

The Business Review

Financial Insights

**WHY DIVIDENDS CAN INCREASE YOUR
PORTFOLIO RETURNS**

**SMART PROTECTION STRATEGIES
FOR BUSINESS OWNERS**

Business Protection Solutions

**GENERAL DATA PROTECTION
REGULATION (GDPR)**

Protecting Our Customers' Data

Why dividends can increase your portfolio returns



John D Rockefeller reportedly stated that “The only thing that gives me pleasure is to see my dividend coming in.”

Investors are often anxious when equity markets suffer the sort of day to day volatility seen so far in 2018. However, these moves need to be put into perspective. One of the unfortunate features of the reporting of stock markets is the emphasis on the closing price of the major indices, funds and share prices – for example, the short-term focus on the fact that the FTSE100 index might have fallen last week, which funds to buy next week and the increase in the oil price due to the latest OPEC meeting minutes.

A long-term investor should always remember the initial reasons for buying shares and other asset classes. In my opinion, over time, a well-structured investment approach will add value, consistency and confidence more than one based on short-term instinct and prediction.

A Company's Financial Well-Being & Dividends

One of the simplest ways for companies to communicate financial well-being and shareholder value is to pay an annual dividend to their shareholders. Dividends are cash distributions that many companies pay out to shareholders from their earnings. They can send a clear message about the company's financial security.

A company's capacity and readiness to pay a steady stream of dividends over time provide potential investors and current shareholders with some good signs about the company's fundamentals.

Studies have shown that over time much of an investor's return from buying shares comes from the payment of dividends; and thus, re-invested dividends. Dividend payments from your stock portfolio can mount up over the years, especially with the added help of compound interest. In an era where interest rates are so low, we believe that investors need to be aware of relatively simple investment techniques that can help them build up their returns. Dividend reinvestment is one of those techniques.

For example, let's look at the US oil giant, Chevron. Chevron is in very select company when it comes to its dividend payout. The integrated supermajor has

increased its annual payout for 28 straight years and has consistently paid an annual dividend every year since 1926. Chevron currently pays a dividend of 3.66%.

As examples, other company's pay the following dividends (as at 23rd April 2018):

General Electric	3.30%
Siemens AG	3.41%
Unilever	3.30%
Nestle	3.15%

If you compare these payments to the yields available on cash (0.00% – 0.50%) and bonds (0.00% – 3.00%), you can see how important the returns in the form of a dividend payment from a stock-holding are to investors' portfolios, particularly in a low interest rate environment.

Can a Company borrow to pay a dividend?

While a history of steady or increasing dividends is certainly reassuring, investors need to be wary of companies that rely on borrowings to finance those payments.

Some company's might borrow to pay a dividend to manage observations surrounding their business model and the underlying financial fundamentals. This type of approach would unlikely be an effective strategy against engaged, active investors who are monitoring the company and the financials. If a company with a history of consistently paying dividend payments suddenly cuts its payments, investors may treat this as a signal that trouble is looming.

In summary, in an environment of low inflation, low bond yields and low interest rates, many investors will appreciate the advantages from holding equity and other income producing assets to help protect portfolios and provide long-term returns, even during volatile conditions. Over time, as a way of building up your investments, a blend of dividend reinvestment and compounding can be positive influences on total investment returns.

Smart Protection Strategies for Business Owners

I've recently noticed a significant increase in asset protection questions from business owners.

In every office, shop or factory in the country there is a notice declaring that the employer has taken out insurance to cover accidents to employees at work. Every car or lorry owned by a business must have at least the minimum level of insurance required by law. Most business owners will also have arranged for insurance on the factory, office buildings and even on the desk at which they work.

But one valuable business asset is often left uninsured, and not many businesses have any insurance to cover the one eventuality that can literally mean the end of the business and the income it provides – the death or illness of a key person.

Whether the business in question is a partnership, a limited liability partnership, a company, or even a sole trader, it is likely to have an individual, or individuals, crucial to its continued activities and prosperity.

According to a survey by Royal London Assurance "People will put other forms of financial protection in place for their business such as insuring their premises, machinery or even its debt. However, they don't always protect what is the greatest asset any business has, namely the people who work in it. Given the 24% likelihood of one person in a two-person firm dying before the age of 65 and the negative business and commercial implications this can have; it is worrying that businesses are overlooking this financial risk."

There is however a range of business protection solutions available to help businesses survive the death of someone that would result in a financial loss for a business.

These solutions provide several benefits:

- They offer real peace of mind to the directors or partners, as they remove the financial worries associated with the death of a colleague
- They remove the need for businesses or surviving partners to borrow money to buy out their partner's share of the business
- They remove the need for a surviving family member to take the deceased's place in the business.

There are a number of different types of business protection solutions available to suit the different types of business structures; I have noted 3 of the main solutions below:

- Co-director's insurance – This is where each director insures themselves against the death of their partner, enabling them to buy out the partner's shares on death. As an alternative, the insurance can be affected by the company itself
- Partnership insurance – Similar to the above, a partnership takes out insurance, protecting itself against the death of an individual partner, enabling them to compensate the deceased partner's estate for their share of the partnership
- Key person insurance – This helps a business to minimize the impact of the death of a key employee. The insurance can be used to quickly attract a replacement employee or indeed to pay off loans of the company that may have been guaranteed by the deceased.

So, in conclusion, few business owners – whether shareholding directors, partners or sole traders – like to think of the difficulties that their untimely death could cause to their business, business partners and next of kin.

The key to finding the right solution is getting the right advice. If protecting the future of your business and family is a concern to you, always seek independent financial advice before committing to any long-term plans.

"There are various types of business insurance strategies to consider when running a business. When you've taken the steps to build your business, it is important to protect your investment of time and money."





Heritage Wealth and the new General Data Protection Regulation

Protecting our customers' data is of the utmost priority to Heritage Wealth, and with the General Data Protection Regulation (GDPR) coming into effect in May, we welcome the opportunity to deepen our commitment in the area of data privacy.

What is GDPR?

The EU General Data Protection Regulation (GDPR) is a significant piece of European legislation which will come into force on 25th May this year. It builds on existing data protection laws, strengthening the rights that EU individuals have over their personal data, and creating a single data protection approach across Europe. GDPR will help to bring existing legislation up to par with the connected digital age we live in. Since data collection is such a normal and integral aspect of our lives, both on a personal and business level, it helps to set the standard for data-related laws moving forward.

Consumer rights under GDPR

The GDPR significantly strengthens individuals' rights with regards to how their data is processed, including the right to:

- obtain details about how their data is processed by an organisation or business
- obtain copies of personal data that an organisation holds on them
- have incorrect or incomplete data corrected
- have their data erased by an organisation, where appropriate
- obtain their data from an organisation and to have that data transmitted to another organisation
- object to the processing of their data by an organisation in certain circumstances

What is Heritage Wealth doing to comply with GDPR?

We are committed to ensuring that we are fully compliant with GDPR, and welcome the strong data protection and security principles that it enshrines.

Some of the steps we have taken include:

- Analysing GDPR requirements against our current processes and policies
- Updating our Terms of Business to reflect changes brought in by the GDPR
- Updating our Privacy Statement to ensure that our customers know exactly what we do with their data
- Ensuring that the personal data we do hold is accurate and kept up to date
- Ensuring that personal data is stored securely and that all relevant safeguards are in place
- Reviewing all data processing agreements in place with our partners and suppliers to certify that third party processes are compliant with the GDPR
- Updating our marketing processes to comply with the 'Opt In' regulations stated above – you will be hearing from us shortly in this regard

In Summary

At Heritage Wealth, our customers' data, and their trust, is of paramount importance to us. We will undertake our processing of data in accordance with our T&Cs and Privacy Policy, and we will always set the highest bar for ourselves in terms of data protection.

If you have any queries about GDPR, please email or call us and we will be happy to talk through your queries and requests with you.



Heritage Wealth welcomes Karen O'Brien, Client Services Manager

Karen O'Brien joined Heritage Wealth in January this year, as Client Services Manager. With over 15 years of experience within the finance industry, Karen has worked for some of the largest global banks including HSBC and Bank of Scotland. Having spent a number of years managing retail banking branches and customer services teams in the Channel Islands, before progressing to HSBC International as a customer experience Manager, Karen brings to Heritage Wealth a vast amount of finance expertise along with a huge drive and focus on delivering exceptional customer service.

Get In Touch

We want to thank you for taking the time to read our newsletter. If you would like to find out more on any of the items discussed in this edition, feel free to contact us, we are happy to help.

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