

From: Grow | Marinis Group
Sent: Friday, 29 August 2014 1:08 PM
To: Grow | Marinis Group
Subject: An Important Question from a Client
Attachments: 2014 08 29 - Important Question from a Client Letter.pdf

Dear friends

I recently took a call from my favourite client – he wanted to challenge my comment in eGrow that most of my clients pay between 0.4% pa and 0.7% pa ([http://www.marinisgroup.com.au/assets/2014_07_18 - eGrow - Happy New Financial Year!.pdf](http://www.marinisgroup.com.au/assets/2014_07_18_-_eGrow_-_Happy_New_Financial_Year!.pdf)) in fees to the fund's managers and administrators. When he looked at his statement he found that he was paying more than 0.4% pa. In fact, he pays overall 0.53% pa, bearing in mind that most Industry super funds charge around double that figure.

That call prompted me to put together the attached letter for 'Billy the Goose from Ceduna' (as he wanted to be known) when I asked and received permission to reprint our correspondence, with of course, identification details changed.

The reason 'Bill' is one of my favourite clients is because he challenges me. He likes to keep me on my toes and give me a 'jolt' sometimes – and this causes me to revisit and review our strategies, to ensure that our advice is still appropriate, and that we are 'doing the right thing'.

As you will read from the following, we are most certainly doing the right thing for 'Bill' and his family, and by extension it reassures me that we are doing the best for all our clients.

As always, please feel free to contact me or any of the team if you would like to discuss any aspect of this edition of eGrow or your personal circumstances.

Sincerely

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



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13th August 2014

Mr B & Mrs G Goose
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Dear Bill,

INVESTMENT PLATFORM FEES

Thank you for your call regarding the administration and investment fees currently applied to your investments. I really appreciate my clients asking these types of questions as it ensures that the key drivers of fees (ie: investment risk profiles and the strategies we have put in place for them) continue to be appropriate.

As a result, I am pleased to provide you with a summary of the outcome of my review and a response to the queries you raised:

- In 2009 your investment balance was approximately \$3 million, with the administration and investment fees applicable at the time varying between 1.2% pa – 1.4% pa.
- By April 2014, with your investment balance standing at approximately \$4.5 million (as per our Statement of Advice at that time) your average portfolio fees had reduced to 0.53% pa. It is important also to note that some of those fees are tax deductible to your trust and company.
- I am also delighted to confirm (per your suggestion that we approach BT for a reduction in fees) that in 2012 we successfully negotiated a significantly discounted fee structure on behalf of our clients. As a result, Marinis Financial Group is one of only 100 firms Australia wide with access to an effective 50% or more fee discount from BT. This discount forms a major part of the fee reduction outlined above.
- In terms of your concern that one of your accounts was at the higher end of the fee scale (based on the attached eGrow of 18 July, 2014) I can confirm that is indeed correct.
- The reason, relates to the strategic management of your **entire** portfolio. The highest fee paying account is your 'taxable' Account Based Pension; it is the account which is most actively managed. By that I mean that the actively managed investment exposure for your entire portfolio is concentrated in that particular tax structure to take advantage of the internal tax and fee benefits to be gained by setting up your portfolio in this way.
- When these fees are viewed in the context of your entire portfolio (given that most industry super funds charge around 1.0 % pa plus) it is my belief the **average fee which currently applies to all of your investments, at 0.53% pa** still represents the lower end of the range.

In my opening comments to you, I mentioned the fact that the influence on fees relates both to strategy considerations and investment risk profile, and it is therefore appropriate that I comment now on this latter issue.

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Bill, the recommendations we have provided to you in terms of investments is based on the investment risk profile we have mutually identified. This has meant buying the most appropriate investment options for your personal situation, within the most appropriate tax structures i.e., Super, Account Based pensions, Trust and Company.

By way of additional explanation, as a general rule, the more funds an investor holds will dictate the level of active management and diversification required. I would also point out that most of our clients who pay the 0.4% pa fee mentioned in eGrow are clients who hold investment balances under \$500,000; they are generally risk averse.

If you would like to alter your investment portfolio to a simpler, less diversified and less active structure (which would involve essentially 'buying the market') then we can arrange to do this. It would effectively achieve a platform fee structure of around 0.40% pa, or reduction of 0.13% pa.

My concern is that it would be quite a departure from your previous instructions and our professional advice. Nor do I believe at this point that it would be in your best interest to alter your arrangements, unless there has been a significant change in either your circumstances, or the attitude to investing which you have described to us in the past.

If this is the case, I would be happy to organise a mutually convenient time so that we can discuss what a move to this lower cost approach would mean to your strategy and portfolio.

Bear in mind that the fees in question are administration and investment fees, charged by the investment platform provider; they are not directed to Marinis Financial Group which is remunerated on a strictly flat dollar, fee-for-service basis. These fees are fully tax deductible in your case.

Bill, I trust that this explanation goes some way to clarifying the rationale behind the fee structure which applies to your investments and the trade-off between an appropriate and a 'one size fits all' strategy.

Ideally, I propose that we should spend some more time at our review meetings so we can revisit and perhaps drill more deeply into the layered strategy we have tailored for you.

For example, I am particularly pleased that one of our strategies will in time, save your children at least \$150,000 in what I call "Death Taxes" – the 17 % tax levied on non-dependents who inherit taxable component superannuation.

In the meantime however, and as always, I look forward to receiving your feedback. I will be happy to discuss these issues further when and as it suits.

Yours sincerely



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