

## Grow with Marinis

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**From:** Grow with Marinis  
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Good Morning All

As you will read in the following edition of eGrow, our client "Jane" gave her partner of more than 20 years a terrific "Valentine's Day" gift – more than \$4,000 per year – simply by getting some great financial advice about her Industry Superannuation Fund (and she also made sure her children would inherit more).

As self-confessed Chardonnay Socialists, Jane and Tim were wedded to the idea that their Industry Super Fund was the best option for them. Marinis Financial Group showed Jane and Tim that they could save considerable amounts of money, after all fees and costs were deducted, by moving to a retail fund.

When they "compared the pair" Jane and Tim were shocked that the expensive TV ads were wrong in their case.

If you have a loved one who is currently in an Industry Super Fund (which we believe are generally very good while you save the first \$200,000) you may like to give them a Valentine's Day present by sending them the following media release – they may be able to save a lot of money as well!

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



### GROW @ Marinis

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## **Chocolates and Flowers are Nice... But Financial Security is a Far Better Valentine's Day Gift!!**

I am a great believer in the use of Industry Super funds (in my view, up to the first \$200,000 of accumulated funds) as the 'nursery' for starting a great retirement savings pool.

However, the current catchy "Compare the Pair" industry fund advertising campaign can be quite misleading, as it does not tell the full story about the complexities of tax, super and Centrelink rules, and the importance of getting good financial advice.

A retail super fund combined with professional financial planning advice can produce significant savings, as you will see if you read further about my friends Jane and Tim (not their real names, but the details are theirs in real life and they have given me permission to retell their story.)

### **Some background:**

Jane and Tim are great people, and they have enjoyed their industry funds in the accumulation phase. Jane is the energetic one. Tim, who should know better, tends to sit back and relax as he is happy leaving everything as it is.

They are self-confessed "Chardonnay Socialists" and are the sort of people who always think positively about the world. Their industry funds have taken them to quite comfortable financial positions, whilst reassuring them through high profile advertising that they are doing the right thing.

Tim, a retired public servant, set up a SMSF Account Based Pension some years ago to supplement his Defined Benefit Super Pension, but prefers fishing to studying investment charts, and has therefore done nothing much with it. He also receives some limited Centrelink support which is quite useful, as it means he gets access to a range of discounts.

Jane and Tim came in to see me for advice and Jane asked me how much it would cost her if Marinis Financial Group was running her affairs. She laughed when I said I could provide her with full financial advice service and 'unbundle' her investments for a 'Bronze' Client Service Model fee of \$2,000 p.a., plus an initial set-up fee.

Jane wanted to know how Marinis could help her more than her industry super fund, as she was of the view that her current super fund considered all of her needs.

I was able to demonstrate how she (and Tim) could be far better off financially and have ongoing financial advice and support which will continue into their old age.

### **Our advice:**

Jane was delightfully surprised to find that Marinis Financial group could arrange and / or provide advice on:

- An account based pension
- An unbundled investment strategy, with the ability to sell down non-performing assets, rather than the 'bundled' core approach offered by her current fund.
- A carefully managed and correctly timed, 'cash-out and re-contribution strategy' to save her beneficiaries (her adult children in this case) potential death tax of almost \$50,000. Tim would also benefit from this strategy.
- Restructuring Tim's SMFS pension to achieve an increase to Tim's Centrelink Age Pension entitlements and a reduction in income tax.
- An increase to Jane's Centrelink benefits when she reaches Age Pension age, as a result of this action.

Jane was somewhat shocked to discover that her industry fund was charging her \$2,825 each year in administration and investment management fees for a 'one-size-fits-all' approach.

It is important at this point to make clear that under previous arrangements, Jane would not pay a fee for advice if she wanted to see an industry fund adviser (who is an employee of the fund). However, that adviser is only authorised to provide her with advice regarding rolling over her money within the industry fund structure, and could not provide advice to her partner Tim regarding his SMSF. As a consequence, Tim would NOT have access to increased Age Pension benefits, or the estate and tax savings our strategy provides.

Furthermore, Jane would NOT have been advised by the industry fund adviser to first cash-out and re-contribute the taxable component of her super for "death tax" reasons, nor would the industry fund adviser have informed her to set up her Account Based Pension after her next birthday (in December 2012) for improved Centrelink Income Test outcome, as per our advice.

### **The outcomes:**

By acting on our advice, Jane and Tim were able to:

- Save \$296 per year in tax.
- Gain an annual increase of \$1,904 in Tim's Centrelink pension entitlements, together with a similar increase to Jane's Age Pension when she becomes eligible.
- Remove "death tax" at the rate of 16.5% from Jane's \$300,000 super benefit, saving almost \$50,000 which their adult children would have been liable to pay.
- Achieve initial annual net savings of \$2,400.
- Start thinking about their long term strategy – something they hadn't done since the GFC sent them into a "bunker" mentality.
- Look forward to a much more financially rewarding retirement.

### **The initial and ongoing service offer:**

The initial fee charged by Marinis Financial group to research, prepare and implement the advice provided to Jane was \$4,400. This is a one-off fee, which, through the savings we have achieved, will be recovered within the first two years, leaving them (Tim) NET \$2,400 p.a. better off from the third year and combined NET \$4,304 p.a. better off when Jane reaches age pension age.

Jane's total annual cost of financial support (inclusive of our ongoing adviser fee) would be:

Administration and Management costs	\$ 375
Investment Management Fees	\$ 250
Bronze Advice Service Fee	\$2,000
Total	<u>\$2,625</u>

This is \$200 per annum LESS than her current industry fund when you compare this pair!\*

**\*A comparison of costs and the benefits provided versus Jane's industry fund costs is tabled at the end of this article**

Our fee entitles Jane to a full-advice relationship and full reviews of her situation every three years, as we make sure her investments are keeping up with her needs. Importantly, this includes preparation and assistance with all of the associated paperwork to make any required changes. When Jane is comfortable with our recommendations and signed any necessary authorities, under the new arrangement she has entered into with us, our role is to do everything else. As her advisers, we will also be there to assist her with her age pension application when she is eligible!

Jane has been eager to discuss and understand our recommendations and to compare what is available with her previously much loved super fund. She now also has a better understanding how her super will be working for her, and how sound financial advice can increase her annual income as well as give her much needed peace of mind in relation to her children's' inheritance. Jane now feels she has more financial security and feels that the advice she has received has helped her to make the final decision to retire with confidence.

I am confident that we can do a lot more to help Jane and Tim on an ongoing basis. I am sure Tim will come and see me about it when the Whiting stop biting and he realises how much he is missing out on!

As always, your feedback is greatly appreciated; please feel free to send us an email or contact our office on 8130 5130.

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**Financial Strategist**  
**Authorised Representative**

**FEE COMPARISON TABLES**

Jane's previous industry fund 'Core Pool' (single investment option)

<b>Investment &amp; Administration costs (ongoing advice fees nil)</b>		<b>p.a.</b>
Investment Management Fees p.a.	\$300,000 x 0.80%	\$2,400
Trustee costs p.a.	\$300,000 x 0.12%	\$ 360
Administration costs p.a.	Flat fee	\$ 65
<b>Total annual investment management costs</b>	<b>0.94%</b>	<b>\$2,825</b>

**Jane's new retail fund with unbundled investment strategy (versus 'Core Pool')**

<b>Investment &amp; Administration costs (ongoing advice fee not included)</b>		<b>p.a.</b>
Investment Management Fees	\$300,000 x 0.124%	\$ 375
Trustee and Administration Costs	\$300,000 x 0.083%	\$ 250
<b>Total annual investment management costs</b>	<b>0.21%</b>	<b>\$ 625</b>

<b>Ongoing advice fee plus the net benefits of our advice</b>		<b>p.a.</b>
Ongoing adviser fee (GST inclusive) – MFG Bronze CSM		- \$2,000
Extra Age Pension – Tim		+ \$1,904
Personal Tax Saving – Tim		+ \$ 296
Jane's Super fee savings (as above)		+ \$2,200
<b>Net immediate benefit:</b>		<b>+\$2,400</b>

<b>Total net benefits</b>		<b>p.a.</b>
Additional Age Pension at Jane's age pension age		+\$1,904
Net immediate benefit (above)		+\$2,400
<b>Total net benefits from our advice at that time:</b>		<b>\$4,304</b>

Clearly, Jane and Tim will be immediately better off by \$2,400 p.a. as a result of our advice, even **AFTER** allowing for the ongoing cost of that advice.

The net benefit will increase to \$4,304 p.a. when Jane eventually receives her increased age pension (also as a direct result of our recommendations) and again, **AFTER** allowing for the cost of advice).

## Chocolates and Flowers are Nice... But Financial Security is a Far Better Valentine's Day Gift!

Jane gave her partner of more than 20 years a terrific "Valentine's Day" gift – more than \$4,000 per year – simply by getting some great financial advice about her Industry Superannuation Fund (and she also made sure her children would inherit more).

The earth is flat, the sun rotates around the globe and industry super funds are always cheaper than retail funds.... Well, no, that's not quite right," says Adelaide based Financial Strategist Theo Marinis.

Make no mistake, retail super funds and financial planners are in business to make a return on their money – but industry funds also charge for their services, and at times the retail option is cheaper.

As the 'nursery' for starting a great retirement savings pool (in my view, for the first \$200,000 of accumulated funds) I am an advocate for the use of Industry Super funds. I must say however, that the catchy "Compare the Pair" advertising does not tell the full story and can, in fact, be misleading.

To explain this point, I'd like to tell you a brief story about my friends Jane and Tim (not their real names, but the details are theirs in real life, and they have given me permission to retell their story.)

Jane is a former Industry Super fund member and this is her real financial situation – her partner Tim also benefits significantly, but he is not a client (yet!). Jane has chosen to pay an ongoing advice fee based on the services provided under the Marinis Financial Group 'Bronze' Client Service Model (CVSM). This is a flat fee, and costs \$2,000 per annum.

A 'before and after' fee comparison is as follows:

### Jane's previous industry fund 'Core' Pool (single investment option)

Investment Management Fees p.a.	\$300,000 x 0.80%	\$2,400
Trustee costs p.a.	\$300,000 x 0.12%	\$ 360
Administration costs p.a.	Flat fee	\$ 65
<b>Total annual investment management costs</b>	<b>0.94%</b>	<b>\$2,825</b>

### Jane's new retail fund (unbundled investment strategy)

Investment Management Fees	\$300,000 x 0.124%	\$ 375
Trustee and Administration Costs	\$300,000 x 0.083%	\$ 250
<b>Total annual investment management costs</b>	<b>0.21%</b>	<b>\$ 625</b>
<b>Annual advice fee – GST inclusive (MFG Bronze CSM )</b>	<b>Flat fee</b>	<b>\$2,000</b>
<b>TOTAL ANNUAL COST</b>		<b>*\$2,625</b>

\*in addition to the ongoing advice fee tabled above, there is a 'one off' set up fee of \$4,400 which, based on the benefits of the advice we have provided, will be more than recouped by year three.

### Immediate benefits:

The removal of "death tax" at the rate of 16.5% from Jane's \$300,000 super benefit, saving almost \$50,000 which their adult children would have been liable to pay.

Tim's Extra Age Pension due to our recommendations p.a.	<b>+ \$ 1,904</b>
Tim's Personal Tax Saving p.a.	<b>+ \$ 296</b>
Jane's Super Fee Savings (as above) p.a.	<b>+ \$ 200</b>

**NET IMMEDIATE BENEFITS OF OUR ADVICE** **+ \$ 2,400**

**When Jane attains age pension age:**

Additional Age Pension p.a. (as a result of our advice) **+ \$ 1,904**

**NET BENEFITS OF OUR ADVICE FROM THAT TIME** **+ \$ 4,304**

Clearly, Jane and Tim will be immediately better off by \$2,400 p.a. as a result of our advice, even **AFTER** allowing for the ongoing cost of that advice.

The net benefit will increase to \$4,304 p.a. when Jane eventually receives her increased age pension (also as a direct result of our recommendations) and again, **AFTER** allowing for the cost of advice).

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Disclaimer

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