

**From:** Grow | Marinis Group  
**Sent:** Friday, 7 November 2014 10:58 AM  
**To:** Grow | Marinis Group  
**Subject:** My Warning Letter to the Hon. Mr Kevin Andrews MP  
**Attachments:** 2014 08 12 - Andrews - Response to Original Letter Regarding SS Deeming.pdf; 2014 10 27 - Andrews - ABP Deeming Letter.pdf

Dear friends

Cheekily, one of the members of my team suggested to me that I change my name to 'Cassandra' Marinis – those of you who remember your Greek mythology will recall Cassandra was cursed.... she always spoke the truth but nobody ever believed her!

Please see my recent letter to The Hon. Kevin Andrews MP the Minister for Social Services in the Abbott Government along with his original response dated 12<sup>th</sup> August 2014 (as per the attachment). I warn Mr Andrews about the fundamental flaws in the upcoming changes to Social Security legislation. They are, in my view:

- Bad for the individual retirees involved
- Bad for the Federal Budget

and

- Great for the 'Millionaire Factories' (the overpaid staff of our financial institutions)

Some 30 years in the retirement industry (before setting up this practice, as a former employee of the ATO, Centrelink and the Insurance & Superannuation Commission) has allowed me to develop an intimate knowledge of the system and an understanding of human behaviour.

This warning, therefore, has become a bit of a passion for me.

It is my view that Mr Andrews is taking advice from the Cufflink and Cravat brigade, not people who understand what life is like at the front counter – and – he is making a huge mistake!

As always, if you would like to discuss this edition of eGrow, or your personal circumstances, please do not hesitate to call me or any member of the Marinis Financial team.

Sincerely

*'Cassandra'*

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



**GROW @ Marinis**

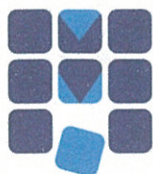
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27<sup>th</sup> October 2014

The Hon. Kevin Andrews MP  
Minister for Social Services  
PO Box 6022  
House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear *Mr Andrews*

**ACCOUNT BASED PENSION DEEMING**  
**A GREEN LIGHT FOR RETIREES TO BLOW THEIR CAPITAL**

I write with some concern about the quality of advice being given to you by Centrelink, in particular the letter I received (attached) which attempts to explain the Government's views on deeming Account Based Pensions in superannuation.

Clearly the author and probably the people who promoted the idea, have no experience of human behaviours when related to social security payments, nor do they understand how an account based pension was designed to function.

Sadly, the bottom line is that some Australians tend to be irrational when they think they can 'get on' a Centrelink benefit. This comment is based on my observations as a financial strategist over 20 years and prior to that as a public servant with the ATO, Centrelink and the ISC.

I have seen some people do ridiculous things to get a pension, which of course, is why Centrelink has designed strict gifting and "Deprivation" rules.

It is my warning that the new rules due in January 2015 will cause people with modest superannuation balances to 'spend up' in order to qualify for increased age pension benefit.

There is an implicit dis-incentive to be frugal under the new rules, which will not ease the cost burden of social security in the longer term.

This is an ill-advised departure from a balanced retirement incomes policy which does little to encourage retirees to manage their retirement cash flows.

Account based pension income streams were designed to allow the return of a capital component, which was precisely why they are:

- a) subject to minimum, age based payments and
- b) why the 'exempt' component (or 'capital' component) based on actuarially calculated longevity factors, was applied.

.../2



Minister, I would urge you to seek some informed advice from 'front desk' regarding the consequences of the new rules as I am certain you will be shocked by the contradictions you will hear.

Finally, I look forward to the opportunity for continued dialogue in respect to these and similar matters. Should you or your staff wish to have any additional information or require further clarification on any of the issues raised in this letter, please feel free to contact me.

Sincerely

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

Encl:

*Finally, I would add my endorsement to the recommendations that a Coalition government reconsider the account based pension deeming rule, which will do little to encourage retirees to manage their retirement cash flows. Far from reducing the cost burden of social security, this rule, which encourages Australians to squander their 'deemed' retirement savings will instead, see them qualifying for increased Centrelink support sooner than they otherwise would have. Clearly, this is an outcome which is not in the nation's best interest.*





**Australian Government**  
**Department of Social Services**

MC14-009657

Mr Theo Marinis  
Financial Strategist  
Marinis Financial Group  
67 Kensington Road  
NORWOOD SA 5067

Dear Mr Marinis

Thank you for your letter of 22 July 2014 to the Minister for Finance, Senator the Hon Mathias Cormann about extending the social security deeming provisions to account-based income streams. Your letter was referred to the Minister for Social Services, the Hon Kevin Andrews MP, as this matter falls within his portfolio responsibilities. The Minister has asked me to reply to you on his behalf.

As you are aware, from 1 January 2015 the social security deeming rates will be applied to the total value of a person's financial assets, including new account-based income streams, to calculate the amount of deemed income that is to be assessed under the income test when determining a person's income support entitlement.

This change will simplify the income test assessment and ensure people with similar levels of financial assets, held either directly or within an account-based income stream, will receive similar amounts of income support. For example, two people with the same underlying assets: one has an account-based income stream with a balance of \$190,000 while the other person holds the same assets directly. The person with the account-based income stream can receive \$36.44 a fortnight (\$947.50 a year) more in Age Pension compared to the person holding the assets directly.

Existing account-based income streams held by income support recipients as at 31 December 2014 will be 'grandfathered' and continue to be assessed under the existing rules unless the account holder chooses to change products, or ceases to receive an income support payment.

Unlike the current rules, the deeming provision removes bias when making investment decisions based on Age Pension expectations. By treating similar assets in a consistent way, the extension of deeming to account-based superannuation income streams will help ensure social security means test settings do not distort people's investment decisions.

Given the generous taxation concessions and attractive product features, the department considers it is unlikely that extending the deeming provisions to these products will impact customer demand.

Also, given that the income test has a 50 per cent taper rate, it is unlikely to encourage pensioners to reduce their financial assets in order to get more income support, as this would result in them having lower overall disposable income.

Thank you again for writing.

Yours sincerely

A handwritten signature in cursive script, appearing to read 'Ian Joyce', written in dark ink.

Ian Joyce  
A/g Branch Manager  
Rates and Means Testing Policy  
12 August 2014