such as children's toys – either to charity shops or through websites such as Adverts or DoneDeal.

You can also give shares to charity and, as long as they are worth €250 or more, the charity can get the same tax relief. You may need advice here; depending on whether the shares have gained in value while in your possession, you may have to choose between capital gains tax or income tax treatment, which will affect what the charity ultimately receives. If the shares have fallen in value, however, this will not be an issue.

If you want to donate shares, speak to your chosen charity about it. You can also check out ShareGift, a charity that handles such transactions for many donors each year. It deals with eight Irish charities, including the Irish Cancer Society.

There are quirkier ways to help a good cause. For example, some couples, instead of buying wedding favours for their guests, make a donation on their behalf. Enable Ireland, which provides free services to children and adults with disabilities and their families, has benefited; in return for the donation it gives small tent cards for couples to hand guests to tell them about the donation.

If a lump sum or recurring donation seems a bit daunting, you can donate far smaller amounts on an ad hoc basis. PayPal offers the option to tick a box and give €1 to a suggested charity at checkout. Revolut users, meanwhile, can quickly and easily donate via its app. While you can make a one-off or monthly donation this way, you could opt to donate "spare change". This means that when you make a purchase, Revolut rounds the amount up to the nearest euro and donates the difference to your chosen charity.

If you collect points with Tesco Clubcard, you can donate your vouchers to the Children's Health Foundation. Meanwhile, if you have small amounts of unused cash sitting on One4all gift cards, don't leave it languishing in a drawer. Many charities will happily accept these; some, such as Cliona's Foundation, which supports families of seriously sick children, will take even tiny amounts of credit. Finally, if you have time rather than money to give, see volunteer.ie for openings.

> **Donors should get under the hood of what's come in and see where it has been spent**

EVAN DOHERTY

Patrick Kielty, the Late Late host, will be presenting the show's annual Christmas fundraiser for the first time

€? QUESTION OF MONEY

I have €20,000 in a current account but want to use it in a better way. My wife and I have ten years left on a 15-year credit union home loan of €120,000 at 6.5 per cent APR for a total repayment of €186,000. There is no penalty for early repayment of part or all of it. I also see the State Savings 10-year National Solidarity Bond offers a total return of 22 per cent. Which option is better?

Kieran

Like many of us, you've realised that sitting on cash, especially in inflationary times, is not a winning financial strategy. Bank deposit rates remain laughable in Ireland; the base rate at the European Central Bank (ECB) is 16 times AIB's personal demand deposit rate, and 40 times Bank of Ireland's standard demand deposit rate. Frankly, the banks don't really want your cash.

Almost anything you do to put it to work would improve your wealth. While low-risk investments growing in line with the ECB rate of 4 per cent are available, paying off a chunk of debt is probably best in your case.

You could use your savings to get rid of the loan early or reduce your monthly payment. Let's look at how powerful this saving could be. I estimate you're paying €1,033 a month. Cutting your loan balance by €20,000 and keeping your current repayments would pay off the loan 34 months early. That's almost three years. Alternatively, you could keep repaying the loan over ten years and your monthly payment would reduce by €225. Choosing the first is worth more money — you would repay the loan faster and so incur less interest.

In case I've not convinced you, let's scrutinise the alternative of State Savings. The total return of 22 per cent is equivalent to 2.01 per cent a year. Paying interest on a loan at 6.5 per cent while receiving interest on savings at a fraction of that makes no sense. What's more, if you need the money in those ten years, you'll get far less, as returns from State Savings are heavily back-ended. If you were forced to cash in during year three, for example, you'd receive just €20,400, or 2 per cent growth. By contrast, it's likely the credit union will look on your situation favourably if you need to increase your loan some time after an overpayment.

There are situations when it might make sense not to pay down your loan with all your savings, such as if you have other, higher-cost loans, like car finance or credit card debt. Second, it's worth keeping some savings accessible for emergency purposes. Finally, paying into a pension, where tax relief boosts the savings, could be wiser depending on your retirement provision.

Ralph Benson is co-founder and head of financial advice at online investment and pensions adviser Moneycube

Send your personal finance or consumer-related questions to money@sunday-times.ie

Eoghan Gavigan

Shoot for the higher returns, not thrills

In the sport of target pistol shooting there is a saying, "slow is smooth, smooth is fast", which refers to the way to approach drawing and firing a pistol quickly and accurately. The learner shooter who focuses on practising the correct technique slowly, only building in speed later, will win the day nine times out of ten.

The reason is that what seem like minor suboptimal movements that creep in when trying to draw a pistol quickly will slow you down more than your attempt at speed will hurry you up.

Something similar could be said of investing. When investors try to run before they can walk, the result is often suboptimal. It is not uncommon for advisers to receive approaches from clients who have unrealistic return objectives given their financial situation and proposed investment term.

An investor with limited resources or income who wants to make a large return from their investment in a defined timeframe is playing a game of "Hollywood or bust". His problem is that he doesn't have sufficient capacity for risk. It's a concept that often doesn't get sufficient consideration in these situations.

This is especially relevant given the losses suffered in recent times by investors in unregulated investments, as these are often concentrated in one or a small number of projects which, when they fail, fail big. Many column inches have been devoted to these in recent months, and to the stories of investors who have been left destitute.

A common thread in these accounts is that the investment was high risk and the investor couldn't afford a loss. These stories seem to be told only in retrospect, but it is possible to incorporate capacity for risk – sometimes referred to as capacity for loss – into the investment process.

If an investor's financial situation indicates that a loss of part or all of their capital would be detrimental to their future financial wellbeing, then they do not have capacity for loss. The client's age would be relevant here.

For example, an investor who is approaching retirement and does not have a lot of resources has a very low capacity for loss, as losing some or all of the funds is going to have a detrimental effect on their standard of living in retirement, if not immediately. A person who is younger, has more resources and is seeking to invest only a portion of their resources has a higher capacity for loss.

It's not binary, it's a continuum, and every investor lies somewhere on it. This is one reason why an adviser can recommend an investment with confidence only as part of a full financial planning exercise. You must understand the adequacy of investors' finances to assess their capacity for loss as well as their required return.

Investors in unregulated products are generally seeking returns of a higher magnitude over a shorter timeframe. The risk attaching to these is far higher and is unsuitable for most investors. By contrast, the level of diversification achieved by investing in an index fund, for example, makes these types of investments suitable for a much wider audience.

We didn't hear of many such failed investments in the years after the global financial crisis because, although most investors had never heard of the concept of capacity for loss at the time, having seen first-hand what could happen when you aimed too high, they knew they didn't have it. A return of 15 to 20 per cent a year was considered very good in the mid-Noughties, but by the end of the decade most investors would have been happy with a return of 0 per cent – that is, to have simply got their capital back.

Investors are more prone to make moonshot investments during the late stages of periods of positive returns, when risk is a forgotten concept and the pain of previous losses has faded from memory. It would be disingenuous not to acknowledge that the fees paid to advisers probably also play a role.

> **If you're excited by investing, you're doing it wrong**

They say that if you are excited by investing, you're probably doing it wrong. The investment that is right for you will probably be boring. So before signing on the dotted line, consider for a moment that you might be better off getting your thrills on the shooting range.

Eoghan Gavigan is the owner of Highfield Financial Planning; hfp.ie