From: Grow | Marinis Group
Sent: Friday, 6 January 2017 10:06 AM
To: Grow | Marinis Group
Subject: Looking forward, looking back
Attachments: 1. 2016 12 29 - Advertiser - Super still on a winner despite turbulent year.pdf; 2. 2016 12 31 - Advertiser - Where you should put your money in 2017.pdf

Dear Friends

January 1 this year saw hundreds of hard-working pensioners take a pay cut as a New Year present from the federal government; this is an extremely disappointing outcome.

Basically, anyone who has had the good sense to accumulate more than $375,000 in super but still qualify for an age based pension, has now had that support cut, on a pro-rata basis. Our politicians and public servants have behaved like the government of Greece, pushing budget repair responsibility onto retirees while choosing to ignore the 10% 'extra' they gave themselves as a tax offset applied to their own already generous retirement income arrangements.

But anger and disappointment doesn't stop me from looking for solutions to this Canberra created double standard!

There are things people can do to avoid or at least mitigate the impact of this cut. You should read up on the changes and get advice before you act – but it may be in your interest to upgrade your car, go on a holiday or even buy a better house – in order to reduce your super balance to below $375,000. This may be the way to keep some of the benefits of super as well as the achievement of a full age pension entitlement.

With good advice and the maximum in super (including any other assessable assets) a couple can earn approx. $53,000 pa (based on the full rate of age pension for home owners of $34,252 pa, plus $18,750 pa based on the minimum prescribed Account Based Pension draw down of 5% pa on $375,000). This is the equivalent of taking home around $70,000 pa when you were working, as you don't have to worry about tax and super.

There are a lot of approaches available to the well-informed which can increase this figure – speak to me (or any other competent financial adviser) to find out if you are eligible for any of these, and to help decide if any are appropriate for you.

If this age pension benefit cut affects you or your loved ones, you should meet with or write to your MP – and be prepared to change your vote as a protest. Otherwise, it is my view that our politicians will continue to focus on the easy targets.

Sadly, once we have all digested the new pension cuts, we must get ready for the next 'whammy'. The super rules change on 1 July 2017, thanks to one of the final acts of our parliament last year. Key changes include:

- Introduction of a $1.6 million transfer balance cap for retirement
- Removal of tax exemption for transition-to-retirement pensions (T2R pensions)
- Cut in the annual concessional (before-tax) contributions cap to $25,000
- Cut in annual non-concessional (after-tax) contributions cap to $100,000

There are also a number of other minor changes which we anticipate will not apply to the vast majority of our clients. In the interim, as per our usual practice, we will be touch with those of you who may be affected by these, as well as any of the key changes outlined above.

If you want to know more about any of these changes, please speak to me or one of my team directly, or have a look at https://www.superguide.com.au/retirement-planning/2016-federal-budget-summary

For those of you who have a Self-Managed Super Fund (SMSF) now is the time to review your trust deed – I strongly recommend you chat to both your accountant and your financial adviser in the first quarter of the year so you can efficiently make any changes you need before the dawn of the new financial year. Bear in mind that to be a super fund trustee you must be an Australian resident, and as part of your SMSF's investment strategy review, you must consider whether or not Life Insurance is required, and ensure that those considerations are fully documented.

Remember to review your SMSF's trustee arrangements; if your SMSF currently has individual trustees, you may need to consider whether it is time to make a change to a corporate trustee structure.

With all this change and confusion around, it is wise to prepare for the one inevitable thing; therefore, make sure your will is in order and your estate planning is up to speed. This is not just a matter for your lawyer, but also your financial adviser (and if you have more complex arrangements, probably your accountant as well). Most lawyers do not realise that a 'Death Benefits Tax' liability of almost 20% can be simply removed by a 'cash out and re-contribution strategy' which preserves one in five dollars for your beneficiaries, rather than your 'hard-earned' going in tax.

Getting into the 'financial markets helicopter', it might also be a good time to think about where the markets might be over the year ahead... and I can say with 100% certainty that I have no idea. Past performance is no indicator of future performance, so the markets could boom, bust, or remain the same. However, over the last 30 years the ASX has returned an average return of nearly 10% pa, so I will be planning for a conservative return of 5%.

The biggest unknown is the impact of US President Donald Trump. His pre-election rhetoric was truly frightening to many of us, however, he seems to be taking a more conservative approach in the lead up to his January 20 inauguration – so we can only hope that his performance in this most crucial job is positive. Don't sell up, don't panic, just develop a medium to long-term plan in consultation with your advisers, and stick to it.

One thing I can also be certain about is that the regulation of investments has become so incredibly tricky that it is almost impossible for any individual to do it all competently. I strongly suggest you get, and follow, professional advice – have your financial planner, accountant and lawyer work together.

Finally, please find attached, two recent *The Advertiser* articles, quoting me on various investment matters, for your reference.

Please feel free to pass this edition of eGrow on to your family and friends if you feel it will be useful to them.

And as always, if you have any questions, please do not hesitate to contact me or any of my team – we will be delighted to help.

Attachments

1. Source: The Advertiser 29/12/2016 – Super still on a winner despite turbulent year
2. Source: The Advertiser 31/12/2016 – Where YOU should put your money in 2017

Kind Regards

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Super still on a winner despite turbulent year

ANTHONY KEANE

SEVEN is a lucky number for Aussie savers as superannuation funds look set for a strong finish to 2016.

Research group SuperRatings estimates that balanced super funds – where about three-quarters of Australians hold their life savings – have grown 7.2 per cent for the calendar year.

Super's positive result comes despite a volatile year with sharp losses in January and February when investors were urged to "sell everything", the shock of Brexit midyear, and Donald Trump's surprise election win that had been expected to cause a collapse in financial markets.

It is the fifth straight year of positive returns and has added more than $13,000 to an average worker's super balance, when combined with their employer's contributions.

SuperRatings chief executive Adam Gee said rising share markets in Australia and overseas, particularly in November and December, had driven the good super gains.

Up until yesterday, super funds had improved 2.1 per cent in December alone, he said.

"Equity markets have rallied – there's been a big Santa rally," Mr Gee said.

He said super funds and investment managers were expecting the volatility that hit 2016 would continue in 2017.

> In January it was 'panic stations, abandon ship' and all of a sudden the market has turned around
>
> THEO MARINIS

Balanced super funds usually tell their members to expect one negative year in every seven years, so five positive years in a row suggests a downturn may be ahead – although nothing is certain.

"It could be next year, it could be the year after, but we are tracking pretty well at the moment," Mr Gee said.

Marinis Financial Group managing director Theo Marinis said this year's 7.2 per cent return was the typical long-term annual return for a balanced investment mix.

Balanced super funds hold about half of their members' money in shares, about 10 per cent in property, and the remainder in cash, fixed interest, infrastructure and other assets.

The average Australian super balance is about $75,000, and the average wage of almost $80,000 receives 9.5 per cent of compulsory contributions from employers – all reinvested for the future, often over many decades.

"It's the long term that matters," Mr Marinis said.

"In January it was 'panic stations, abandon ship' and all of a sudden it turned around."

Fears about China, Brexit and President-elect Trump all failed to dent financial markets, he said.

"If people knew which way the market was going to go, they wouldn't be telling you. They would be cornering it themselves and making a profit," he said.

"Trump seems to have surrounded himself with smart people.

"There's a lot of comparisons to Ronald Reagan, who also surrounded himself with smart people.

"The bull run we have seen since the US election is the market saying maybe Trump will not be that bad."

Slater to stay tight lipped on debt rejig

EMBATTLED law firm Slater & Gordon says it has forged an agreement with lenders on the terms of its loans due in the next 17 months, but long-suffering investors won't be granted any more updates on the process than required.

Slater, which is the subject of a class action brought by rival firm Maurice Blackburn on behalf of aggrieved shareholders, said it expected "media speculation" regarding its bank facility arrangements due in May 2018.

As of June, the end of its latest financial year, Slater had $682.3 million in net debt from a host of lenders including Westpac and National Australia Bank.

Analysts have speculated on the potential for Slater to agree to a debt-for-equity swap with the banks as a way of reducing its burden.

But in a statement yesterday, the law firm said while it had reached an accord to make amendments to its loans, it did not intend to provide a "running commentary".

"The company is working proactively and co-operatively with its lenders to explore and manage options for the refinancing and recapitalisation of the group," Slater said.

"The process has commenced well ahead of the May 2018 deadline, with the objective of achieving an appropriate and successful outcome for stakeholders and a smooth process leading to that outcome," Slater said. Its shares closed 2 per cent higher at 23.5c, well down on last year's all-time high of $7.85 before the firm's ill-fated UK expansion.

Adelaide clean water technology leads way

CAMERON ENGLAND

SOUTH Australian water technology company Hydro-dis has passed a 10-year evaluation and field trial in Western Australia and has recently travelled to India where the potential is large.

Managing director Mark Carey says the company has run three pilot programs for the WA Water Corporation since 2007 and now has one system operating and two pending in that state.

The company travelled on the State Government's trade mission to India in August and recently returned to India for follow-up talks.

Mr Carey said the technology was well-suited to India, where the pipe network was often unreliable and large tanks – susceptible to contamination – were often used to supply small areas with water.

"The technology is one we've developed in South Australia," he said.

"It's a disinfection technology that disinfects water without the need to add chemicals.

"It's a dual-stage process which gives us the ability to have a disinfection kill equal to or better than UV or ozone, but what we then do as part of our process, is produce a residual of free chlorine which gives you continuing protection of the water downstream, for example through a network.

"In India the situation is they disinfect the water with UV, people come and fill up a bucket or pitcher – if the bucket's been used for something else it's not clean."

But with the Hydro-dis system the residual chlorine improves the chance the water will remain safe to drink however. The electro-chlorination process uses a specially-designed cell which can be retrofitted to any kind of pipe.

"What we've done is we've taken an existing technology and made it work in an environment where nobody thought it could work. It's taken us about 15 years to get there and a series of prototypes."

The smallest unit currently processes about 2500 litres of water an hour but the system is scaleable up to 10 million litres a day. The company is also looking at a smaller version to cater for the Indian market.

SMART: Hydro-dis chief Mark Carey holding a working prototype of a Gen 3 Cell.

As well as the two-stage disinfection process, the unit removes the need to transport and store chemicals such as chlorine or salt, adding to its cost effectiveness and safety.

The capital cost is comparable to chemical systems but Mr Carey says the physical footprint and power costs are low. "We can literally put it in a box on the side of the road."

Growth slows in Vietnam

VIETNAM'S economic growth eased off in 2016 but remained resilient in the face of a global trade slowdown and environmental disasters, authorities said yesterday.

Its GDP picked up in the fourth quarter to clock in at 6.2 per cent in annual growth, a dip from last year's 6.68 percent, official data showed. Robust manufacturing gains helped the economy expand in the fourth quarter to 6.68 per cent, up from 6.4 in September.

Big bickies for smaller operators

A CREPERIE, takeaway shop, mechanic and butcher are among 20 businesses that will share in almost $1 million in State Government grants.

The government said the start-up and expansion grants, administered through the Small Business Development Fund, would create about 60 jobs and were part of a $10 million fund supporting business in Playford, Port Adelaide Enfield and Salisbury Council areas.

One of the successful applicants is Cavan's Windamere Park which will use a $90,000 grant to establish a camp to help clients with disabilities learn daily living skills and tailored job training.

Mega Courts Indoor Sports will use $100,000 to fast-track the expansion of indoor multi-sport centres into the northern community, and Para Hills firm J D Trucking will use $80,000 to purchase four trailers to carry out work on the Northern Connector project.

Small Business Minister Martin Hamilton-Smith said the priority for the Government was supporting small businesses to grow.

Payday for Santos with PNG find

SANTOS has made a gas discovery in Papua New Guinea.

The Adelaide company said the Muruk 1 exploration well had been drilled to 3130m and the preliminary interpretation was that it had encountered gas and condensate within the primary target formation.

Santos announced in November it had signed an agreement to farm-in for a 20 per cent interest in Petroleum Prospecting Licence (PPL) 402 in Papua New Guinea, with the interest to be acquired from both Oil Search and ExxonMobil.

Santos said yesterday the drilling results were in line with expectations which were for a gas resource of two trillion cubic feet of gas.

"Subject to joint venture approval, the rig will commence drilling a geological sidetrack down dip to the northeast, to attempt to delineate the hydrocarbon-water contact within the Toro Formation," Santos said.

Santos owns 20 per cent of the project, affiliates of ExxonMobil (42.5 per cent) and Oil Search (37.5 per cent, operator).

Where YOU should put your money in 2017

ANTHONY KEANE

CHOOSING where to put your money in 2017 appears more confusing than ever.

House price growth varies widely between cities, bank deposits are paying a paltry 2 per cent and the recent share market rally raises the risk of more volatility in financial markets.

However, the best place for your money in 2017 may not be a traditional investment. We are in a low-growth world and gone are the days of 7 per cent term deposit interest rates and share markets climbing 10 to 15 per cent a year.

Financial specialists say debt repayment, superannuation and insurance strategies might deliver bigger benefits, and a person's age is a key factor in determining where their money should go.

Here are some of their suggestions for 2017, based on five key life stages.

STUDENTS AND YOUNG SINGLES

Start saving 10 per cent of any income you earn. It doesn't matter if it's for a car, holiday or house deposit — it will pay huge dividends later in life, according to financial strategist Theo Marinis.

"Get into the habit of not spending everything you earn – it's a good discipline," he said.

SAVE: Theo Marinis.

Temptation can lead many young people into crippling debt so avoid credit cards where possible and make paying off credit card debt a top priority. Most investment returns are forecast to be between 2 and 10 per cent in 2017 so it's pointless putting money into an investment if you are losing 20 per cent a year on credit card interest.

Student loans don't need to be paid of quickly by young people as their interest rate is much lower than other debt.

Take an early interest in superannuation. Avoid having multiple funds charging multiple fees and make sure your super is invested mainly in high-growth assets that will grow the strongest over a 40 to 50 year working life.

YOUNG COUPLES

Two incomes can work well together saving for a house deposit and preparing for family life, and there may even be some scope to become an investor.

Would-be property investors must research the house price history and outlook in their area, and shares should only be bought with a long-term time frame of seven to 10 years. Share and property investments should not be used as part of a three-year plan to save a home deposit, because they are too volatile.

"The secret to investing, whether it's inside or outside super, is compound interest. It makes a massive, massive difference," Mr Marinis said. Reinvesting income multiplies wealth over time.

Young couples should start life insurance and private health insurance policies by age 30. Life cover and income protection are much cheaper for those who are young and healthy, and private health insurance penalties can affect people over 31.

BDO Private Wealth partner Tony Simmons said young couples aiming to have children later should aim to put one partner's wage aside as an experiment to see how they could survive on one income.

2017 FORECAST INVESTMENT RETURNS

Bank deposits	2%
House prices	4%
Aussie shares	9%
Global shares	9%
Property trusts	5%
Infrastructure	10%
Bonds	2%
Balanced super fund	7%

Source: AMP Capital

FAMILIES WITH CHILDREN

Life insurance is vital at this stage of life and often can be bought through superannuation, where the cost of premiums does not come out of your hip pocket.

"Think more about life insurance so that debts are covered and the children can be educated. A non-working spouse needs life insurance as well," Mr Simmons said.

This is the most expensive time of most peoples' lives as housing, education and other child-related costs seemingly suck away every spare dollar, but experts say it's also a great time to pump a little extra into superannuation.

New super rules starting in July mean that it is unwise to delay making extra super contribution until your late 50s, so consider salary sacrificing a small amount every pay packet. This also lowers your tax costs because super contributions are taxed at just 15 per cent rather than marginal tax rates of up to 50 per cent.

Salary sacrifice makes savings automatic and families can also look at automatic transfers to dedicated savings accounts before they have the chance to spend. Research this month by financial services group ME found that just one in five households had set up automatic transfers to savings accounts.

ME head of deposits Nic Emery said another key to getting ahead financially was to track all household expenses and set a realistic budget. Almost anyone who writes down all their spending is likely to find unnecessary fat that can be trimmed.

EMPTY NESTERS

The true empty nester – a pre-retiree whose adult children have gone – is a shrinking species as more kids hang around home into their 30s.

Mr Simmons said today's empty nesters were older than the previous generation. Many also have a mortgage as they approach age 60 and this should be a priority to pay off.

"Get rid of non-deductible (non-investment) debt and don't get too defensive with investments," Mr Simmons said.

"Aim to retire without personal debt and with a reasonable superannuation balance."

The best thing an empty nester could buy in 2017 might be some independent financial advice. Constant government rule changes make it near-impossible for an average person to understand what is best to do and tax-saving strategies such as transition to retirement can still work.

Use free compound interest calculators and superannuation tools on websites such as moneysmart.gov.au to get an idea how much you will have in retirement.

Choosing some higher-risk and higher-return investments, or even working a couple of years longer, can make a big difference to the final size of a nest egg.

Forget the old saying that you need $1 million to retire comfortably. The actual figure for a couple is $640,000, which the Association of Superannuation Funds of Australia says will deliver almost $60,000 a year when combined with a part age pension.

RETIREES

Most Australians retire with the above super/pension combination. Tougher new age pension assets test rules – to kick in tomorrow – only affect about 10 per cent of retirees.

Advisers said a big danger for retirees was being too conservative with their investments, such as sticking every dollar in a cash savings account earning just 2 per cent.

Mr Simmons said someone in their 60s should still aim to have at least half their money invested in growth assets such as property and shares, and own "a good blend of diversified asset classes".

Mr Marinis said longer lifespans and low interest rates meant many retirees needed to think beyond the safety of cash in the bank, because growth assets performed better over 10-year periods.

"If there's a couple of 65 year olds sitting in front of me, there's about a 90 per cent probability that at least one of them will get to 90," Mr Marinis said.

"Cash earning 2 per cent might help you sleep better at night, but you will run out of money a lot quicker than someone who might have got 7 per cent this year."