

LEAVE GREED OUT OF SUPER

Investors being persuaded to gear (borrow money) via new Installment Warrant arrangements in their Self Managed Superannuation Fund (SMSF) may be hurting financially in the future, as the current economic environment clearly shows us. These people should therefore be demanding answers, says Adelaide-based financial strategist Theo Marinis.

“Whilst gearing (or borrowing to invest) is a legitimate wealth creation strategy, it is **NOT** appropriate for everyone. As with many such arrangements, often only the ‘upside’ of gearing is explained with not enough explanation of the ‘downside’ risks of gearing.”

“Superannuation is not to be gambled with. It is there for an individual’s long-term retirement funding, however some ‘financial engineers’ who had lost site of the intent of super are potentially doing their clients a great disservice by introducing them to Installment Warrants via SMSF.” Theo said.

“It has been widely reported the ASX has recently lost around 20 per cent of its value over recent months in what is seen as a healthy correction by sensible investors who saw the run-up of the All Ordinaries index to the mid 6000 point as a classic bubble.*

“You would have to question the actions, if not the qualifications of promoters of the proposed Installment Warrant rules for SMSF’s who not only didn’t see the current market volatility coming, but also fail to educate their clients that while they can theoretically benefit greatly from the telescoping effect of gearing, they can also suffer the equal and opposite effect on the way down.

“In my view, it is immoral to recommend Installment Warrants in the superannuation environment. If the investment is that good, a client should be advised to gear into it away from the tax incentives the government allows for people who are legitimately planning to fund their retirement”.

“Superannuation is meant to be a long-term wealth accumulation vehicle which creates a pool of funds to ensure an individual has financial independence in later life. You only have to look at the newspapers to read how wrong overseas authorities have been, allowing pension funds to invest exclusively in businesses such as Enron (and more recently Bear Sterns) for example, which have lead to staff losing not only their own job, but also their retirement savings. We must be vigilant against this sort of behavior in Australia.”

“I call on the Rudd government to reverse the former government’s foolery in broadening the rules to allow wider use of Installment Warrants within SMSF’s. Prudential regulation (as the current market conditions clearly demonstrate) needs to be tightened not further diluted”. Marinis said.

Marinis Financial Group wrote to its client base in April 2007, advising them that a correction was anticipated (Visit www.marinisgroup.com.au)

- 2 -

-000-

For further information please contact:

Theo Marinis B.A., B.Ec., CPA., CFP®

Financial Strategist

Authorised Representative

T 08 8130 5130

F 08 8331 9161

M 0412 400 725

A 67 Kensington Road

NORWOOD SA 5067

E admin@marinigroup.com.au

W marinigroup.com.au

Disclaimer

The information in this article reflects Theo Marinis' understanding of existing legislation, proposed legislation, rulings etc as at the date of issue. While it is believed the information is accurate and reliable, this is not guaranteed in any way. The information is not, nor is it intended to be comprehensive or a substitute for professional advice on specific circumstances.

The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.