MONEY

SPENDING BY TOURISTS VISITING IRELAND IN MARCH 2025

€326M

DOWN 22% ON PREVIOUS YEAR

FLASH ESTIMATE FOR HARMONISED INDEX OF CONSUMER PRICES IN APRIL

2%

IN LINE WITH ECB INFLATION TARGET

SOURCE: CENTRAL STATISTICS OFFICE

A hundred grand a year ain't what it used to be

Rising costs mean financial security isn't guaranteed even on a six-figure salary, writes *Niamh Hennessy*

Once upon a time, €100,000 was an exceptionally high salary. Indeed, when the universal social charge was introduced in 2011, an extra surcharge of 3 per cent was applied to self-employed persons earning over that threshold.

But now the number of people earning a six-figure income has steadily increased to the point where that level of pay is becoming less extraordinary. This year alone, the number of "tax units" – either single or jointly assessed – expected to earn €100,000 is projected to rise by 11 per cent, according to Revenue. That would put the number of high earners at more than 396,000 – a massive jump from 177,000 in 2018.

Converting that income to lasting wealth depends on more than just how much lands in your bank account every pay period. It's what you do with it that really matters.

Niall O'Connor, chief executive of Financial Planning Matters, argues that while €100,000 remains a strong salary, in the context of Ireland's high cost of living, careful financial planning is absolutely crucial. That kind of money just doesn't go as far as it used to.

"In cities such as Dublin, rents for a one-bedroom apartment can easily exceed €2,000 monthly, absorbing a major portion of disposable income," he says. "In today's Ireland, earning €100,000 no longer guarantees financial security. Rising costs and high taxes mean structured financial planning is vital. Without clear planning, lifestyle creep can set in very quickly, undermining long-term financial security."

A typical €100,000 salary means a monthly take-home pay of about €5,250 after tax. That might seem like the threshold of financial comfort, but how far it stretches depends on someone's circumstances, habits and financial goals.

So earning a good income doesn't mean you can get away with not budgeting. In fact, basic money management is the key step to implementing a sound financial plan.

"From groceries to housing to energy bills, everything feels more expensive," Tom Francis, head of accounting at Kinore, says. "Whether you're single, part of a couple or raising a family, your take-home pay can stretch differently depending on your life stage, location and financial commitments."

Once taxes, pension contributions, housing and living costs are factored in, what's left each month must work hard, Francis says. He suggests using the popular 50-30-20 rule to budget. This budgeting method allocates 50 per cent of net income to "needs", like rent, mortgage payments and basic living expenses, such as clothing, school costs and utilities. Then give 30 per cent to "wants", such as eating out or holidays. Finally, 20 per cent goes to savings – everything from accessible cash to your pension.

"An emergency fund is a vital part of any sound financial plan," Francis says. "It provides a buffer for unexpected expenses like medical bills, job loss or urgent home repairs. Most financial experts recommend setting aside three to six months of essential living costs."

As a starting point he advises doing a brutally honest, forensic review of your last three months of bank statements to categorise your spending into needs, wants and savings. This should give you a realistic picture of where you stand – and where you can make useful changes.

"Make small adjustments – they add up over time. Start with awareness. Stay consistent. Revisit your plan regularly. Your money should serve your goals and support the life you're building, not the other way around."

Cian Carolan, managing director of DNG Financial Services, stresses the key to making a salary work lies in balancing lifestyle preferences with protection and forward planning. "No matter the household type, every budget should be built with a mix of structure, flexibility and intention. Every budget should reflect your goals, risks and future," he says.

"It is perfectly conceivable for a €100,000 income household to struggle, living month to month. That's everything to do with household make-up, money management and discipline. Each household will experience a differing quality of life with that same income level. Some elements will be out of control, and so it places massive importance on controlling the controllables."

Here's how those earning €100,000 should budget their salary, according to the experts.

> **It is perfectly conceivable for a €100,000 income household to struggle**

Dr Evil (Mike Myers) would seek ransoms of "one million dollars", unaware that inflation since the 1960s made his demands seem rather pedestrian

Sofia

Single, 33 years old

Sofia's net monthly income is €5,136 and her monthly pension contribution at 5 per cent is €417. Each month she spends €2,568 on rent, car costs, groceries and utilities. She spends €1,541 on the gym, travel and socialising. She has a car loan with monthly repayments of €500 and is able to save €500 each month.

As Sofia is in a strong financial position with no dependants, Francis says she should save €1,000 a month instead, building an emergency fund of at least €8,000 to €15,000 a year. He adds: "After that she could consider boosting her pension or investing regularly. Periodic reviews of discretionary spending can help ensure long-term financial stability."

Carolan says for Sofia it's crucial to build long-term wealth early, maxing out her pension contributions and getting proper income protection in place.

Omar and Aisling

One income, no children

Omar and Aisling are renting in Cork. Omar earns €100,000 while Aisling is in college. Their net monthly income is €5,453 and their pension contribution is €400. They spend €2,726 on rent, food, utilities and transport, and €1,636 on streaming, outings and hobbies. That leaves just over €1,000 for their savings, mainly for a house deposit.

O'Connor says two adults on a single income must prioritise carefully. "Mortgage borrowing capacity may be more limited under Central Bank [of Ireland] rules when only one income is considered," he adds. "Income protection insurance becomes even more critical to shield the household in the event of illness or disability."

Carolan argues that a couple on one €100,000 income should aim to save about €1,200 monthly.

Simon and Ciara

One earner, family of five

With a net monthly income of €5,600, Simon and Ciara spend €2,800 on mortgage, fuel, food and clothes a month in Co Mayo. They spend just over €1,600 on children's activities and family outings, which allows them to save €1,000 a month. They cut out the cost of childcare as Ciara doesn't work.

Francis says, for one income with three children, managing money well is vital. "Building an emergency fund of €15,000 should be a priority," he says. "With careful budgeting and use of child benefit, they can maintain monthly savings above €1,000. If Ciara returns to the workforce, they should consider saving for education and reducing long-term debt."

O'Connor says that even with government schemes, full-time childcare or after-school care for three children can easily cost several thousand euros a year.

"Voluntary contributions, uniforms, school books and extracurricular activities add further financial pressure," he adds. "Without a clear plan, high earners risk falling into the lifestyle inflation trap, spending more simply because they earn more, without building real wealth. Every euro must be carefully accounted for in this type of scenario to maintain financial stability."

Louise and Cillian

Dual earners, three children

Louise and Cillian have a combined net monthly income of €10,801 and pension contributions of €834. Each month they spend €5,401 on their mortgage, childcare and groceries while €3,240 goes on family holidays, babysitting and their social life. They save just over €2,000 a month towards an education fund and investments.

With essentials covered, Carolan says dual high incomes give real scope for wealth building but only with a plan. He adds: "Max out pension contributions and consider early mortgage repayment or a college savings fund."

€? QUESTION OF MONEY

I'm single with a stable income and built up a nice lump sum during the pandemic. I'm not an experienced investor, but I'm curious about cryptocurrency and feel I can afford the risk. What do I need to know before getting involved?

LH, Dublin

After reaching over $100,000 in late January, bitcoin fell more than 27 per cent to trade below $75,000 in early April. Despite this drop, the media spotlight was mostly fixed elsewhere, thanks to President Trump's tariffs, rising global trade tensions and tumbling stock markets.

Although cryptocurrencies have little direct involvement in global trade, tariffs can still affect them. Investor sentiment is the overall mood of people in the market.When people feel confident, they buy more, pushing prices up. But when fear spreads, many sell fast, causing sharp drops. This mood transcends all markets, and when the stock market is falling, fear often also spills into the crypto market, leading to sharp selloffs. The economy has a similar effect: when things are uncertain, crypto prices often drop.

Unlike regular assets, crypto lacks clear earnings or sales to judge its value, which mostly comes from what people believe it's worth. This makes finding a "true" price really hard and prone to big swings.

Crypto once was uncorrelated from traditional financial markets but, with the rise of bitcoin exchange traded funds, investors buying traditional stocks also have access to crypto investments, making them somewhat intertwined.

There are two possibilities for crypto's future, and who can say which is right? On one side, blockchain technology could transform industries such as finance, gaming and supply chains. Some investors see bitcoin as a long-term store of value, like digital gold, or like its decentralised nature as an alternative to traditional currencies.

On the other side, crypto remains highly volatile and unpredictable. Prices can soar or plummet in one day based on news, regulation or even social media trends. The market is still lightly regulated compared with traditional finance, which can leave investors vulnerable to scams, hacks and project failures. Also, macroeconomic factors such as interest rates and inflation can affect crypto more than ever, especially as institutional investors enter the space.

Many financial advisers avoid crypto, but it's important to know how to get exposure. Keep it as a small, speculative part of a well-diversified portfolio. This way, you can benefit from crypto's growth without overexposing yourself.

Nick Charalambous is managing director of Alpha Wealth

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

Eoghan Gavigan

Banks hold all the cards — but savers may have an ace up their sleeves

I wrote an article in The Sunday Times almost four years ago ("Stick a fork in banking competition – it's done"), which made the case that the banking sector was heading for a purple patch of profitability due to a lack of competition in the sector after the global financial crisis, culminating in the exits in quick succession of Ulster Bank and KBC.

Since that article, the combined operating profits of our two main banks have climbed by a factor of five, from under €900 million in 2020 to €4.5 billion last year. To quote an old Danish quip sometimes attributed to the Nobel laureate Niels Bohr, "prediction is very difficult, especially if it's about the future", so I may as well claim this small victory even if, as a consumer of banking services, it feels like anything but.

This was not rocket science. Operating without any real competition is a profitable pursuit in any sector, and very profitable for a deposit taker in a market without a culture of investment. As the European Central Bank began raising interest rates from 2022, the main-street lenders retained most of the increases as margin rather than passing them on to depositors.

In most countries this would cause funds to flow out of deposits into equity-based investments, but the 41 per cent tax on investment gains from unit-linked funds and the fact that tax must be paid every eight years on unrealised or notional gains are both disincentives to investment.

Generating interest income from the €155 billion parked in low-interest deposit accounts was like shooting fish in a barrel for Irish banks.

But the deposit business is boring and unimaginative. Every activity by a bank requires some level of competence or involves risk, but not deposit-taking.

Many years ago, when I worked in a bank, a colleague tried to explain to me the profitability of our international deposit desk. "It's not us," he said modestly, "it's the position we find ourselves in." To put it bluntly, success at deposit taking is no recommendation.

Another factor that has enhanced bank profitability is the rationalisation of the branch network, which is understandably unpopular with the public. Before the advent of the electric light a night-time game of cards had to be played by candlelight. The candles cost a lot of money so if a game of cards were particularly poor it might be discontinued, hence the saying "the game wasn't worth the candle".

When a bank seeks to close its only branch in a town, it will cite increased migration to digital channels, but this is a stratagem. What it is really saying is that the game isn't worth the candle, that it doesn't believe that the level of economic activity in the area is worth keeping the lights on.

If you doubt what I say about digital migration, consider the United States where, after years of consolidation, JPMorgan Chase and Bank of America are opening new branches. Where? In cities that are experiencing population growth and rising wealth, where the population is technologically literate and where broadband is ubiquitous. In other words, cities where fintechs should thrive.

While there has, of course, been an increase in business being transacted digitally, physical bank branches are critical to services such as business banking and wealth management, and to cross-sell other services. Having a presence matters.

Banks have had it easy for the past four years. In a contracting sector you don't have to be innovative, you can rationalise your way to a lower cost-to-income ratio while living off interest income. Of course, as a strategy it suffers from the law of diminishing returns – you can't close your way to success.

So where to now? Given the reversal in interest rates since last year, the model that has been so profitable over the past few years isn't sustainable. Irish consumer behaviour is often influenced by developments in America, so my hope would be that consumers of the future will realise that they need to protect their wealth by investing in equity markets. Current market weakness means there has seldom been a better time to start.

Now that the government has offloaded most of its shareholding in the pillar banks, it could stop artificially protecting their deposit base and align life assurance exit tax with capital gains tax rules. If this happened, maybe banks – which, if they play their cards right, actually have some advantages over fintechs – would find more innovative ways to turn a profit.

Eoghan Gavigan is a certified financial planner and owner of Highfield Financial Planning; hfp.ie