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From:	Grow | Marinis Group
Sent:	Friday, 24 July 2015 10:10 AM
To:	Grow | Marinis Group
Subject:	What's Going on in the Markets?
Attachments:	2015 03 18 - eGrow - The Sage of Omaha.pdf; Media Release No. 26 - 2009 02 09 - Boomers Retirees.pdf

Dear friends

In the 30 years since I left university I don't think I have ever heard so many investment market commentators telling us that the sky is falling in. Every day we hear that "China is crashing", "Australia will crash soon" and "Greece is a train-crash happening before our very eyes."

We are being exposed to what I call a 'Cult of Catastrophisation' – a 'Theo-ism' for the current indulgence by (supposedly) informed commentators all trying to outshout each other in their predictions of the very worst economic outcomes.

I recently heard one breathless reporter tell a stunned audience that China's market had fallen 30% in the last month, whilst failing to mention that it had already increased by 150% that year.... therefore overall, local investors had increased their wealth by 10% per month – more than doubling their investment over the period!

In my study of the media / market interface over the years I can confidently say that events are never as bad as the commentators predict and times are never as good as they forecast. Nevertheless investment markets do at times, move in an uncertain and unpredictable manner.

My advice is (always) to start with a robust and conservative strategy and to stick to it over the medium to long term. Taking this approach will see your 'paper' wealth dramatically rise at times and dramatically fall at others – but throughout history there has always been a very positive medium-to-long-term outcome. Furthermore, as you know, I always recommend a 'Marinis Buffer' during the draw down to smooth the bumps.

There will be bumps and glitches along the investment road as there are with life. The key to success is to keep your eyes on the horizon, strap on your seatbelt, and stick to the strategy. Remember, it is during these volatile times (whether when markets are "Booming" refer to my Sage of Omaha eGrow dated 18th March 2015 (http://www.marinisgroup.com.au/assets/2015_03_18_-_eGrow_-_The_Sage_of_Omaha.pdf) or in times when markets are correcting, Media Release No. 26 dated 9th February 2009 Boomers and Retirees (http://www.marinisgroup.com.au/assets/2009_02_09_-_MR_26_-_Boomers_Retirees.pdf) that we at Marinis Financial Group really earn our money by understanding what is going on and providing advice to our respected clients.

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

Best wishes

Theo Marinis B.A., B.Ec., CPA., CFP®
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From:	Grow | Marinis Group
Sent:	Wednesday, 18 March 2015 11:39 AM
To:	Grow | Marinis Group
Subject:	The Sage of Omaha
Attachments:	Warren Buffett Letter - February 2015.pdf; Wisdom of Great Investors - Brochure.pdf

Dear Friends

You may recall my article last year concerning Warren Buffett – the 84 year old billionaire investor, aka The Sage of Omaha and his annual letter to investors.

Once again Mr Buffett makes enormous common sense in his latest public statement; he reminds investors that share markets often rise gradually and then fall dramatically but over the long run they are proven to be the best place to invest your money. (My word of caution since 2008, we have seen a long slow recovery in the markets, and history suggests we may be in for yet another correction).

Mr Buffett's 2015 letter is attached for your reference. In particular, I draw your attention to his comments regarding investment on pages 18 and 19.

It occurs to me that as a society, we pay a lot of very smartly dressed (and perhaps young and inexperienced) people a large amount of money to invent get rich quick schemes. Who can forget the CDO (Collateralized Debt Obligation) which has been blamed for the GFC? Maybe we should listen a bit more to oldies like Warren Buffett.

Warren Buffett's asset accumulation philosophy is simple: buy when the market is low and sell when it is high, which is great for professional investors. For the rest of us, he advises we simply keep investing and stay in our seats as the markets rise and fall.

I often ponder a comment by the economist John Maynard Keynes who once said words to the effect that "The market can remain irrational longer than I can remain solvent." Therefore, I almost never recommend clients borrow to buy shares and try to discourage people who want to do this.

I also caution people about being too aggressive when markets are booming and being too pessimistic when they are correcting!

Buffett is an investment guru and not a financial planner who deals with everyday people and their everyday needs, but he does have tremendous insight into wealth creation and maintenance thereof.

As you would all be aware, I advise clients in the retirement 'draw-down' phase to maintain a 'Marinis Buffer' of cash, so that they don't have to sell good assets cheaply just to live.

With that provision, I am in accord with Buffett's views.

I also believe in being rational about the stage of life we are in. As we all know, we won't last forever.

When one of my highly respected clients recently requested to invest considerable proceeds from some recently matured term deposits to buy shares (based on the current low rates for cash and the higher returns of the market) I strongly recommended against this action.

Given that markets can and do periodically fall, my client, at over 70 years of age, probably does not need the stress of seeing the value of her life savings tumble. If she were half that age (and subject to her comfort level with investment risk) I would be happy to recommend a more aggressive approach, as she should have another 30 years in the work force.

I don't have a crystal ball, but I do have enough experience to say there are only a very few times in our lives when we should speculate. Most of the time we should all "Stay in our Seats" let the market accumulate over time and relax and enjoy our lives without worrying about what I call investment pornography – the daily stock market gyrations!

I have also attached for you reference, Perennial Investments recently updated booklet "The Wisdom of Great Investors". We have been fortunate enough to have had access to an earlier version of this publication on our website as a tool for our clients.

This updated booklet provides further insights into the difference between investing and the "gambling" that many people mistake for investment.

I encourage you to take the time to read both Mr Buffett's recent letter and the Perennial booklet.

Remember, as I have previously recommended to many of you, on numerous occasions over the years, continue to "keep your eyes on the horizon" and ignore the "investment noise" which will surface yet again, whenever the next correction comes.

As always, if you would like to discuss any of the issues raised in this edition of eGrow, or your personal circumstances, please do not hesitate to call me or my proudly 'non-aligned' team members.

Kind Regards

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Media Release No: 26 **9th February 2009**

Boomers & Retirees: See Your Adviser

Despite widespread headlines of doom and gloom as a result of the much over-hyped Global Financial Crisis, it could actually prove to be the real break Baby-Boomer and Retirees have been hanging out for – they just need to make sure they have had their portfolio reviewed and if necessary, reweighted says Adelaide-based financial strategist Theo Marinis.

"Baby Boomers who are over 55 and still working are in a fantastic position so long as they are using Transition to Retirement (T2R) legislation to help them supercharge their retirement savings. They are using near tax-free dollars to buy heavily discounted assets which means when the market returns to good health (and it will as sure as day follows night) they will have had a double win," he said.

"Working Baby Boomers should make sure their adviser reviews the asset classes of their existing portfolio and if necessary, reweight it to take advantage of the time they have left until retirement and the projected income they will be getting between now and then."

"While many predict the future will be bleak for Boomers and Retirees, these prophets of gloom are forgetting that there is still a looming skills shortage in Australia. If you look at the public service, one of the major employers in the country, for example, it is estimated that 30 per cent of the work force will be eligible to retire by 2013. Further, it is a similar situation in every sector of the economy!"

"Baby Boomers will have the potential to be recruited and even retrained for new careers, on their own terms (probably therefore on a part-time basis) to fill these vital roles in administering the Government's policies and the great news is that they will be able to do so using a T2R approach thereby paying little or no tax."

"As strange as it seems, retirees who have provided well for their own retirement are in a very good position as well, so long as their portfolio has a balance between a strong cash buffer and believe it or not, growth assets. The cash buffer allows them to see out the present difficulties while the growth assets will help them make the most of the impending upswing in the medium to longer term."

"In fact, retirees will be enjoying the cost of living reductions brought on by the Global Financial Crisis including cheaper fuel, airfares and food items.

"In addition, people should not lose sight of the fact that 21st Century Australia is very generous by world standards. We look after pensioners by providing up to 25 per cent of the average working man's wage in Centrelink Age Pension benefits in addition to allowing people have their own private pensions (through super) providing significant additional income to supplement the basic Age pension even for those with relatively modest private savings."

"All those scaremongers talking of another Great Depression need to be reminded that this was not the case in the 1920's and 1930's."

"In fact, the Great Depression was the main impetus for the creation of our safety net Social Security system. It was to ensure that in time of economic downturn people would not be forced to live in the streets and line up at soup kitchens for a feed."

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"Self-funded retirees too, need not panic. For example, a self-funded retiree of 65 with $1.0 million in a superannuation pension has options even if their pension investments are not currently, correctly allocated.

In this case, they need to review their investment allocation with the aid of a quality adviser. A good adviser could for example, reallocate $200,000 of the portfolio into cash investments with the balance remaining exposed to growth assets (subject to the clients risk tolerance).

This cash allocation acts as the portfolio's "shock absorber" to cushion the portfolio from market volatility and is the account where the pension payments will be paid from, ensuring none of the growth orientated assets in the portfolio are crystallised at a loss, in the current environment.

Now, if this self-funded retiree pensioner draws $50,000 pa (tax free super pension) as "pay" taken from their "shock absorber" cash portfolio, they have about four years of pension payments in the starting $200,000 cash account.

However, this ignores that the entire portfolio is receiving income (eg; interest and dividends) even though the portfolio value has fallen during the current crisis. If we assume a conservative 4% pa net income yield that equates to around $40,000 in income flowing into the cash account whilst drawing $50,000 pa in pension payments from the cash account.

Quite clearly therefore, the $200 000 cash account will be self-funding for many, many years providing plenty of time to ride out the current volatility and allow the growth assets to recover their capital value, as they certainly will in due course.

"In my more than 20-year career including my time at the ATO, Centrelink and the Insurance and Superannuation Commission before establishing Marinis Financial Group, I have observed one golden rule of the world – times are never as good as they seem and they are never as bad as they seem.

"I remain very optimistic that Australia will pull through the current global financial crisis and will spring back to its position of robust growth, having learned the lesson about getting rich slowly – it is about the strategy rather than the trying to pick the best underlying investments or the best time to buy."

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For further information please contact:

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