Grow | Marinis Group

From: Grow | Marinis Group
Sent: Friday, 13 February 2015 10:36 AM
To: Grow | Marinis Group
Subject: Happy Valentines Day to The Hon. Scott Morrison MP
Attachments: 1. Submission - Social Services.pdf; 2. Submission Acknowledgement - Social Services.pdf; 3. Media Release No. 58 - New Law Rips off Pensioners.pdf

Dear friends

Financial advisers around Australia will be sending loving thoughts to Social Services Minister, The Hon. Scott Morrison MP this Valentine's Day, as the government's new super rules send them thousands of retirees who until now, didn't really need advice.

I estimate the average retiree who does not seek (and pay for) advice will be $1,000 pa worse off. These are not the rich people with ample tax-payer subsidised super; they are people who are part of the majority of retirees with lower super balances and they will be affected by the Coalition government's new super income stream deeming rules.

You may recall that I've been nick-named 'Cassandra' – in Greek mythology she was doomed to accurately predict the future but no-one would believe her!

Therefore, despite my warnings to the minister – and previous ministers (as per correspondence on our website at www.marinisgroup.com.au) plus a submission to the Federal Government enquiry about the potential pitfalls and ways around this ill-conceived plan, the new 'super net' has holes big enough for a pair of blue whales to swim through.

For your information I have attached a copy of the above referenced submission and comments on this issue by the Financial Planning Association (FPA).

Attached to this edition of eGrow you will also find our Media Release No: 58 dated 1 January 2015. This media release outlines at least one strategy which we have used to work around this inequitable situation. All exposed MFG clients were contacted last year and appropriate changes made to their financial structures before the new rules came into effect to ensure that no current client of Marinis Financial Group (MFG) will be disadvantaged as a result of the Federal Government's account based pension deeming rules.

Make no mistake, the new Account Based Pension Deeming rule is 'dumb policy' – I seriously question the advice being given to successive ministers. There are numerous strategies which financial planners can use to avoid the new 'tax on the retired' which I will adopt going forward. It just seems so wrong that the people who will be most negatively affected will be those who can least afford to pay.

If you would like to discuss any of the issues raised in this edition of eGrow, its various attachments or your personal circumstances, please do not hesitate to contact me or any of the Marinis Financial Group team.

Sincerely Yours, Theo Marinis aka 'Cassandra'

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

GROW @ Marinis

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Theo Marinis | Marinis Group

From: Theo Marinis | Marinis Group
Sent: Wednesday, 11 December 2013 1:06 PM
To: 'community.affairs.sen@aph.gov.au'
Cc: 'menzies@aph.gov.au'; Theo Marinis | Marinis Group
Subject: Submission - Social Services and Other Legislation Amendment Bill 2013
Attachments: 2013_12_04_Letter_re_Social_Services_Amendment_Bill_KA.pdf

For the urgent Attention of:

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

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Fax: +61 2 6277 5829
community.affairs.sen@aph.gov.au

Dear Sir/Madam,

To follow, please find my submission and Media Release re the proposal to deem Account Based Pensions:

Media Release & Submission

Proposed legislation great for Caravan, Cruise and Carnival industries
– Bad news for retirees and tax-payers.

The proposal to introduce Deeming on Account Based Superannuation Pensions currently being examined by the Senate Community Affairs Legislation Committee is ill advised and inappropriate – if introduced it will encourage savers to blow their funds on toys and 'experiences' and then go on the full age pension - rather than to carefully manage their savings over time, said Adelaide based financial strategist Theo Marinis.

"This proposal is great news for the fun industries – but will mean an immediate and significant burden on the federal government's budget. It is illogical – it flies in the face of all the sensible rules established around superannuation as a long-term asset," he said.

"Whoever the public servant is behind this proposal clearly has no understanding of human nature. As the FPA correctly says, the current rules act as a brake on spending, encouraging the rationing out of super. (See attached FPA letter)

"If the current Deeming proposal gets up there will be many scenarios where a person will actually increase their government pension by spending up big. This will be fun for them, but economically irrational for the country as a whole.

"A sensible superannuation system is designed to encourage and reward long term saving – and not to be a burden on the taxpayer.

"I call on the committee to reject the idea of introducing deeming on to Account Based Superannuation Pensions or they will inadvertently – and naively - create a huge imbalance in the current retirement savings system," Theo Marinis said.

Ends

For further information please contact

Theo Marinis
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Kind Regards

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The Hon. Kevin Andrews
Minister for Social Services
PO Box 6022
House of Representatives
Parliament House
Canberra ACT 2600
cc: Senator the Hon. Arthur Sinodinos

By email: menzies@aph.gov.au

4th December 2013

Dear Minister,

RE: Social Services and Other Legislation Amendment Bill 2013

The Financial Planning Association (FPA) is concerned about the implications of the *Social Services and Other Legislation Amendment Bill 2013*, especially for consumers of financial advice. In particular, the Bill changes the way that account based pensions are assessed under social security law, and forms a disincentive to the responsible management of retirees' superannuation assets. We would ask you to hold an inquiry on the short and long term social and economic impacts of this Bill, and to carefully consider whether or not this measure will actually reduce reliance on the Age Pension.

Account based pensions are highly effective financial products. They are structured in a way that encourages and rewards retirees for withdrawing the minimum allowable from their balance, while still retaining flexibility and control to the beneficiary. With the help of a financial planner, these products can help pensioners minimise reliance on the Aged Pension.

Deeming these pensions to be financial investments under the *Social Security Act* and financial assets under the *Veterans' Entitlements Act* will be a disincentive for those approaching retirement from structuring their retirement savings into a prudent, managed stipend. This approach may encourage irresponsible spending, or a deleteriously risk-averse attitude to retirement savings, and in either case retirees will continue to rely on the Age Pension – perhaps to an even greater extent than they would on an account based pension.

The Bill also disproportionately affects Australians with modest means, and therefore have a greater reliance on the age pension. The following table compares the aged pension outcomes for a 65 year old woman who purchases either a $200,000 or a $500,000 account based pension and has no other assets. As the *Social Security Act* will apply either the income or the asset test depending on which provides the lower aged pension benefit; those who are asset tested will be unaffected by the deeming provisions for the income test. On a $200,000 account based pension, the retiree will expect to receive $62.40 less per fortnight from the Age Pension.

Date of ABP Commencement	31/12/2014	01/01/2015	31/12/2014	01/01/2015
Amount Invested	$200,000		$500,000	
Minimum AP Payment	$10,000	$10,000	$25,000	$25,000
Deductible amount	$9,250	N/A	$23,130	N/A
Deemed Income	N/A	$7,301	N/A	$19,301
ABP Income Tested Amount p.a.	$750	$7,301	$1,870	$19,301
Age pension reduction (income test)	Nil	$62.40 p.f. reduction	Nil	$293.17 p.f. reduction
Age Pension reduction (asset test)	$4.88 p.f. reduction	$4.88 p.f. reduction	$454.87 p.f. reduction	$454.87 p.f. reduction
Effect of Change	**Pension is reduced by $62.40 per fortnight.**		**No effect as client is still assets tested.**	

Under the new rules, retirees who rely on their investment for an income stream are also exposed to the compounded risk of receiving lower returns due to investment conditions while also receiving a reduced pension as a result of deeming. Rather than facing a reduced income support payment as well as exposure to the market, retirees may choose to spend their savings and rely on the Age Pension.

The Bill also has the presumably unintended consequence of reducing competition between financial products and product providers by offering preferential social security treatment to pension schemes which are not asset-backed. If the value of the underlying asset is used to deem the income derived from the financial product, then financial products without an underlying asset (such as Defined Benefits Scheme Pensions or annuity products) may have a lower income than the deemed income of an account-based pension. We do not form a value judgment by comparing these products, but stress that product recommendations made by financial planners should be influenced by the circumstances and goals of the client, and not arbitrary distinctions in the social security law.

Furthermore, the way that the grandfathering provisions are structured in the Bill may influence retirees to feel locked in to an existing account-based pension arrangement solely because of how these arrangements are assessed against income support payments. Given that account based pensions can be designed to last for decades, we feel that this is counterproductive to retirees receiving the best financial advice for their situation. Retirees will also be exposed to greater counterparty risk, as they may decide to either stay with their present provider for the rest of their lives with sub-optimal results, or move to a different product where the retiree retains little or no control over their investment. Australians should feel confident and in control of their financial future at every stage of their lives as a basic tenet of financial citizenship and inclusion. This Bill would undermine the usefulness of a financial product which does offer this level of control to retirees, especially when paired with personal financial advice.

FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

The FPA does not believe that the Bill as it stands will deliver the $161.7 million saving to the Federal budget which is expected. Instead, we believe that deeming account based pensions as a financial investment would undermine the usefulness of these financial products, which will encourage retirees to pursue other investments which will not be deemed. Alternatively, the Bill will increase reliance on the Age Pension through the encouragement of spending their superannuation balance to increase their age pension entitlements, rather than being rewarded for a prudent approach to managing their retirement income. In either case, the Bill will negatively impact the retirement outcomes and investment decisions of Australian pensioners. It also has the potential to disturb qualitative social outcomes, such as participation in society and dignity in retirement.

If you have any questions, please contact me directly on 02 9220 4500 or dante.degori@fpa.asn.au.

Yours sincerely,

Dante De Gori
General Manager Policy and Government Relations
Financial Planning Association of Australia[1]

[1] The Financial Planning Association (FPA) represents more than 10,000 members and affiliates of whom 7,500 are practising financial planners and 5,500 CFP professionals. The FPA has taken a leadership role in the financial planning profession in Australia and globally:

- Our first "policy pillar" is to act in the public interest at all times.
- We banned commissions and conflicted remuneration on investments and superannuation for our members in 2009 – years ahead of FOFA.
- We have an independent conduct review panel, Chaired by Professor Dimity Kingsford Smith, dealing with investigations and complaints against our members for breaches of our professional rules.
- The first financial planning professional body in the world to have a full suite of professional regulations incorporating a set of ethical principles, practice standards and professional conduct rules that explain and underpin professional financial planning practices. This is being exported to 24 member countries and the 150,000 CFP practitioners that make up the FPSB globally.
- We have built a curriculum with 17 Australian Universities for degrees in financial planning. As at the 1st July 2013 all new members of the FPA will be required to hold, as a minimum, an approved undergraduate degree.
- CFP certification is the pre-eminent certification in financial planning globally. The educational requirements and standards to attain CFP standing are equal to other professional bodies, eg CPA Australia.
- We are recognised as a professional body by the Tax Practitioners Board.

Theo Marinis | Marinis Group

Subject: Submission Acknowledgement - Social Services & Other Legislation Amendment Bill 2013

From: Stewart, Carol (SEN) [mailto:Carol.Stewart@aph.gov.au]
Sent: Wednesday, 11 December 2013 2:20 PM
To: Theo Marinis | Marinis Group
Subject: Submission Acknowledgement - Social Services and Other Legislation Amendment Bill 2013

AUSTRALIA

AUSTRALIAN SENATE

COMMUNITY AFFAIRS LEGISLATION COMMITTEE

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CANBERRA ACT 2600
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Mr Theo Marinis
Financial Strategist
Marinis Financial Group
67 Kensington Road
Norwood SA 5067

Dear Mr Marinis

Inquiry into the Social Services and Other Legislation Amendment Bill 2013

Thank you for your submission relating to this inquiry. The Committee will consider carefully all matters raised in your submission.

All submissions to Senate inquiries become Committee documents and are made public only after a decision by the Committee. In accordance with Committee procedures, and as you have not asked for confidentiality, your submission has been authorised for publication by the Committee. This provides your submission with the protection of parliamentary privilege. Publication of your submission includes it being loaded onto the internet (with your signature and/or contact details removed) and being available to other interested parties including the media.

The Committee is required to report by 12 December 2013. A copy of the report will be loaded onto the Committee's website and may be accessed at www.aph.gov.au/senate_ca

If you have any questions regarding your submission, or the inquiry, please contact the Committee Secretariat via email at community.affairs.sen@aph.gov.au or phone (02) 6277 3515.

Yours sincerely

Matt Crawshaw
Committee Secretary

Media Release No: 58 **1st January 2015**

New Law Rips off Pensioners by over $1,000 pa

"Happy New Year to Australia's Age Pension recipients drawing an income from modest account based pensions – and thank you for reducing your take home income by *$1,060 pa as a result of the Federal Government's new Deeming rules, which came into place today.

And a VERY happy new year to the millionaires at the major banks and financial institutions who will see the potential for their bonuses explode, as our government forces hundreds of thousands of Centrelink Age Pensioners into financial products which will pay them just 3.95% pa..... while the institutions which hold them will earn 6.00 – 7.00% pa on their money.

The injustice of the new deeming rules is that unless pensioners get advice and act on it, they will see their annual income reduced from $31,913 to $30,853 – an actual cut of *$1,060 per year... while CPI continues to increase at almost 3.0% pa"

"This is a penalty which affects those who can least afford it", according to Adelaide based financial strategist Theo Marinis.

"Our pensioners are the very people who worked hard all their lives and paid the taxes which built the hospitals, the roads and the schools we all use today. Many of them fought wars to defend our Australian way of life. These are not wealthy people 'sharing the load'."

"The previous rules (which recognised a 'return of capital component' in the account based pension income stream) were fair and on a similar footing with other non-superannuation income stream products which are currently available in the marketplace."

"As a result of this inconsistency, which the 'experts' advising the Minister for Social Security have overlooked, many pensioners (including all of my affected clients) will now have access to another strategy to avoid having to take this unjustified $1,000 pa reduction" Theo said.

"My advice to my clients if in this exact position will be to invest an amount of $80,000 from their superannuation into a 7 year Zero Residual Capital Value (RCV) Annuity – this with careful ongoing management of their cash flows to ensure that they stay below the Centrelink deeming limits and allow them to maintain their overall annual income."

"Centrelink Age Pensioners who are affected by the new account based pension deeming rules should seek financial advice immediately" Theo Marinis said.

** Based on a single person receiving a Centrelink Age Pension with a superannuation asset of $200,000.*

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For further information please contact:

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