grow

WITH MARINIS
AUTUMN '09

Contents & Credits

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Special thanks to Barry & Deidre Wilmot, Keryn Johnson and 'George & Samantha'.

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Editorial by Theo Marinis

Over the summer break I'm sure we all took the opportunity to reflect on the unbelievable period we have just been through in the world economic cycle. I came away feeling unbelievably relieved.

Like everyone, the fall in world markets has hit my superannuation severely and affected the value of our house, even our business, but I took the opportunity to think back to the crisis that my grandparents and older uncles told me about, 'The Great Depression', and it left me thinking "perhaps we have learnt something after all?"

We are not seeing people starving in Rundle Mall, we don't have a "hungry mile" at Port Adelaide, we still have an excellent social security system (introduced in fact as a direct result of the experiences during The Great Depression) and we have a much fairer and more just society. Importantly, as a consequence, Government represents more than a quarter of our economic growth (or GDP in economists' language!) rather than just the one per cent it did back in the 1930's.

On the financial planning side I am really pleased that as a business Marinis Financial Group has stuck to its core beliefs – as a client once said to me, "At least you are smart enough to know you are not smart enough to predict the future!"

We have remained true to our mission as financial strategists and not as stock pickers. We have continued to counsel the overwhelming majority of you, our clients, against margin-lending (borrowing money to buy shares) which has caused so much grief for investors at Victoria's Opus Prime or Queensland's Storm Capital. We have kept communicating with our clients and regularly invited them to call us if they have any concerns.

Where necessary, we have adjusted strategies to include a Centrelink component and we have encouraged all of you to organise your financial affairs through the Now Sorted! system.

I guess the lesson I have had reinforced during these turbulent economic times can be summarised in two old sayings: "Once you have a sound strategy, stick to it" and "Get rich slow".

As a financial strategist, there is nothing I can do which will directly affect the investment markets. What I can do is make sure I am constantly learning, that I am thinking about our clients' portfolios, and that I am on top of all the legislative changes. Consequently, I can help my clients position themselves to not only ride out the recent financial storms but also to thrive in the good times, which are inevitably ahead.

In fact this may seem a strange comment to many people who follow the financial crisis closely, but I actually believe the time ahead is going to be very positive for everyone and in particular the still working Baby Boomers and retirees.

You just need to ensure your strategy is right and that you stick to it. Anyone who is over 55 and still working would be mad not to have a Transition to Retirement (T2R) strategy in place, allowing them to essentially buy great quality investments at a huge discount with near tax-free dollars. Similarly, retirees with a correctly weighted portfolio with a large cash portion can move into growth assets – helping them enormously on the upswing – before reweighting again!

On a personal note, I would like to say a heart felt "Thank You" to all our clients who have taken the time to contact us during the recent difficult period on the global markets with personal comments of support and encouragement. Sometimes being responsible for advising so many good people about the best strategy for investing their funds during volatile times can be a lonely and difficult place. I really value and appreciate your support.

In conclusion, I'd like to congratulate Senator Nick Sherry, the Minister for Superannuation, for his ongoing "tidying up" of our retirement savings system.

Many of you will have heard of the $13 billion in 'orphaned' superannuation which has been administered by the ATO over the years. At last, some blinding clarity has dawned on the Canberra based bureaucrats under the Senator and they have decided to match tax file numbers (TFN's) attached to these accounts with the TFN's of tax payers – therefore returning the superannuation to its rightful owner. Now this decision in itself leaves the reader asking "Why did this NOT happen years ago?" However, having worked in the Federal Public Service for Centrelink, The Insurance & Superannuation Commission and at the ATO, I can assure you that obvious smart decisions can take a frighteningly long time to be made!

Theo Marinis B.A., B.Ec., CPA., CFP®
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Case Study: **Life's Unexpected Turns**

Sometimes life can take some unexpected turns, as Adelaide-based couple George and Samantha* discovered when their financial planner Theo Marinis suggested George go back to work as a volunteer.

Like many people over 50, George, a gas fitter, found himself being offered a redundancy which he happily accepted. Being a sensible person, George and his wife Samantha made an appointment to see Theo Marinis at Marinis Financial Group to discuss how they would fund themselves through their early retirement and beyond. George got a real shock when Theo recommended he go back to work for the next nine months.

At the time George was 60 and by satisfying a Centrelink activity test (eg voluntary work) for nine months after age 60, George was able to qualify for a Mature Age Allowance.

However, the work George found had a new slant – he volunteered with his local council looking after the house bound and elderly. There was actually enough work for two! After more than 40 years of marriage he found himself working alongside Samantha!

"At first we were very apprehensive," Samantha said. "After all, throughout his career George had not really had a lot to do with the general public but he and I were amazed at how much we both enjoyed volunteering, in fact we kept it up for another five years beyond our original plan.

It is true what they say: "You often get more out of volunteering than the people you help do."

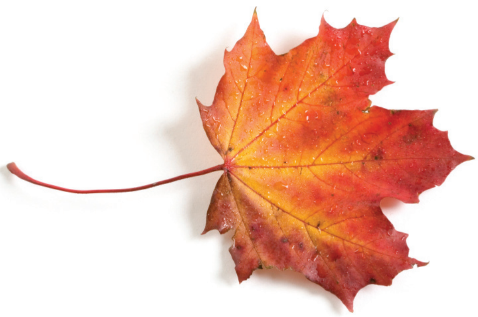
Theo said George and Samantha were self funded retirees. In 2001 they were concerned about falling markets and their Allocated pensions at the time.

"They followed my advice to roll funds back into super and applied for Centrelink benefits, reluctantly originally, as George in particular was not sure about the voluntary work requirement. In the end they both loved it and kept going till earlier last year, even though they could have given it up long ago!", Theo said.

"Since our original 2001 meeting we have invested their retirement funds partly in a lifetime asset test exempt annuity for Samantha and a Growth Pension for George, plus they have an Account Based pension for day-to-day funds as well.

"They are both on Age pensions now, in addition to income from their own super pension and annuity investments and now have more (tax free) income than when they were working. Not surprisingly, George and Samantha really appreciate the advice they took from me which has left them very well off.

"Despite the current market volatility, George and Samantha are not concerned because in our recent review the fall in their investment values resulted in a significant increase in their Centrelink age pension benefits which replaced the reduction in their own income, due to the current reduction in their private pension balances."



*Not their real names - but a true story

Client Profile: **Barry & Deidre Wilmot**

Transition to Retirement (T2R) legislation could not have been more timely for Barry and Deidre Wilmot as they planned for the start of the next chapter of their lives as retirees.

As a General Manager and a Registered Pharmacist, Barry Wilmot was well used to planning in advance. Therefore, five years prior to retirement, he and his wife of almost 40 years, Deidre, mapped out their goals for life after work and established firm plans for how they were going to be achieved. It was shortly after this, that the Federal Government introduced some interesting new opportunities under the banner of Transition to Retirement.

Barry and Deidre met at university and studied pharmacy together and Barry served his country as a Lieutenant in the Royal Australian Army Medical Corps before returning to civilian life. Barry worked for National Pharmacies for 46 years and Deidre held a range of professional positions managing community pharmacies, working in hospital departments and for the Federal Government. They recognised that despite their outstanding education and life experience it was paramount to speak with a qualified financial planner to work out how best to take advantage of the new rules.

"A friend recommended Theo Marinis to us because Theo had gained a reputation for his understanding of the Transition to Retirement rules. I had some three years of work ahead of me with National Pharmacies and consequently the new rules sounded very attractive," Barry said.

"Theo explained the new rules very clearly and helped us implement the process very smoothly.

My employer was willing to help, despite salary sacrificing so much into super being an unusual request at the time. In fact, over the last two years I was with National Pharmacies as a General Manager I salary sacrificed the majority of my salary into superannuation.

As Deidre and I had put considerable thought into what we wanted to do after retirement, we kept a significant amount, in fact around a quarter of our fund in cash. This was because we planned to make some improvements to our home and to travel after finishing full time work. With the current market decline, being overweight in cash has been very helpful in reducing the impact.

Deidre is recovering from knee replacement surgery and we are looking forward to exploring Spain, Portugal and Morocco before cruising along The Rhine in the next few months.

I've recommended Theo to friends because he is straight forward and open, as well as passionate."

"During the recent difficult economic times which are driven primarily by the American economy, Theo has been communicating with us via letters, phone calls and with his magazine. He has consistently recommended not selling out and holding our nerve, which I think has been invaluable advice.

I am absolutely confident the market will bounce back and that some of the great icons of Australia, like BHP Billiton, will be global powerhouses, ensuring the wellbeing of our economy for future generations.

From my perspective as a new retiree, it makes sense to me that working people plan for their own retirement and take responsibility for it.

I'd recommend people put away 15 per cent of their income into superannuation as this has been, historically, the amount that provided a reasonable figure in retirement, thus meaning a lifetime personal contribution of six per cent above the mandated nine per cent. It isn't easy but it is wonderful to be retiring with the opportunity to have some choices in your life. I would not like the thought that Deidre and I would have to rely simply on the age pension after a lifetime of work".

Media Release: **Generation X - Stunned!**

For most Generation X'ers (those people born between 1961 and 1981) the wonderful, easy world of making money, full employment, buying a plasma TV on easy credit and 20 per cent investment returns has evaporated and as a result, many are stunned by all the negative reports on the current economic downturn. However, these are actually good times for those smart enough to take advantage of it, says Adelaide-based financial strategist Theo Marinis.

"What we are really experiencing at the moment is the pendulum swing of correction which was due in response to the greed and excesses of the recent few years," Theo said.

"For Generation X'ers these are unprecedented times. You can understand why so many are worried that Australia may be facing a depression. Clearly however, we are not heading for a depression, it simply feels that way for a generation which has little personal life experience other than the unprecedented good economic times to draw upon.

Perhaps they should chat to their grandparents about what a real depression is like! We all need to remember that there was no Social Security system in place in the 1920's or 1930's. The social security system was introduced due to the terrible hardships experienced during the Great Depression. This was to ensure there will always be a safety net to reduce the pain during times such as we are currently experiencing."

"For those Generation X'ers who maintain employment (and this will be the vast majority of them) these times are a brilliant opportunity for those smart enough to subscribe to the old axiom 'Get Rich Slow.'

Petrol prices have fallen by 30 per cent, interest rates have dramatically reduced and for those eligible, the Federal Government has been very generous in giving away free money to working families.

It is what the Generation X'ers do with these windfall gains which will make a dramatic difference to their long term wealth."

"Firstly, any extra money should be used to pay off short term debt such as credit cards and/or car loans, then any extra funds should go to their home mortgage. Paying off debt as quickly as possible gives you the chance to later supercharge your superannuation by making significant personal contributions."

"Now Super has of course recently been getting a lot of bad press, which is quite unfortunate and ill informed.

You need to remember that Super is simply and undeniably the most tax effective way to save for your retirement. It is the investments held within Super that are being hit at the moment, but they, have been hit whether held in super or not!

The wonderful thing is that for Generation X'ers with more than 20 years to go to retirement, their super contributions are buying into shares which just 18 months ago cost twice what they do today. This means those super contributions will get a supercharge rebound when the share market comes back (as it always does) in the medium to long term."

"Many Generation X families often have one partner working part time. There remains a great opportunity for those earning less than $60,342 to contribute up to an extra $1,000 to their superannuation to pick up the Federal Government's co-contribution payment and there is nothing stopping the higher earning partner from making this contribution on their behalf!"

"In fact, for those Generation X'ers who are clever enough to recognise that the world has changed, but that the sun will still come up each day, these are great times to build family wealth. It is like the famous opening lines of the classic Charles Dickens novel 'A tale of Two Cities' It was the best of times; it was the worst of times..."

Media Release: **Great Time to be Generation Y!**

The world might be coming to a financial end if you believe all the hype, but there has never been a better time to be a young working person between the ages of 16-25, also known as Generation Y or "Gen Y'ers," according to Adelaide-based financial strategist Theo Marinis.

"So long as a Gen Y'er is able to hold down a job, we should not get too caught up in the gloom. A 7 per cent unemployment rate still means 93 per cent of us have got paid employment. Times could not be better economically for working Gen Y'ers and don't forget that unemployment is still currently around four per cent!" he said.

"A smart Gen Y'er will be taking advantage of the lower interest rates to pay off, as much as possible, any "lazy" short-term debt such as credit cards and car loans. The lower cost of fuel, down almost 30 per cent, will also help."

"Once the credit card and the car problems are sorted, an older Gen Y'er with some get up and go will be getting themselves a home loan with cheers all around from their parents, move into it later in the year or early in 2010 when property prices which traditionally lag the stock market are likely to be at their most affordable in the cycle. If the rumours are right, the Federal Government will have extended its unbelievably generous first home owners support scheme which will essentially pay off the stamp duty and solicitor's fees."

"For those Gen Y'ers who perhaps don't earn sufficient to take on a home loan, believe it or not, they will do really well in the long term by putting extra money (after paying off lazy debts) into their superannuation.

There are two great reasons for putting more money into super right now – the first is you will be buying assets at around 50 per cent of what they cost just 18 months ago, which is a terrific bargain that will stand you in great stead when the markets return. The second is to take advantage of the superannuation co-contribution offered by the Federal Government.

Under the co-contribution, workers who put extra into their super and earn less than $60,342 pa will find the Federal Government will give them additional superannuation money for free – up to $1,500 in a year for those earning less than $30,342 who contribute just $1,000 extra themselves. There is nothing stopping a generous parent or grandparent from making this payment on their behalf!"

"So how much impact will this approach have – a huge amount particularly if repeated each year. If a 19 year old earns $27,000 pa, their employer will be compulsorily contributing almost $2,500 into super for them under the Super Guarantee (SG) rules. When you then personally add a further contribution of $1,000 from a relative and the Federal Government's $1,500, you get a total gross super contribution of around $5,000 pa."

"It is reasonable to expect just the $1,000 pa personal extra contribution and the resulting $1,500 government contribution to grow to $250,000* by the time that person is 65 years of age.

Further, this $250,000 super saving is over and above the value of the compulsory SG contributions and earnings balance over that time!"

"Now, human nature being what it is, most Gen Y'ers will notice a few extra dollars in their wallets and go and buy a trendy new outfit. However, for those who have a view which expands further than next weekend's dance party, the opportunities presented at the moment are fantastic."

"It is unlikely that the people I'm talking about will be reading this article. However, their parents and grandparents might be able to pass on the message. I recommend texting!"

*Based on an assumed 6% pa net earning rate.

Media Release: **Boomers & Retirees - See Your Adviser**

Despite widespread headlines of doom and gloom as a result of the much over-hyped Global Financial Crisis, it could actually prove to be the real break Baby-Boomer and Retirees have been hanging out for – they just need to make sure they have had their portfolio reviewed and if necessary, reweighted, says Adelaide-based financial strategist Theo Marinis.

"Baby Boomers who are over 55 and still working are in a fantastic position so long as they are using Transition to Retirement (T2R) legislation to help them supercharge their retirement savings. They are using near tax-free dollars to buy heavily discounted assets which means when the market returns to good health (and it will as sure as day follows night) they will have had a double win," he said.

"Working Baby Boomers should make sure their adviser reviews the asset classes of their existing portfolio and if necessary, reweight it to take advantage of the time they have left until retirement and the projected income they will be getting between now and then."

"While many predict the future will be bleak for Boomers and Retirees, these prophets of gloom are forgetting that there is still a looming skills shortage in Australia. If you look at the public service, one of the major employers in the country, for example, it is estimated that 30 per cent of the work force will be eligible to retire by 2013. Further, it is a similar situation in every sector of the economy!

Baby Boomers will have the potential to be recruited and even retrained for new careers, on their own terms (probably therefore on a part-time basis) to fill these vital roles in administering the Government's policies and the great news is that they will be able to do so using a T2R approach thereby paying little or no tax."

"As strange as it seems, retirees who have provided financially for their own retirement are in a very good position as well, so long as their portfolio has a balance between a strong cash buffer and believe it or not, growth assets. The cash buffer allows them to see out the present difficulties while the growth assets will help them make the most of the impending upswing in the medium to longer term."

"In fact, retirees will be enjoying the cost of living reductions brought on by the Global Financial Crisis including cheaper fuel, airfares and food items."

"In addition, people should not lose sight of the fact that 21st Century Australia is very generous by world standards. We look after pensioners by providing up to 25 per cent of the average working man's wage in Centrelink Age Pension benefits in addition to allowing people to have their own private pensions (through super), providing significant additional income to supplement the basic Age pension even for those with relatively modest private savings."

"All those scaremongers talking of another Great Depression need to be reminded that this was not the case in the 1920's and 1930's.

In fact, the Great Depression was the main impetus for the creation of our safety net Social Security system. It was to ensure that in time of economic downturn people would not be forced to live in the streets and line up at soup kitchens for a feed."

"Self funded retirees too, need not panic. For example, a self funded retiree of 65 with $1 million in a superannuation pension has options even if their pension investments are not currently, correctly allocated."

"In this case, they need to review their investment allocation with the aid of a quality adviser. A good adviser could, for example, reallocate $200,000 of the portfolio into cash investments with the balance remaining exposed to growth assets (subject to the client's risk tolerance)."

"This cash allocation acts as the portfolio's 'shock absorber' to cushion the portfolio from market volatility and is the account where the pension payments will be paid from, ensuring none of the growth orientated assets in the portfolio are crystallised at a loss, in the current environment."

"Now, if this self funded retiree pensioner draws $50,000 pa (tax free super pension) as 'pay' taken from their 'shock absorber' cash portfolio, they have about four years of pension payments in the starting $200,000 cash account."

"However, this ignores that the entire portfolio is receiving income (eg interest and dividends) even though the portfolio value has fallen during the current crisis. If we assume a conservative 4% pa net income yield that equates to around $40,000 in income flowing into the cash account, whilst drawing $50,000 pa in pension payments from the cash account."

"Quite clearly therefore, the $200 000 cash account will be self funding for many, many years providing plenty of time to ride out the current volatility and allow the growth assets to recover their capital value, as they certainly will in due course."

"In my more than 20-year career including my time at the ATO, Centrelink and the Insurance & Superannuation Commission before establishing Marinis Financial Group, I have observed one golden rule of the world – times are never as good as they seem and they are never as bad as they seem."

"I remain very optimistic that Australia will pull through the current global financial crisis and will spring back to its position of robust growth, having learned the lesson about getting rich slowly – it is about the strategy rather than the trying to pick the best underlying investments or the best time to buy."

The People: **Keryn Johnson**

Anyone who has met Marinis Financial Group's Life Insurance expert Keryn Johnson would not believe she has more than 30 years experience in the industry, but it is true.

What's more, Keryn and her children are living testaments to the benefit of making sure your estate is protected against premature death, having lost her husband Mark at an early age and being left to raise their children on her own.

"One of the really satisfying parts of my job at Marinis Financial Group is when I know we have really helped out a family like mine, which needed the peace of mind life insurance can bring," Keryn said.

"It is difficult enough having to deal with grief and loss, let alone the prospect of losing a home or business because the bread winner is no longer there. Life insurance simply allows you to get on with living as it works to cover your financial needs."

"My husband and I had our own Life Insurance and Superannuation business which I continued for several years following Mark's death before finally selling. Fortunately we practised what we preached and had adequate cover for ourselves so there was no need for me to work as hard. I continued working for a while for another business before 'retiring'. However, my son Simon told me to go back to work – I think he thought I needed more of a challenge and he was right."

"I guess it's easy for me to do this job because of my own personal experiences. Nobody wants to make an insurance claim but it is reassuring in dire circumstances, such as a cancer diagnosis or a major heart attack to be able to focus on treatment and recovery knowing that your trauma or income protection policy will cover your financial needs."

"It's very important to have life cover, especially if you have dependants and it is not just men or the 'breadwinners' who should have it. Homemakers and others in unpaid roles often underestimate what their contribution to family life would cost to replace. Imagine if you were to lose your home or had to employ a housekeeper and a nanny while your children were young?"

"I really love dealing with all our clients and working with the rest of the MFG team. Theo often describes us all as part of a large family which I think is rather appropriate for our group. It is fair to say all our values are aligned."

Keryn has two adult children, two adult step children and has now welcomed the most joyous gift of all, a healthy grand-daughter, Layla Kate, born on the date of her late Grandfather's birthday. This simply goes to show that life does go on for families even when they lose someone they love.

Grow 2008 **Survey Results**

A very big thank you to the more than 60 clients who took the time to fill out our 2008 Satisfaction Survey. The results have been truly helpful and provide a clear insight into how we deliver our service.

Of our respondents, 50 indicated that our GROW magazine was useful to them whilst seven indicated it was not and based on this performance we will continue to produce GROW. We shall remove from our mailing list those clients who indicated that they did not benefit from the magazine however, they can always request to be put back on at any time in the future. Five responders said the question did not apply to them.

It was interesting that only 12 people who completed the survey responded to the question regarding the quality of our website, marinisgroup.com.au. They all stated that it was either good or excellent. Most people said the question was not applicable to them. This may reflect the demographic of our client base, or that we need to demonstrate the value of the website to our clients more efficiently. I shall continue to ponder this one.

More than 50 of our respondents mentioned they had seen articles quoting Theo Marinis in the media. This was very pleasing given the amount of time it takes to satisfy journalists' requests and sometimes demands! Generally though we appreciate being asked for our opinion by reporters as superannuation and retirement issues are very complex, therefore it is pleasing to see that they come to us as a good source of simple and clear information.

It seems our letters to our clients are achieving their goal on the whole, with one respondent describing them as fair, three saying the question was not applicable to them, 30 describing them as good and 30 marking us as excellent. We will remain vigilant to ensure we are as clear as possible, but given the very technical nature of superannuation and investment, this for us has been a very satisfying outcome.

We sincerely appreciated the ideas put forward for articles by our client base and have already started to include some in this edition. Obviously, we cannot please all the people all the time however, we always welcome feedback. If GROW is not relevant, it is not worth doing.

Once again, on behalf of the entire team at Marinis Financial Group, I would like to thank all those who took the time to respond to our survey. I have circulated the results throughout the office and talked with those people within the team who help produce all our communication materials so they know what's working and what we can improve on.

Sincere and warm thanks

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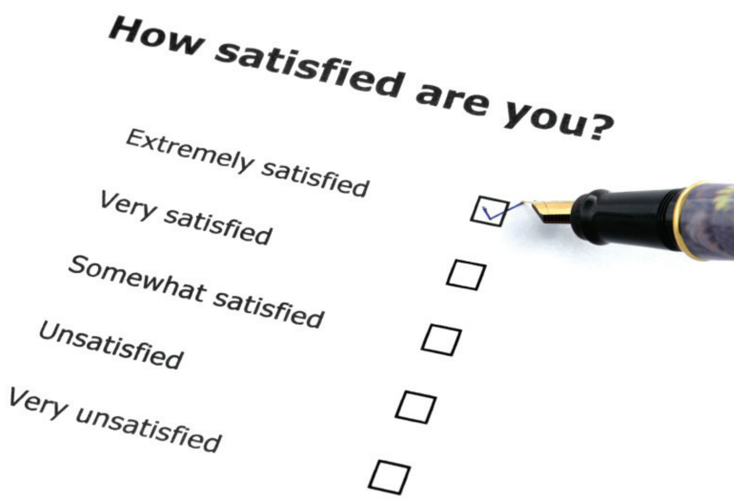


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