grow WITH MARINIS

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MARINIS FINANCIAL GROUP

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Unless you have a Crystal Ball, Stick to Your Strategy

Editorial by Theo Marinis

Becoming confident to retire is probably one of the hardest positions to achieve as a lot of people I see have just turned 50, waved farewell to the kids, paid off the house, bought a new car, had a bit of a holiday and suddenly think "Jeepers, I will starve in old age!"

Fortunately, they are incorrect and it is up to my profession to demonstrate to them how they can fund the golden years of their lives and live with dignity. My job is to help my clients to aim for a minimum level of income above the FPA's "comfort levels" of $32,000 pa for a single and $52,000 pa for a couple and in my view the more you have to spend in retirement the better!

We get to such a point by designing and sticking to a financial plan which contains a well articulated strategy. This strategy takes into account both the inevitable bad times and good which are ahead.

My style is to avoid making "stock picks" as I simply view this as a form of gambling. After more than 20 years in this industry and having experienced the boom and bust cycles of the markets several times, I am convinced now more than ever that unless you have a crystal ball, people should stick to their financial planning strategy for the best long term outcome.

Now, there is currently a great deal of media attention being given to the Cooper Review into superannuation, and the Henry Review into Taxation, with the usual amount of alarmist sentiment. My outlook is much more positive, in that given the many past changes to superannuation rules, most have been beneficial and made our super system the envy of the world. Less favourable changes have not been applied retrospectively, and to use superannuation jargon, "grandfathering" provisions to protect existing super arrangements have applied in the past. Effectively, this means that less favourable rule changes have applied only to future arrangements.

From my career experience with the ATO, the Insurance and Superannuation Commission and Centrelink, it is my firm view that a democratic government, particularly one facing an election, will not accept any recommendation to dismantle an excellent system which has been working in the best interests of the population.

I am optimistic that both Cooper and Henry will make suggestions to improve the super and tax systems. But remember, it is up to the Federal Government to accept the recommendations and then enshrine them in law – consequently it is likely that the most radical ideas will be discounted, even if they generate a lot of short-term media attention. In addition the opposition parties, as we have seen already in the last few months (particularly in an election year!) will do their bit to, as The Honourable Don Chipp AO used to say they, "Keep the B@#$%^&s honest"!

Looking back at the last editorial of Grow (Spring 2009), it strikes me that times were still pretty dire, but I am delighted to say cautiously, that the next six to 12 months are in my view, good for Australia. I see many signs in the economy that we are gearing up for some very positive times ahead given that China and India are remaining bullish, however I remain firmly convinced that a long term horizon, 10 years plus and a balanced approach to investing, remains the best way to grow assets and insulate investors against the inevitable downturns.

Ironically, the Global Financial Crisis proved yet again why I always stress to our clients that they need to stick to their strategy or "remain in their seat" as it gave those working Australians who were contributing the compulsory nine per cent (or in fact persisted with their super salary sacrifice arrangements) into their superannuation, a real boost.

The simple fact is that, by law, working Australians were forced to buy assets at fire sale prices. The net effect will be significant long term growth from this "two for one" sale. People will receive double the dividends and double the capital growth on those assets, even if at the time they felt that good money was being sent after bad!

These days, investors around the globe are very interconnected due to communication technology and the flow of money through share markets, which is how a global, rather than local, contagion effect occurs. Of course shares are just one of the areas for investment; sensible investors have a balanced portfolio of different asset classes. The really smart ones start early in life and are committed to getting rich slowly, which is certainly the best way to get ready for retirement.

I look forward to the next year with much hope. The Federal election will be the main focus of our attention and major changes to our retirement savings systems are unlikely for at least another 18 months in my view and when they come I expect the changes to be for the better.

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategist
Authorised Representative

John Thomson

Transition to Retirement Pioneer

John Thomson has been a very important part of Marinis Financial Group over the years: he was a mentor to Theo in his early days, they worked together for years and eventually John practised what he preached and Transitioned to Retirement.

Sitting by the family hearth in pre-war Edinburgh, young John Thomson learned from his mother that one third of your pay should go on your keep, one third on your clothes and entertainment and one third should be saved.

These lessons have echoed through the years, driving a culture of saving that he not only followed himself but also tried to foster in his clients.

Today John, who is well known to many of the Marinis Financial Group clients as their original adviser, is reaping the rewards.

"I started part-time work after school at 12 then full-time in a grocery store as a 15-year-old and here I am in my early 70's still at it - but on my own terms. Pam and I have three wonderful daughters and three grandchildren and we are very happy to be enjoying a work-life balance," John said.

"What really helped us achieve this was the realisation around my late 40's that I had better start seriously saving for the future. It wasn't easy as I had three teenage daughters who would have loved me to spend more on them however, I explained the lesson that their Scottish Grandma had taught me about saving and I am sure they listened. Interestingly, two of my girls headed into banking and the other a teacher hence they must have learned something from the lesson.

"I came to Australia with just 200 pounds sterling in my pocket (having sold my beloved Messerschmitt car for 120 pounds – it would be worth a fortune today if I still had it) and started work within a week.

"After 17 years with the then retail giant, John Martin, I travelled the world as a buyer. I then had a career change and entered the financial planning field, one of the first to adopt this title. I found the more I studied the subject the more passionate I became because I really believe in the need to save.

"Having done national service in the RAF in the 1950's, I knew I wanted to have an independent retirement. I didn't want to finish my days as part of someone else's system.

"Helping people to recognise their mortality and to think about how they are going to live between their last pay cheque and their last breath is actually very exciting to me. Growing up as the fifth of eight children in post depression, pre war Scotland and experiencing a childhood of rationing and fear, I recognised that with a little planning, self sacrifice and knowledge the average Australian can have the best retirement of any person on the planet.

"My tip to people is always to get advice early, make a plan and stick to it. That way you cut out the guesswork and uncertainty. There are always unexpected challenges along the way, so a good plan includes protection against illness and accident of either party.

"I feel really privileged to have been Theo's mentor. We came together early in his post public service career and in an unlikely alliance between a young Greek lad and a middle aged Scot, we became very close because we share the same fundamental values of honesty, integrity and looking after our clients. When the time came for Pam and I to think about retiring there was no question that we would offer the business to Theo and Julie.

"Of course, being a couple of financial planners, Theo and I could not resist (we often laugh) that I was his first Transition to Retirement client and to be honest, I am really pleased I was. Pam and I have really benefited financially from this approach.

"After working a lifetime of six days a week, it was really liberating to cut my working days back and to take up doing some of the things I had always wanted to do and wonderful to keep a decent income.

"I still participate in Marinis Financial Group as a mentor and business consultant but don't have the day to day responsibility that I once did. I am always very keen to hear how my old clients are going as many of them, like me, have transitioned to retirement.

"All these years later I can still hear my mother's voice instilling in me the need to save – so let me say 'thank you' to her on behalf of my family and the many hundreds of clients who I passed this lesson on to."

John Thomson

Client Profile

David & Kerrie Round

While David Round understands better than most of us the drivers that affect retirement savings, he was also smart enough to see the need for a financial adviser – but he and his wife Kerrie were not happy with the first one they found.

As Professor of Economics at the University of South Australia and Director of the Centre for Regulation and Market Analysis, David expected a high level of expertise, which unfortunately was not met.

"After one experience with my former adviser, Kerrie and I had had enough and decided to do things ourselves," David said.

"After a few years we recognised that we really should seek professional advice and began the difficult search for a reliable and trustworthy new adviser, which delivered us to the door of Marinis Financial Group.

"I had read an article by Tim Blue quoting Theo in The Australian and I recalled him as a hard-working and diligent student of mine from about 20 years ago, in fact I had offered him the privilege of doing honours which he graciously declined as he was determined to marry Julie and needed to be in the paid workforce."

Kerrie Round, an academic historian, saw the change of adviser as a great step forward in her financial education.

"What struck me about Theo and his 'whiteboard' is that he takes the trouble to explain complex and detailed financial planning approaches in a step-by-step manner which is easy to follow," Kerrie said.

"My superannuation savings had been limited due to years of casual and part-time work, however I was delighted to realise that my savings will make a contribution to our situation when we retire. The great thing was that Theo was very patient at explaining details therefore I am very confident we have made the right decisions."

David said his awareness of the need for retirement planning had grown over the years.

"Of course, like everyone who thinks about it, I wish I had started earlier, however I am in the very pleasant situation that I could walk out the door from the university today and have an income stream comparable to what I take home at the moment because of good decisions made along the way – including appointing Theo Marinis to look after our affairs," David said.

"Catching up with Theo after all these years, I was very pleased with the way he listened to both Kerrie and myself. For example, we like to have a few shares which I buy and sell as a hobby and he understood this and we kept them outside superannuation.

"The plan Theo devised included using the opportunities available under the current legislation to establish a Transition to Retirement structure using the additional contributions to our super funds Kerrie and I had made along the way and also using some of the money we had outside this most tax-effective structure while making the best of my work-provided defined benefit superannuation scheme.

"With Theo, the big picture quickly came into focus.

"I am also very pleased with the quality of the team Theo has around him. I think it is terrific he is hiring enthusiastic young assistants and is passing on his expertise and fostering their development and there is a very reliable back-office group supporting the whole operation."

Russell Investments Luncheon
Spreading the word at Adelaide Pavilion

"The difference between the educated and the uneducated is comparable to the difference between the living and the dead." – according to the ancient Greek philosopher Aristotle.

Marinis Financial Group places considerable effort into educating its client base to make sure everyone understands, as far as possible, how their wealth strategy works within the current legislative framework and what is being done on their behalf. To use another quote "Knowledge is Power" and we believe in power-sharing, rather than keeping clients in the dark.

As well as our GROW magazine, our face-to-face meetings, our website www.marinisgroup.com.au, various media releases and the client letters we distribute, a very important part of our education program is our seminar series where we invite outside experts to speak to our clients.

The following photographs and feedback are from some of our guests who joined us in September 2009 at the Adelaide Pavilion to listen to Andrew Pease of Russell Investments educate us on the processes behind market movements and all their investment recommendations. As you see from some of the comments, it was a very worthwhile exercise.

Jake Ireland

Andrew Pease

Roger Ashby
"I thought the function was very well presented. The information was most relevant."

Sylvia Trezona
"... he gave us an insight into why the market crashed. His analysis gave us additional confidence to stick to our strategy."

Maria Wyman
"I found Andrew very informative, knowledgeable and trustworthy. He alerted me to a number of matters ... Andrew gave me greater confidence."

Maureen Clayson
"Very interesting and informative."

Michael Rowe
"It was enlightening to see the level of research and the information that goes into making investment decisions. The average mum and dad do not have the same ability to make such thoroughly researched investment decisions."

Jim May
"Informative, well presented. It showed the direction the market was heading and why."

Cath Truran
"Andrew was very good. He explained things very well and made us aware of many things we were not aware of."

Ian Jones
"It was a very interesting luncheon."

David Morris
"...Andrew hit the nail on the head!"

Colin Pearce
"The presentation stirred me into action."

The Value of Diversification

Theo Marinis
(With thanks to Russell Investments and Warren Buffett)

One of the world's most successful and my favourite investor Warren Buffett, once described the stock market as a very efficient way to transfer wealth from the impatient to the patient.

Warren Buffett, the head of the giant investment group Berkshire Hathaway, has made humble investors multi-millionaires by following his axioms.

I have studied Buffett for many years and find that he has consistently been proved right because he believes in a balanced approach to investing and being prepared to be patient. Like myself, he believes in a "get rich slow" message.

Over the years, I have told many potential clients that we would be unable to work together. They have wanted me to invest their savings into exotic schemes designed around tax dodges, such as the now failed forestry programs, margin lending (where if the market booms so do your profits, but as it contracts your losses increase as well) and other get rich quick schemes.

I wear my financial conservatism as a badge of honour. It is my view that Marinis Financial Group's role is to protect and grow our client's wealth. I just don't believe that the average investor can outdo the market consistently. You might "get lucky" and pick a winner one year but the next they may be very average. For example, Australian bonds returned 15% in 2008 and just 1.7% in 2009 while Australian shares in 2008 returned a loss of 38.9% per cent and bounced back the following year by 37.6% (refer to the chart.)

BEST ANNUAL PERFORMANCE

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
AUS. BONDS 19.0	AUS. SHARES 34.2	INT. BONDS 11.1	AUS. SHARES 45.4	INT. SHARES $A HGD -0.1	INT. SHARES 25.9	INT. SHARES $A HGD 19.7	INT. SHARES 41.1	INT. SHARES 32.1	INT. SHARES $A HGD 27.7
INT. BONDS 13.3	AUS. BONDS 24.7	AUS. BONDS 10.4	AREITs 30.1	INT. BONDS -2.7	INT. SHARES $A HGD 22.3	AUS. SHARES 14.6	INT. SHARES $A HGD 24.0	INT. SHARES $A HGD 19.2	INT. SHARES 17.1
AREITs 8.7	70/30 BALANCED 24.6	AREITs 7.0	70/30 BALANCED 28.1	AUS. BONDS -4.7	AUS. SHARES 20.2	AREITs 14.5	AREITs 20.3	AREITs 18.0	AUS. SHARES 16.1
70/30 BALANCED -4.6	INT. SHARES 20.2	INT. SHARES 4.5	INT. SHARES 24.4	70/30 BALANCED -5.6	70/30 BALANCED 20.1	70/30 BALANCED 12.3	70/30 BALANCED 19.3	70/30 BALANCED 16.2	70/30 BALANCED 11.1
INT. SHARES -15.1	AREITs 20.1	70/30 BALANCED 3.7	INT. SHARES $A HGD 21.4	AREITs -5.6	INT. BONDS 20.1	AUS. BONDS 11.9	AUS. BONDS 12.2	AUS. SHARES 11.6	INT. BONDS 0.8
INT. SHARES $A HGD -16.2	INT. SHARES $A HGD 19.2	INT. SHARES $A HGD -0.8	AUS. BONDS 16.3	INT. SHARES -8.1	AUS. BONDS 18.6	INT. BONDS 10.7	AUS. SHARES 12.2	INT. BONDS 10.4	AUS. BONDS -1.2
AUS. SHARES -17.5	INT. BONDS 18.4	AUS. SHARES -2.3	INT. BONDS 14.8	AUS. SHARES -8.7	AREITs 12.7	INT. SHARES 6.3	INT. BONDS 10.5	AUS. BONDS 9.5	AREITs -5.0

WEAKEST PERFORMANCE

Source: Russell Investments

Back in April 2007 I wrote to my clients and told them I expected the incredible boom time to break (but encouraged them to "stay in their seats") and shortly after that we experienced the Global Financial Crisis. Some have asked me "Why didn't you move us all into cash, then when the market was at its bottom you could have bought us back in?"

The simple answer is because I do not have a crystal ball. Even if I did, would my loyal clients follow my recommendations? How many would have been willing to move to cash in 2007 when the market was booming. Even if they did that in 2007, how many would have followed my instruction to move back into the market in early 2009 when the market was a mess? Even I was not confident enough to call that one as it was still very gloomy twelve months ago!

That is why I believe in sticking with a long term strategy which takes into account the sometimes wild movements in the market. Trying to time the market perfectly or to pick winners is, in my view, just gambling. Dignity in retirement is too important to gamble with.

I think by studying Russell Value of Diversification chart below you will agree that when you are considering how you should get ready for retirement diversification (via a Balanced Portfolio), essentially managing the controllable risk and making a long-term plan which is flexible enough to deal with the gyrations of the market is the only way to ensure success.

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
AREITs 17.9	AREITs 15.0	AREITs 11.9	INT. SHARES $A HGD 28.3	AREITs 32.2	AUS. SHARES 22.5	AREITs 34.1	AUS. SHARES 16.2	AUS. BONDS 15.0	AUS. SHARES 37.6
AUS. BONDS 12.1	AUS. SHARES 10.5	INT. BONDS 11.6	AUS. SHARES 15.0	AUS. SHARES 27.9	INT. SHARES $A HGD 18.8	AUS. SHARES 24.5	INT. BONDS 6.6	INT. BONDS 9.2	INT. SHARES $A HGD 27.0
INT. BONDS 10.1	INT. BONDS 7.4	AUS. BONDS 8.8	70/30 BALANCED 9.6	70/30 BALANCED 17.3	INT. SHARES 17.0	INT. SHARES $A HGD 17.6	70/30 BALANCED 6.2	70/30 BALANCED -22.2	70/30 BALANCED 16.8
70/30 BALANCED 5.6	AUS. BONDS 5.5	70/30 BALANCED -6.8	AREITs 8.8	INT. SHARES $A HGD 15.4	70/30 BALANCED 15.3	70/30 BALANCED 15.9	INT. SHARES $A HGD 6.2	INT. SHARES -24.9	INT. BONDS 8.0
AUS. SHARES 4.8	70/30 BALANCED 3.0	AUS. SHARES -8.6	INT. BONDS 6.6	INT. SHARES 10.3	AREITs 12.7	INT. SHARES 11.7	AUS. BONDS 3.5	AUS. SHARES -38.9	AREITs 7.9
INT. SHARES 2.2	INT. SHARES -9.7	INT. SHARES $A HGD -23.0	AUS. BONDS 3.0	INT. BONDS 8.9	INT. BONDS 6.6	INT. BONDS 4.4	INT. SHARES -2.1	INT. SHARES $A HGD -39.1	AUS. BONDS 1.7
INT. SHARES $A HGD -9.2	INT. SHARES $A HGD -14.6	INT. SHARES -27.2	INT. SHARES -0.5	AUS. BONDS 7.0	AUS. BONDS 5.8	AUS. BONDS 3.1	AREITs -8.4	AREITs -55.3	INT. SHARES 0.8

Past performance is not a reliable indicator of future performance

Facing up to the hard truth

Why don't we protect our income?

Have you ever considered what you would do if you developed motor neurone disease or had a major car accident? How would you live your life if you could never return to working in your current job and earning the income you do now? What happens to dreams of owning your own home, travelling, buying a better car?

In my role at Marinis Financial Group, one of the things I hear a lot about is risk insurance – life insurance, TPD (Total & Permanent Disablement) insurance, trauma insurance and income protection. Being 28 and coming from a superannuation background, risk insurance was not my favourite subject when I entered the industry and the idea of eventually advising on risk insurance did not interest me at all. Over the last few months however, I have come to appreciate how important it is.

The first thing I realised is that I did not know much about risk insurance and also not many others out there know much about it either!

Income protection is probably the most misunderstood facet of risk insurance – but it is vitally important for anyone who is working and generating an income. Income protection insurance will pay up to 75% of your income and covers you for accidents, illnesses or major traumas. It is designed to ensure that you can continue to live financially until you return to work.

Most of us in the 20-35 age bracket think of 'illness' as getting the flu or injuring yourself playing weekend sport. We take some sick leave and as private health cover covers most of our medical expenses, we then get back to work. But what if something serious happens? How do you cope financially?

In speaking to professional colleagues and friends, many do not see the need for income protection. "I will just go and live with mum and dad again" or "my husband earns good money" are a couple of recent quotes I heard!

An older person will tell you it is because we think we are 'indestructible' or 'carefree' or some other adjective they use to describe Generation Y, but I actually think it is a bit deeper than that. I honestly think we find not being able to live the lifestyle we want a difficult issue to face. Instead of insuring ourselves against this, we bury our heads in the sand, yet we happily pay car insurance, home insurance – I have a friend who even insures his jet ski, but not his income!

Also, it's not really that expensive. For a generally healthy, 30-year-old, non-smoker earning $60,000pa, the tax deductible premiums are approximately $20 - $30 per week. Remember, the longer you wait and the older you get, the more difficult it may be to get cover and loadings may be applied – especially if you are not in good health or have family history of cancer, heart disease, stroke, amongst other things.

By Michael Callisto *
Trainee Financial Adviser
Marinis Financial Group

* The Spring 2010 Edition of GROW will feature a profile of Michael Callisto along with an article on risk insurance from our colleague Dino D'Aloia as we introduce the junior advisers of Marinis Financial Group

Doctors without Borders / Médecins Sans Frontières

In January 2010 the staff of Marinis Financial Group selected Doctors without Borders / Médecins Sans Frontièrs (MSF) for support by the company.

"We chose MSF this year because it has such a great ethos – making emergency health care available to everyone, regardless of where they are in the world," said Theo.

"You only have to look at recent tragedies such as the earthquakes in Haiti and Chile to realise just how limited many societies are to be able to access professional, highly skilled care. We often grumble in Australia about Medicare and lengthy queues for treatment, but we all know that in an emergency there is a fantastic fabric of support available to us.

"MSF tries to go some of the way to providing a bit of hope in places where very little exists, hence we are delighted to support their work for the next 12 months – we see them as an extension of our family of staff and clients."

About MSF

QUOTED from their website - www.msf.org.au

Médecins Sans Frontières was founded in 1971 by a small group of doctors and journalists who believed that all people should have access to emergency medical relief.

Médecins Sans Frontières was one of the first non-governmental organisations to provide urgently needed medical assistance and to publicly bear witness to the plight of the people it helps.

Médecins Sans Frontières work is based on the humanitarian principles of medical ethics and impartiality.

Médecins Sans Frontières provide relief after natural disasters such as floods or earthquakes. We help victims of conflict. We run emergency feeding programs during nutritional crises. We tackle neglected diseases such as malaria, HIV/AIDS, tuberculosis and kala azar; and we organise mass vaccination programs to prevent epidemics spreading. We are also involved in health projects that train local medical staff and put in place safe drinking water and sanitation facilities.

In 1999, Médecins Sans Frontières was awarded the Nobel Peace Prize in recognition of its pioneering humanitarian work.

Today, Médecins Sans Frontières is an international independent movement with offices in nineteen countries.

During 2006, the Médecins Sans Frontières field team was made up of more than 27,000 individuals, including doctors, nurses, epidemiologists, laboratory technicians, mental health professionals, logistics experts, water and sanitation engineers, administrators and a host of other professional and non-professional support staff, working in over sixty countries around the world.

The Australian section of Médecins Sans Frontières was established in 1994, and it is currently fully funded by private donors. Every year around one hundred Australians and New Zealanders are sent to and supported in the field by the Sydney office.

Please visit their website and feel free to give to this worthwhile cause we support freely.

www.msf.org.au