From: Grow | Marinis Group
Sent: Friday, 21 November 2014 9:54 AM
To: Grow | Marinis Group
Subject: Robo Advice and Fees - Technology is not everything!
Attachments: 2014 09 14 - RoboAdvice Article.pdf

Dear friends

Some of you may have seen an article by highly respected News Limited Personal Finance Writer Anthony Keane examining 'robo-advice'. For those who didn't, I have attached a copy.

The article discusses the concept of low cost, non-super, non-strategic, non-comprehensive investment advice – all of which can be accessed online.

I view 'robo-advice' as a little like buying internet insurance or booking an overseas holiday on-line, fantastic.... if you **never** need to make a claim or if your holiday adventure has no hiccups. Naturally, the 'moment of truth' is when something goes wrong (as it inevitably does!) If you are savvy to these possibilities, then you will also realise that such an approach is not in most people's best interest.

Undoubtedly, 'robo-advice' has emerged as a market reaction to paying high end fees for low quality advice, or worse, no advice at all.

There is probably a market for 'robo-advice' but only if you can take 'strategic' advice out of the equation. This may be appropriate to a younger demographic – possibly for those aged under 40.

As retirement looms, however, it is more important to seek 'actual' advice from a financial adviser with whom you have the capacity to develop a relationship (and a strategic plan) which uniquely suits you and your personal financial circumstances.

At Marinis Financial Group we are proudly 'fee-for-service' based. As a result of robust negotiation with our product and investment platform suppliers, the total cost to our superannuation clients (including investment management and advice costs) is around 1% p.a. Industry super funds charge from around 1% p.a. before any advice costs; whilst many 'retail' financial advisory clients may pay 2% or more per annum.

Fees certainly do matter over the long term, particularly if they don't match the value proposition. If the costs are too high, then you lose, but if the cost seems too cheap then there is probably a catch!

As always, if you would like to discuss this edition of eGrow, I welcome any questions or comments to either myself or any member of the Marinis Financial team.

Sincerely

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

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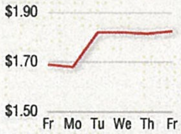

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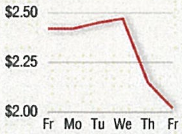

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Beware risks of being home loan guarantor

MONEY MAN **GLENN TODMAN**

NEED SOME FINANCIAL HELP? Glenn Todman is on hand to answer your questions.

Glenn is a director and authorised representative of Goldsborough Financial Services Limited. Email your question to sundaymoneyman@news.com.au

His advice should be considered as an opinion. Readers should consider engaging their own personal financial adviser. Questions and answers may have been edited for length.

Q: My partner and I have been together for about six years and live in his home. He has two adult daughters, one of whom has asked whether he would be guarantor for a home loan for her and her boyfriend.

My concern is that if things do not work out for them where do we stand? And, similarly, where would I stand in the event of his untimely death?

A: Generally, a guarantor on the loan is equally as responsible for the loan as the borrower. In other words, the guarantor is required to keep up with the repayments should the borrower fail to do so.

It could also be that your partner has used his home as security for the loan to reduce some lending costs. Should the situation turn sour, it is possible that the borrower's home is sold.

This should mean the mortgage is repaid, unless the home sells for less than what is owed. In this case, the guarantor could be required to pay the loan.

I'd recommend you seek legal advice regarding your situation, especially if your partner dies. You may have him put a "right to live in" clause in his will to ensure you keep a roof over your head.

Q: What is the most tax-effective way of putting aside savings for our grandchildren? We would like to do so on a regular basis either until they turn 18 or 21 — or would it be better to put funds into their education?

We understand educational funds are tax-exempt but do they have high fees? We do not want to have to declare the savings on our tax returns.

A: There are several investment options available to build wealth for your grandchildren. These can include education funds, insurance bonds and managed investments.

The first two options have some quite favourable tax advantages associated, especially as the resultant investment after, generally, a 10-year time-frame can be given to the recipient tax-paid.

There are some restrictions and tax consequences to accessing funds that you need to be mindful of. Managed investments offer greater flexibility regarding depositing and withdrawing funds than insurance bonds. However, along with this comes a potentially different taxation outcome.

To understand which option might be better, I suggest you speak with a professional financial planner.

Q: I believe that retirees can minimise or avoid paying capital gains tax from the sale of an investment property by putting the proceeds into superannuation. Is this correct? If so, how much should be put in and what does the tax office need?

A: Yes, this can work to minimise tax but not avoid it completely. You must be eligible to contribute to super and be eligible to claim a tax deduction.

If you are over or turn 50 this financial year, you can claim up to $35,000 but if you are under 50 it is only $25,000.

Whatever you claim will be subject to 15 per cent contribution tax so there is little advantage in reducing your income below $37,000. All details of the property and super should be included in your tax return. You should keep receipts in case you are audited by the Tax Office.

Q: I have recently sold my BHP shares for $114,000 and some bank shares for $158,000, making a total of $272,000 in the financial year.

With my other employment income, I am up for a lot of tax. Is there anyway I can reduce or eliminate taxes of capital gains or income tax? I am prepared to invest the whole sum into super if this will be beneficial in avoiding tax.

A: Without knowing how much you paid for your shares, I cannot offer an indication as to how much tax on the capital gains you would be likely to pay.

As you are an employee, or not self-employed, your options to limit the tax liability are negligible.

To calculate the tax payable you need to take the original purchase price from the sale price and divide this amount by two. This final figure is added to your employment income and taxed at marginal tax rates. By salary sacrificing some of your income into super you can reduce your taxable income, thereby reducing tax.

You could then use some of the proceeds to live on and consider adding the rest of the money received into super as part of your retirement planning.

Robo-advice means financial force will be with you

ANTHONY KEANE
PERSONAL FINANCE WRITER

WOULD you take financial advice from a robot? Perhaps your decision depends on the type of robot.

C-3PO, the polite gold-plated droid from *Star Wars*, may offer some helpful hints, but you would want to steer clear of that nasty liquid metal, shape-changing villain from *Terminator 2*.

And the Fembots armed with "machinegun jubblies" that attacked movie spy Austin Powers possess both good and bad qualities.

Whatever your thoughts, artificial intelligence will soon be coming to an investment portfolio near you.

"Robo-advice" is a new trend set to arrive in Australia after growing rapidly overseas.

Investment specialist ETF Consulting has studied automated investment services in the US and Europe and reckons it's about three to five years before they take off here.

Rather than deal face-to-face with a financial adviser, people answer a series of questions about their life, income, goals and tolerance of risk, and are given a recommended investment portfolio.

In the past year, the biggest player globally in automated investment, US-based Wealthfront, has doubled the value of the assets that it manages to $1.4 billion.

It says it manages the first $10,000 of clients' money at no cost and the rest for 0.25 per cent a year, and invests across different index funds — which each hold a range of shares or other assets, rather than just one company.

Automated investment does not threaten the future of financial advisers because personalised advice about retirement, tax planning, insurance and building wealth is always valuable. But it does threaten "advisers who don't look after their clients", says ETF Consulting managing director Tim Bradbury.

He says these days many people get home loans, insurance and credit cards online, and investment portfolios are simply the next step, which could be followed by superannuation down the track.

"Automated advice will expand the numbers of Australians investing properly and planning better for their retirement," he says. "It's not the end of the financial adviser but there are a lot of people who don't want comprehensive financial advice that costs 2.5 per cent a year."

Anything that gets more people thinking about investing is a good idea.

Research has found that about one-third of Australians have used a financial adviser, which means the other two-thirds are potentially missing out on thousands of dollars a year of benefits, particularly people near retirement.

Investment advice is an area that has been scarred by conflict-of-interest concerns in recent years.

Most of the high-profile collapses that have cost everyday Australians their life savings have related to dodgy investments or poor investment strategies.

The use of index funds by automated advice businesses reduces people's risk dramatically because if one investment goes sour, there are tens or hundreds of others sitting in the same fund.

Index funds are increasingly being used by face-to-face advisers, too, because of their low cost and diversification.

Whether you prefer your advice from a suit-wearing number-cruncher, a computer screen, or a mini-skirted blonde robot firing guns from her chest, the investment future is very interesting.