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# Where are Ireland's Millionaires today and what are their priorities?

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Irish Life Retail

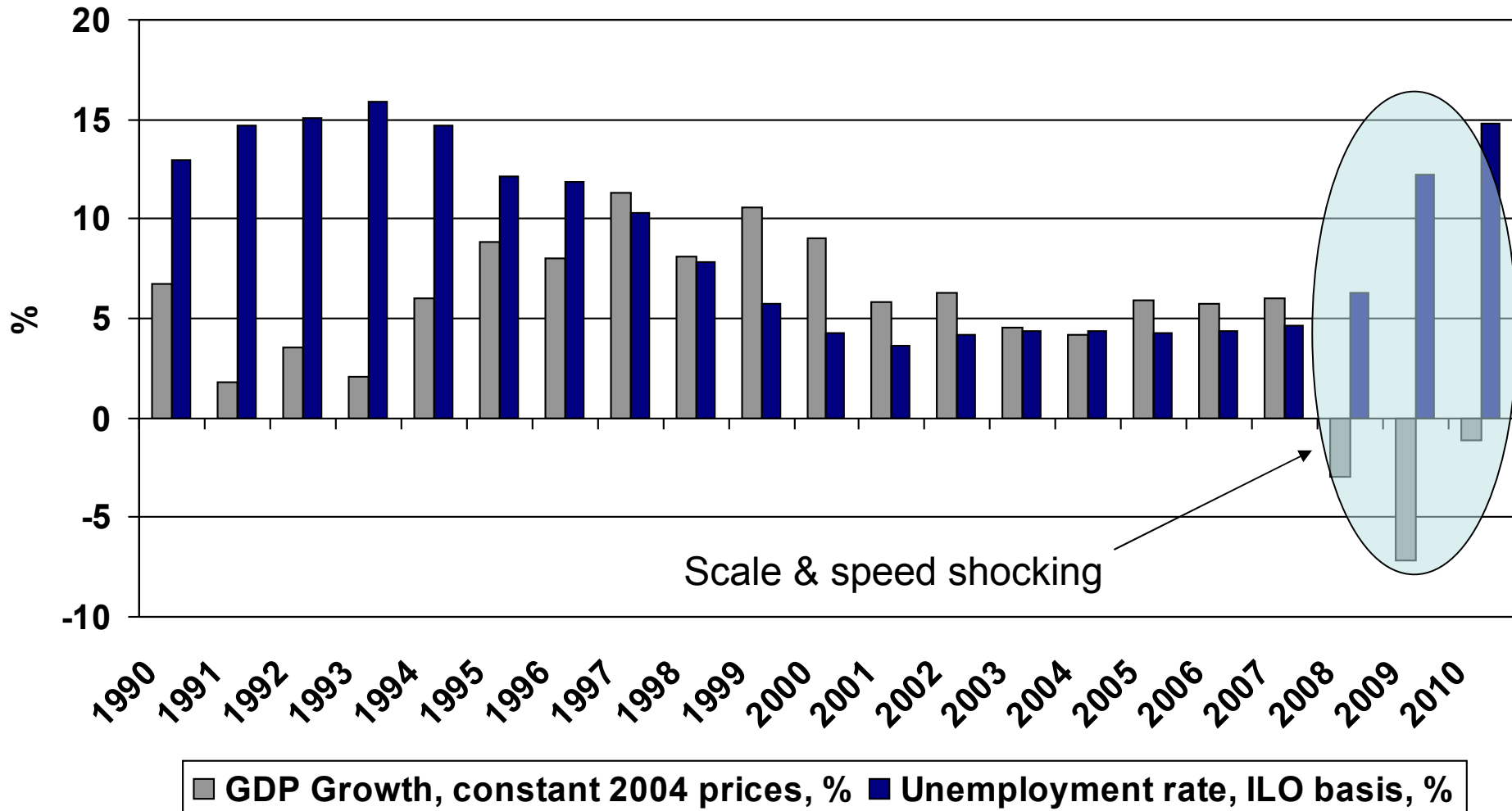


# ESRI's main forecasts

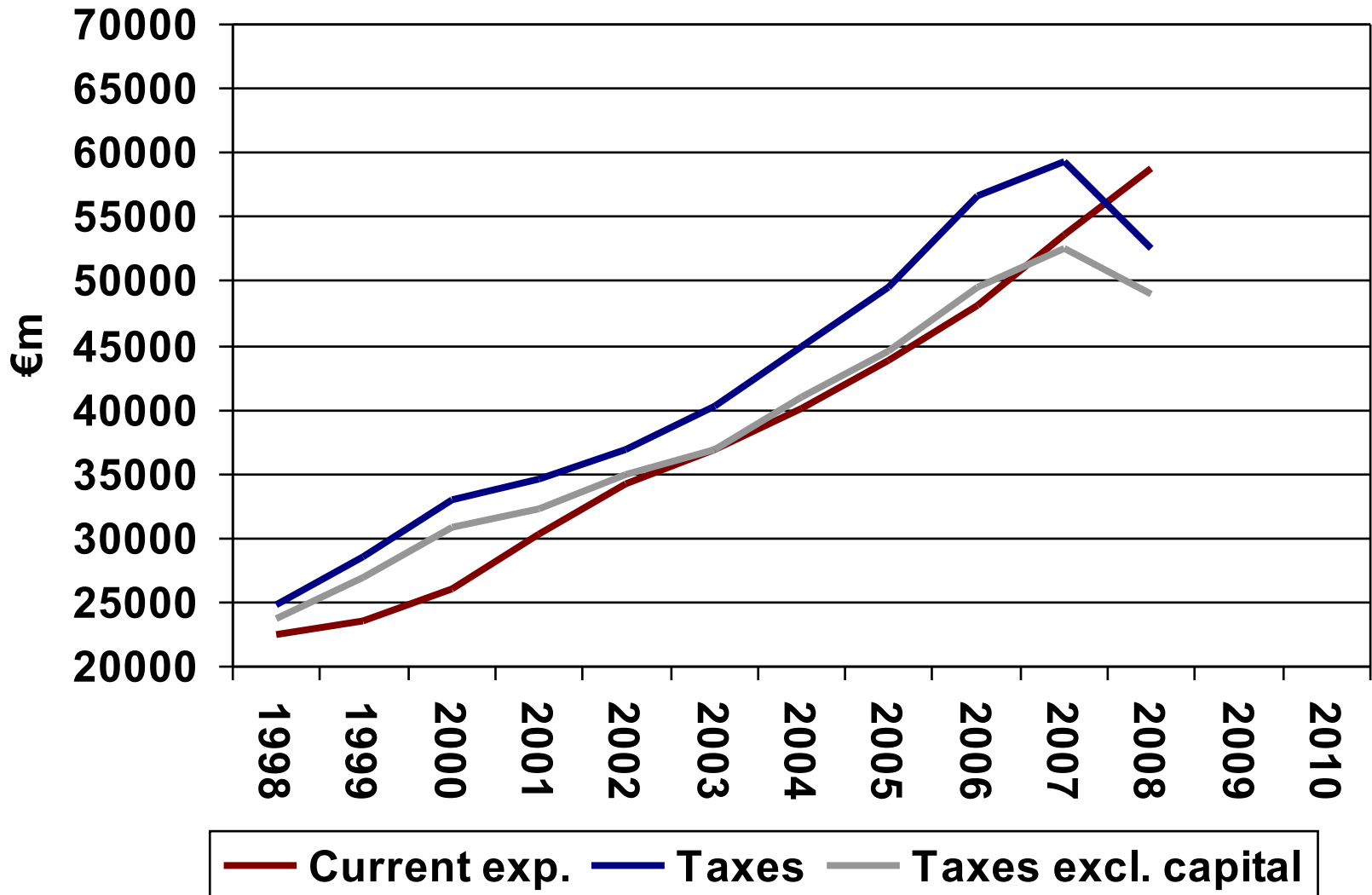


- GNP to contract by 8.7% in 2009
- 2010: GNP to contract by 1.7%
  - Modest rate of growth expected to emerge in latter part of 2010
  - Improved international climate: exports to grow by 1.1%
  - Domestic factors will continue to act as a drag on growth
- Unemployment to average 12.2% in 2009, 14.8% in 2010
- Public finances: GGD 12.9% of GDP in 2009, 12.8% in 2010
- General Assessment
  - Public finances and Budget 2010: further fiscal consolidation will exacerbate the recession, but will stabilise the deficit
  - Cuts in current expenditure are unavoidable
  - Economy-wide wage reductions would facilitate a more rapid return to growth

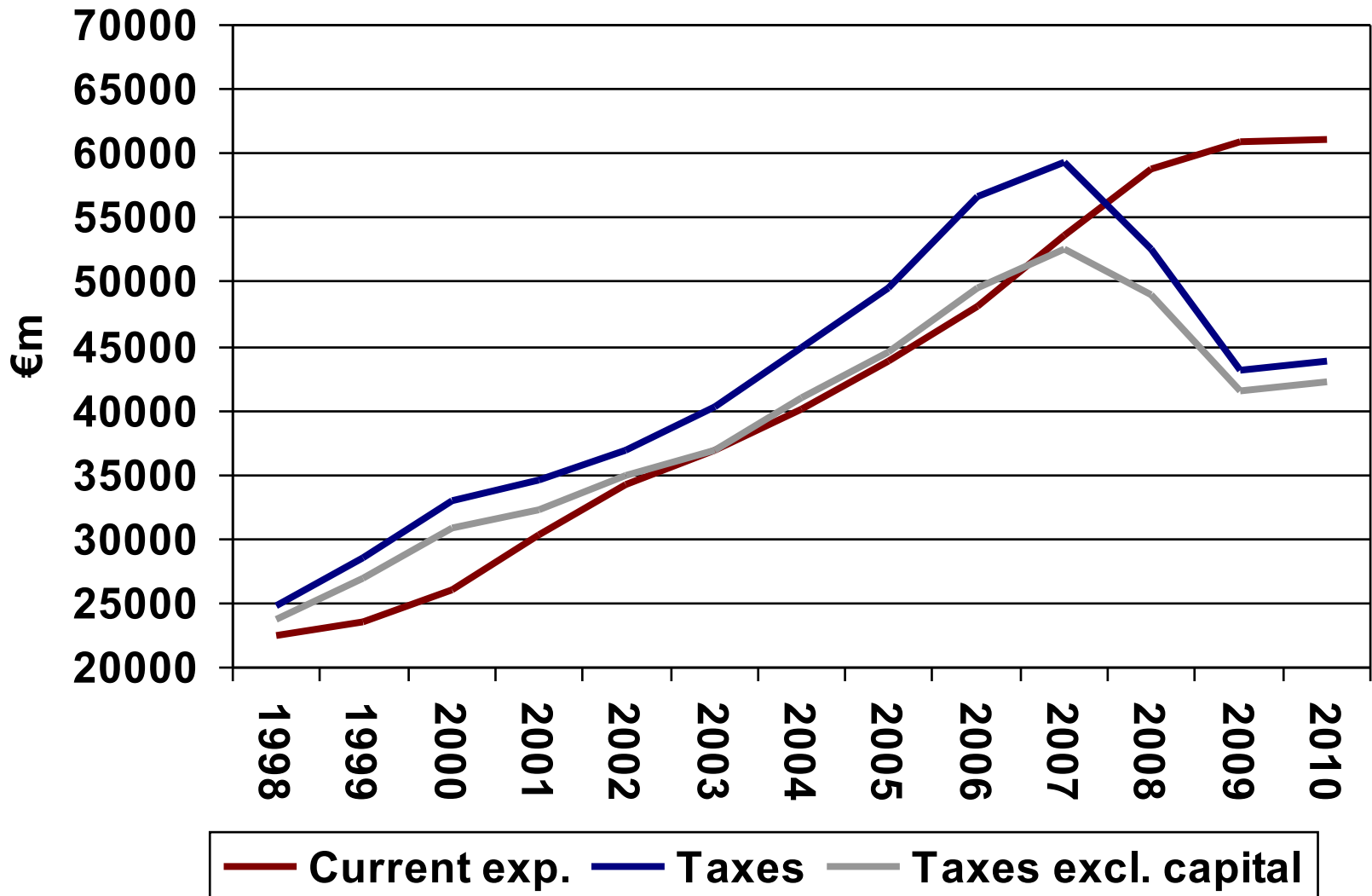
# Collapse in economic activity



# Government finances...



# ...have fallen off a cliff





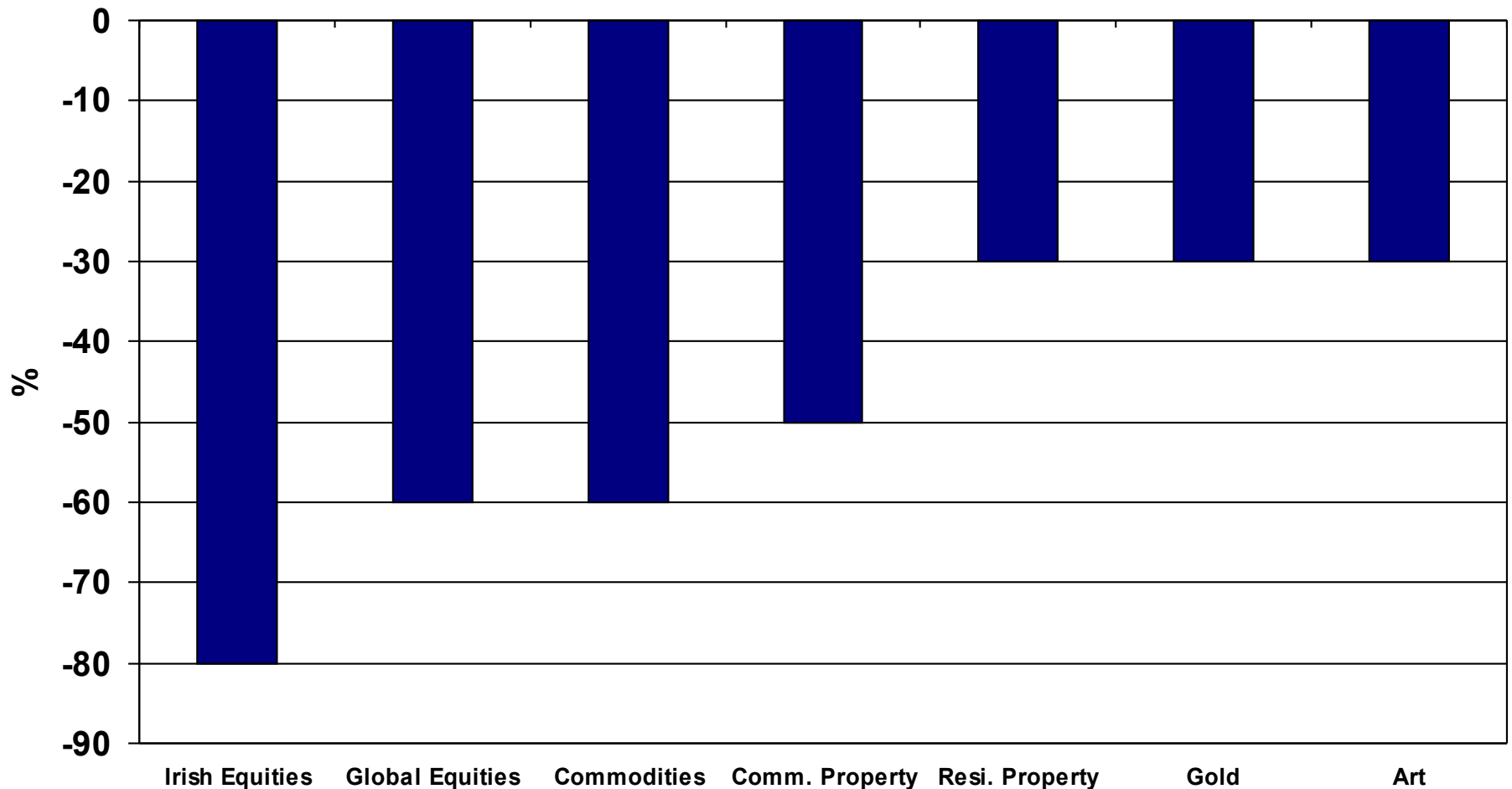
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The economic fallout has hurt  
household wealth

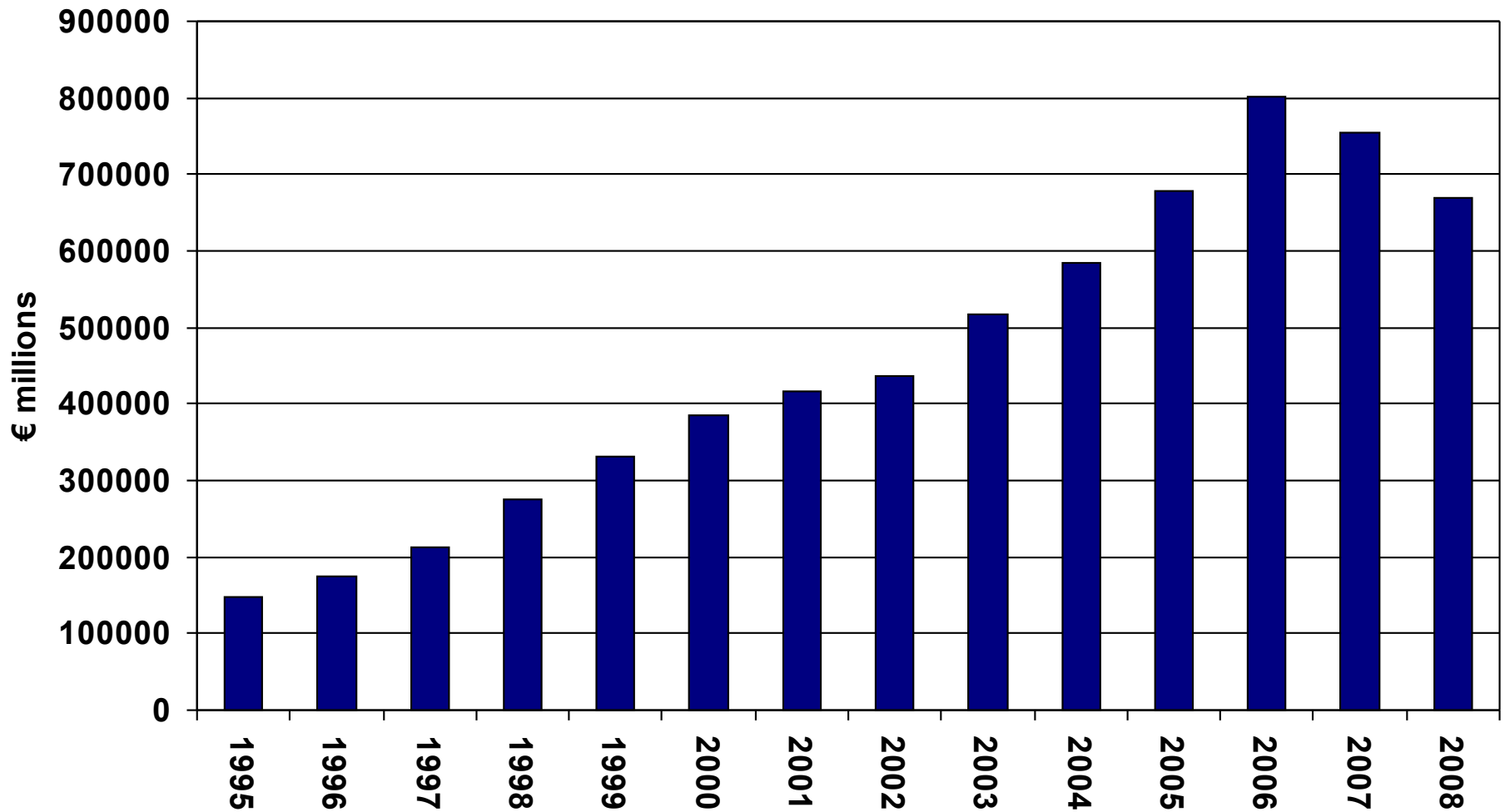
# Devastating decline in asset prices -peak to trough decline-



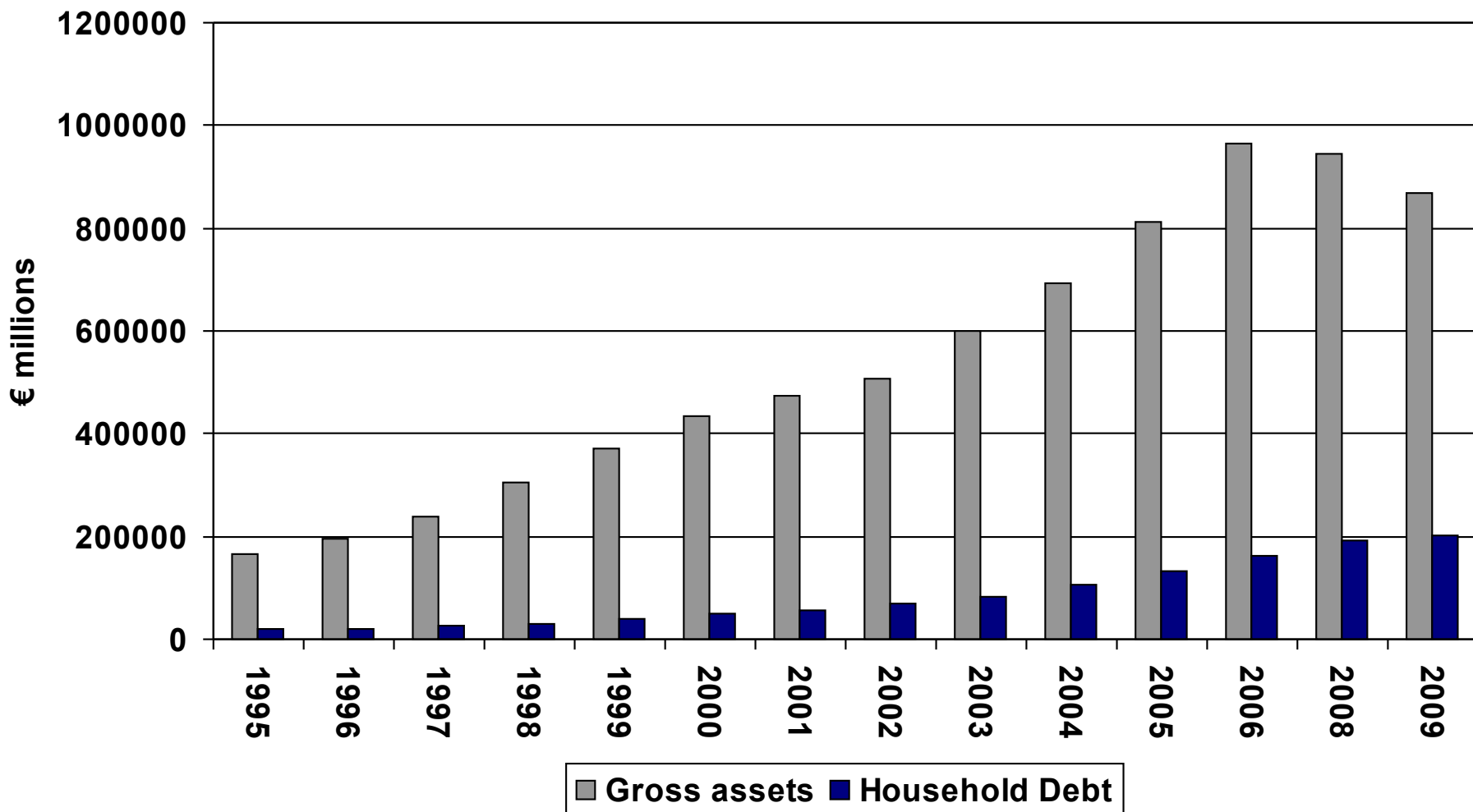
The good news is that many of these markets have already started to recover



# Net wealth of Irish households



# Household gross assets versus household debt

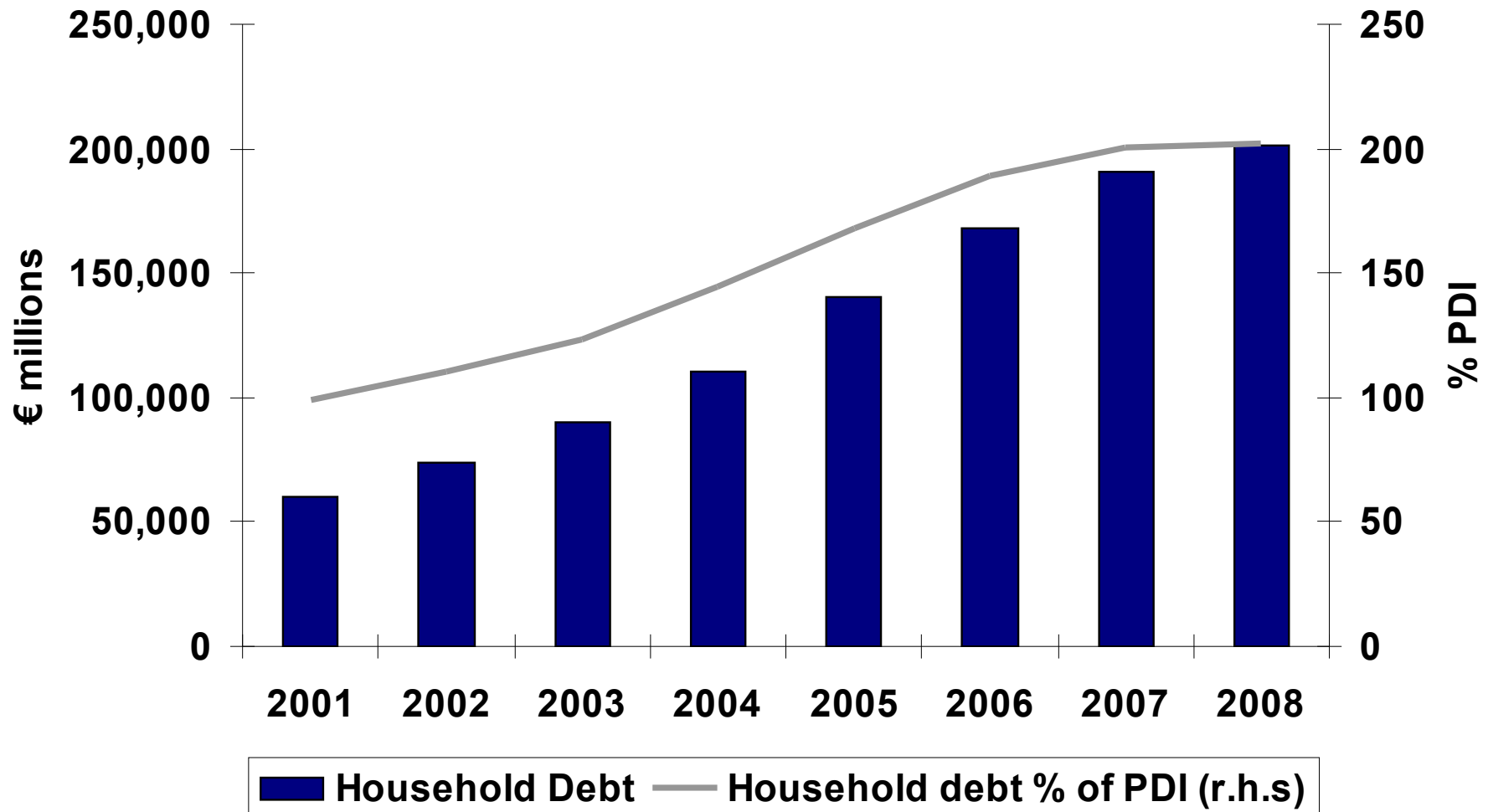


# The Irish household balance sheet



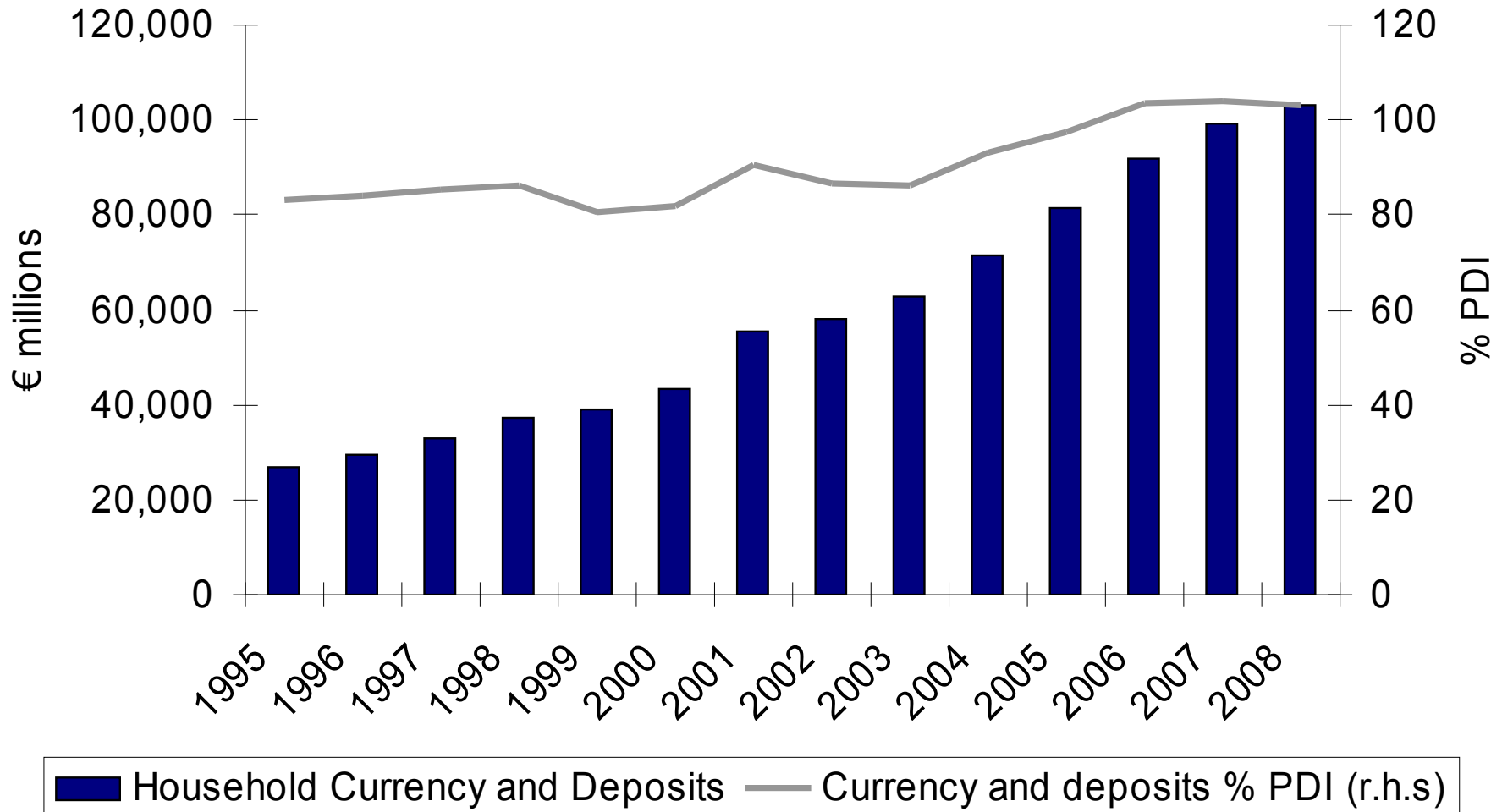
	2001	2002	2003	2004	2005	2006	2007	2008
<b>Financial Assets</b>								
Deposits & Currency	55,468	57,859	62,798	71,322	81,326	91,984	99,019	102,964
Shares and Other Securities	59,668	64,455	67,898	67,719	72,954	80,596	79,818	64,833
Insurance Technical Reserves	64,377	60,865	80,235	93,855	111,977	132,322	126,627	111,054
Other	889	1,089	1,261	1,480	2,700	2,922	2,826	3,685
<b>Total Financial Assets</b>	<b>180,402</b>	<b>184,268</b>	<b>212,192</b>	<b>234,376</b>	<b>268,957</b>	<b>307,824</b>	<b>308,290</b>	<b>282,536</b>
<b>Real Estate Assets</b>								
Residential Property	297,302	338,948	408,808	473,671	546,096	633,230	612,238	571,647
Commercial Property	12,494	12,869	14,414	16,000	20,000	24,000	25,307	15,817
<b>Gross Assets</b>	<b>490,198</b>	<b>536,085</b>	<b>635,414</b>	<b>724,047</b>	<b>835,053</b>	<b>965,054</b>	<b>945,835</b>	<b>870,000</b>
<b>Total Liabilities</b>	60,383	73,846	89,971	110,263	140,140	167,948	190,986	201,386
of which residential mortgages	38,343	47,212	59,242	77,029	98,956	115,603	127,502	119,579
<b>Net Assets</b>	<b>429,815</b>	<b>462,239</b>	<b>545,443</b>	<b>613,784</b>	<b>694,913</b>	<b>797,106</b>	<b>754,849</b>	<b>668,614</b>
	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Debt as % of GDP</b>	51.6%	56.7%	64.5%	74.0%	86.4%	94.7%	100.2%	108.4%
of which mortgages	32.8%	36.3%	42.5%	51.7%	61.0%	65.2%	66.9%	64.4%
<b>Debt as a % of Net PDI</b>	98.6%	110.3%	123.6%	144.2%	168.1%	188.7%	200.7%	201.8%
of which mortgages	62.6%	70.5%	81.4%	100.7%	118.7%	129.9%	134.0%	119.8%

# Household debt continues to accumulate

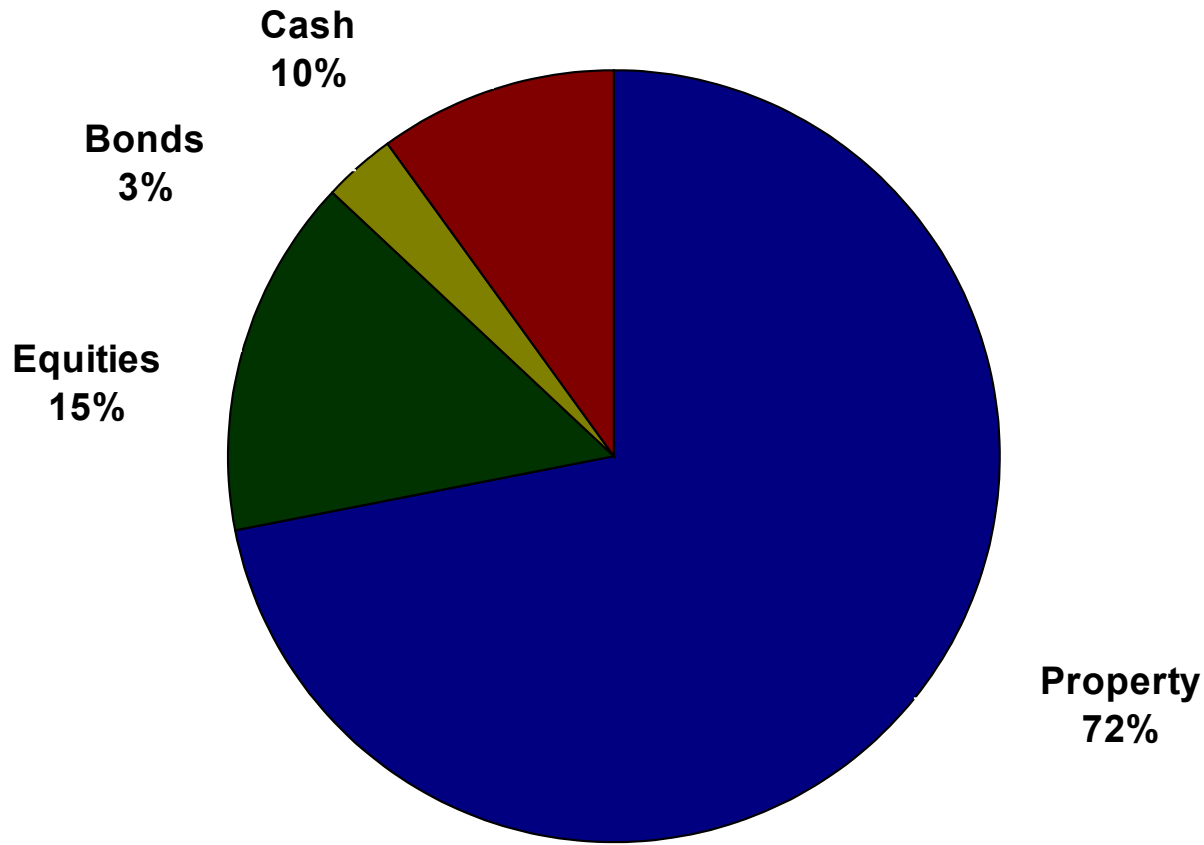




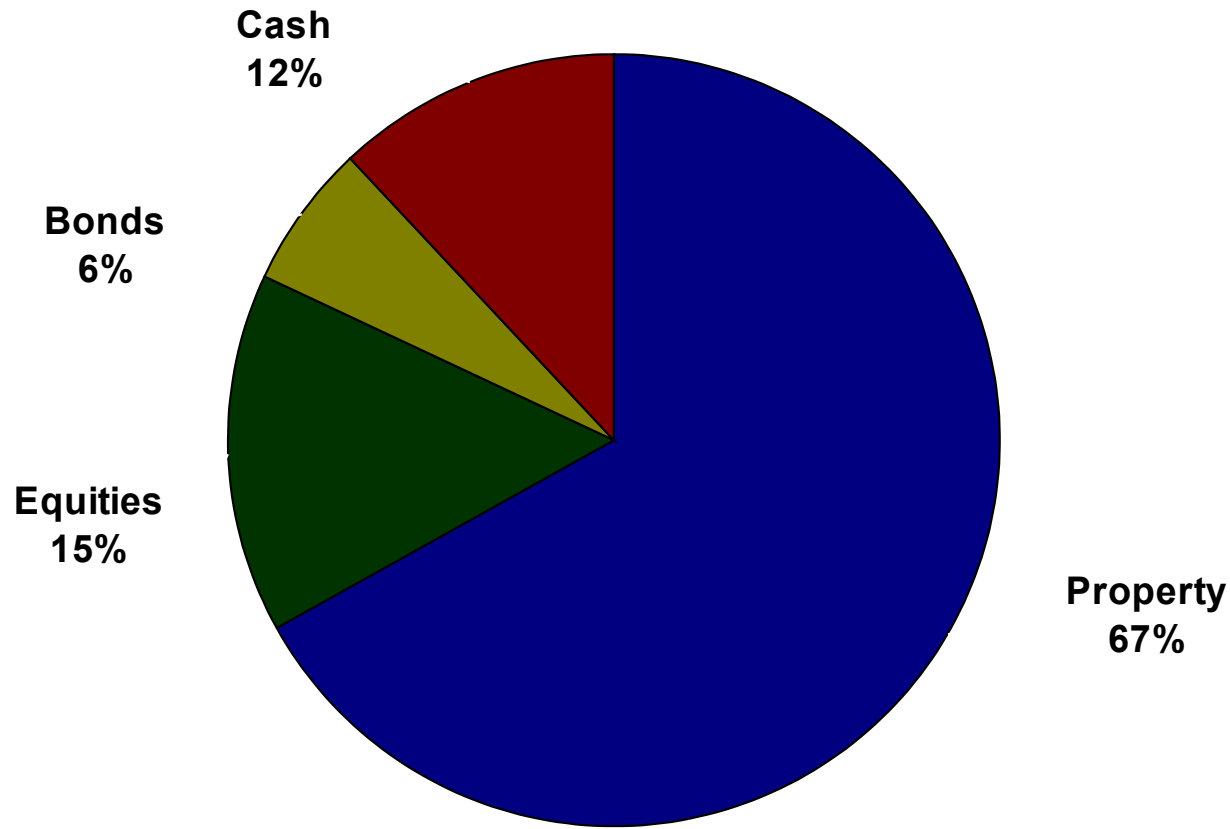
# Cash levels rising



# Asset allocation of households in 2006



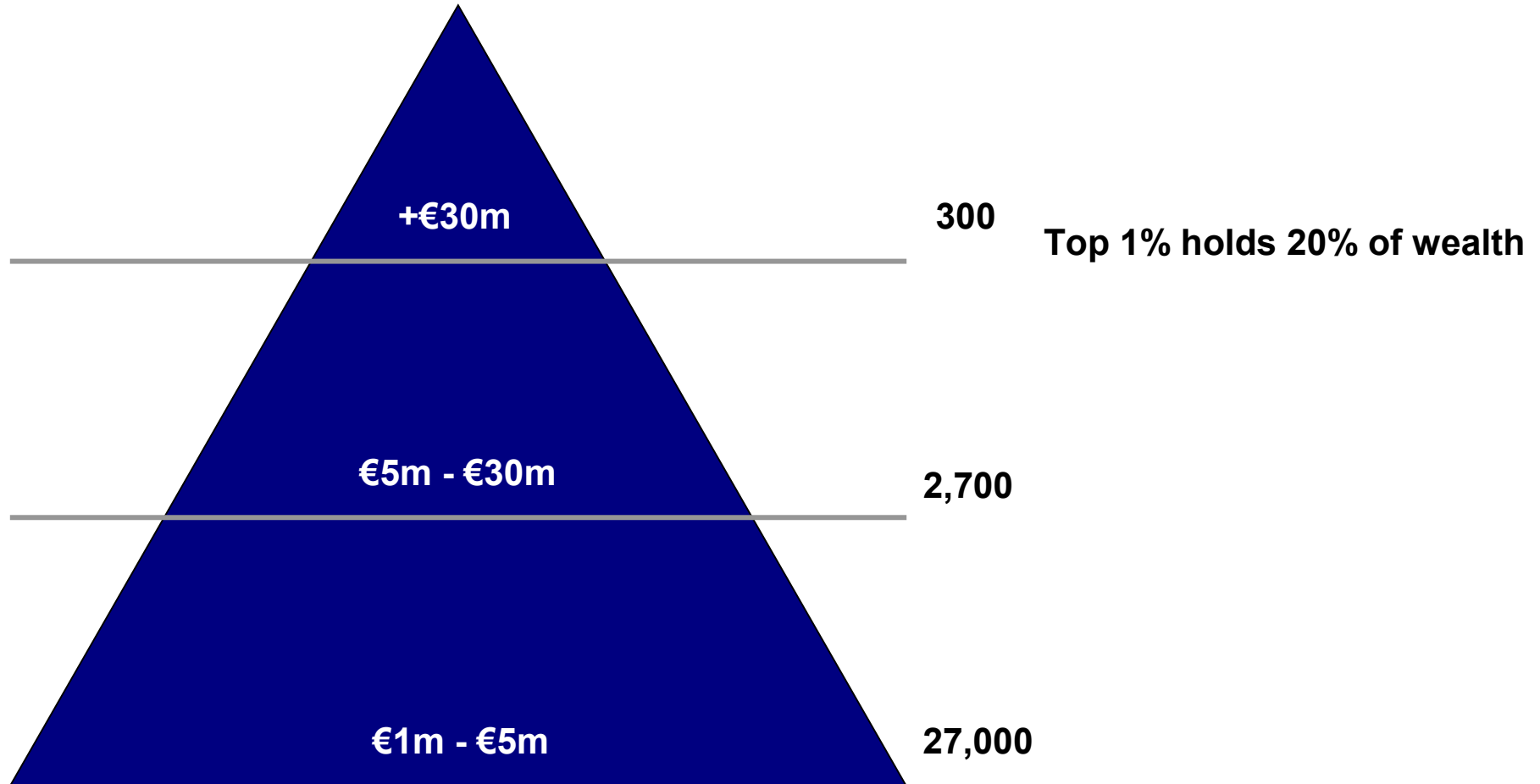
# Asset allocation of households in 2008



# 30,000 millionaires in 2005



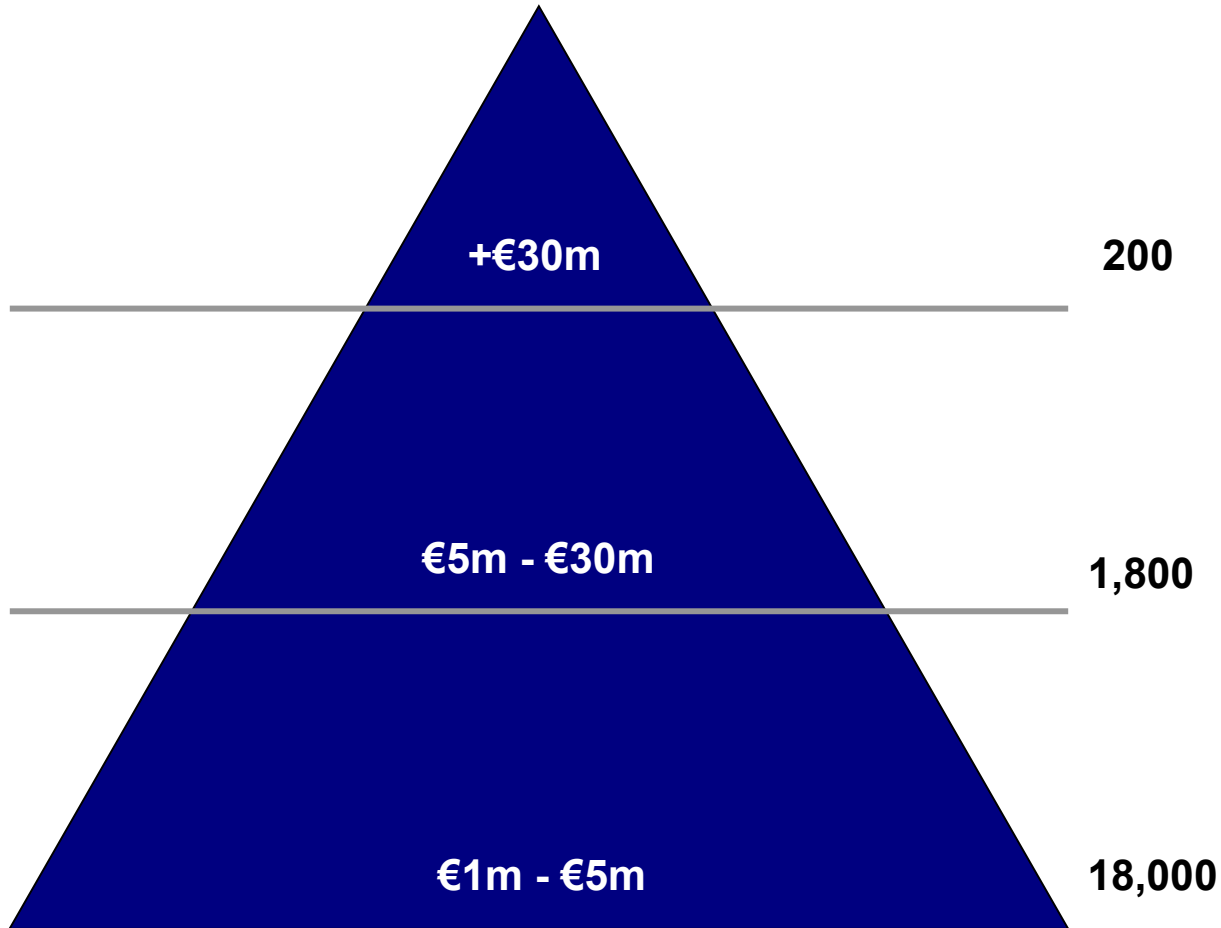
Irish wealth pyramid





# 20,000 millionaires in 2010

Irish wealth pyramid



# In the midst of a financial crisis...

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- **Investors:**

- **Freeze**

- As Professor Kahneman states: “One of the responses to a very novel or threatening situation is to freeze. This has very deep biological roots – it’s what rabbits do and it’s what deer do and, to some extent, this is what we all do when we are in the presence of something that we don’t understand.”

- **Need advice**

- The key strategy in times of crisis is to keep the lines of communication open.

- **Want transparency**

- Transparency and due diligence are at the forefront of investors’ minds to ensure that what they are doing that they can understand. In essence, a quest for simplicity.

# Summary

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- Devastating decline in the real economy
- Government coffers have run dry
- Investors and households confidence hit
- Increase in precautionary savings
- Lost faith in financial advisers
- Millionaire class significantly smaller, especially the Celtic Tiger cubs

# Disclosure

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