Grow @ Marinis Group

From: Grow | Marinis Group
Sent: Friday, 4 November 2016 10:10 AM
Subject: The Strange World of Investing
Attachments: Media Release No. 67 - 2016 11 04 - 17 Years on....pdf

Dear friends

I want to create a bit of understanding about what is being said in the media, so everyone can understand the discussion about the strange world of investing, and what drives it.

As a CPA and a Certified Financial Planner with (for those of you who are not already aware) an economics degree forming part of my academic "claim to fame", investing is my 'normal' patch. Therefore, I would like to point out a few themes which may stop people getting too confused.

Since June, the ASX200 rose by 10%... and since then fallen back to where it was – which for most of us is just bizarre.

That is the nature of investment markets and why I recommend only checking in on the performance of your portfolio once a quarter at most, rather than on a daily basis.

There is a common expression by speculators in investment markets to "Sell in May, and stay away" (meaning come back into the market in November). Weirdly, this observes the 'Halloween Effect' in October where the market has traditionally been spooked; statistically, it is the month when the big corrections occur. I am pleased to say this year the October impact has been minimal.

After that observation, my next comment seems crazy – but – markets are fundamentally rational over the medium to long term. In other words, they reflect the value (and the outlook in an uncertain world) of the companies whose shares we buy and sell. It is the tension between fear and greed which causes the frequent corrections, spikes and short term skittishness.

That is why investors (as compared to speculators) buy and hold quality assets and do not "sell in May, and stay away!"

While past performance is no guarantee of future returns, over the last 30 years the ASX has averaged growth of almost 10% per year. This is why I like recommending investments in the market.

A lot of media commentators earnestly discuss the Australian dollar. What they usually do however, is see it merely in relation to the US dollar (generally disregarding the Euro and the Yuan, which represent equally powerful economies!) When the $AU slides it is often an indication of strengthening in the $US rather than a weakening in Australia.

The benefit of a higher Australian dollar is that we can buy things more cheaply from overseas. Conversely, when our dollar is low, our farmers and manufacturers can sell their goods more easily to foreign buyers. So there are both good and bad outcomes of this volatility.

Interest rates are used by the central banks, such as the RBA in Australia, The Bank of England in the UK and 'The Fed' in the US, as a kind of brake on the economy. If the central banks feel economic activity needs a bit of 'encouragement', they lower interest rates so money becomes cheaper. If the market is getting 'over stimulated', they increase the rates.

Uncertainty, greed and panic drive these market and currency fluctuations.

The impending US election on 8 November 2016 is a case in point.

The share market had already factored in a win for Mrs Clinton, but if we see a Trump presidency, I would anticipate a significant short term fall in world markets (which is reflected in this week's market declines!) based on his isolationist rhetoric and the fact that a Trump win has not (till this week) been anticipated as likely. After the panic, however, we could also expect a spike in the value of Wall Street due to Trump's pro-business stance.

We saw a similar pattern played out in January this year when the China collapse fears saw the markets fall heavily, only to rebound in February. Then mid-year (with the unexpected Brexit vote) markets tumbled yet again to swiftly rebound above where they were prior to Brexit, with the same panic and bounce back mid-year.

During such times I am prompted to think of my clients and friends of more than 17 years, who I have called 'Brian' and 'Susan' to protect their privacy.

Brian and Susan have been retired throughout the Millennium Bug, the Tech Wreck, Gulf War II, GFC, SARS, Brexit etc, etc, and they have been able to just get on with the FULL enjoyment of their lives – you can read the story of their financial success in my case-study media release attached to this message.

I love the fact that they take home more cash in retirement than when they worked full time.

Like Brian and Susan, EVERYONE should be entitled to enjoy life without worrying about what the financial markets may be doing at any point in time. Indeed, if you are a long term investor, as ALL Marinis clients are, there is no reason to worry about them at all!

My job is for me to worry about these issues while my clients relax and enjoy the benefits their approach to financial planning and investing has allowed them. The key is to have a medium to long term strategy and to expect (but don't worry about) the inevitable bumps as the market moves around.

After the bumps, the sun will rise again the following day and the markets will start seeking out bargains. Protected by your 'Marinis Buffer', you can put on your investment seatbelt and as I continually say – "stay in your seats and don't panic".

As always, if you would like to discuss any aspect of this edition of eGrow or its attachment, please do not hesitate to contact me or any member of the Marinis Financial Group team on 08 8130 5130 or via email at admin@marinisgroup.com.au.

Attachments

Attachment Source: Marinis Financial Group - Media Release No: 67 - 04/11/2016 - 17 Years on….

Kind Regards

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Media Release No: 67 **4th November 2016**

17 Years On…..

17 Years on... Brian and Susan are earning more in retirement than when they worked full-time

"One of the nice things is that we can go out, we don't have to think 'Can we afford it?' If we want something, we can buy it," said 72-year-old Susan, 17 years into her retirement.

Susan and her husband Brian (now 74) were some of the first working Australians to recognise and respond to the opportunity that superannuation offered. They started contributing to their retirement savings as soon as they could.

"Our daughter-in-law knew John Thompson, a financial adviser at SGIC and we first chatted with him about how to build our nest egg. When it came time to retire we were introduced to Theo Marinis and I am very glad we were.

"I was an office supervisor and Brian was a plumber working in a maintenance role, and together we earned around $72,000 pa. It was comfortable, but we feared how we were going to live in retirement.

"Theo calmed our fears by demonstrating (with the use of figures on a white board) that we were actually going to be quite comfortable in retirement by following a sophisticated strategy which was available to retirees at the time.

"Theo's plan involved selling our holiday home which we were not using much, putting the cash into our retirement pool and then buying an annuity in my name which was not taken into consideration by either the ATO or Centrelink. Next Brian's super was invested into a 'Term Allocated Pension' (which had some of the features of an annuity and some of the features of an Account Based Pension) his remaining super went into an accessible, Account Based Pension (ABP) super fund.

We were then entitled to three income streams, Centrelink, Brian's ABP super and our annuities – this diversity gives us a lot of protection against the inevitable crashes in the market.

"Retiring and being faced with all the binding decisions can be very daunting. We have friends who have seriously affected their income by making mistakes when helping out family, so there are lots of traps for the unwary. Furthermore, it is all so complicated, we are not stockbrokers or the like - in fact, I was initially very uncomfortable about the idea of the annuity, but I am now very glad I took the advice. Theo has made it very easy for us.

Susan and Brian now receive an annual tax free income of around $64,000 pa – in fact they have more 'take-home pay' in retirement than when they were both working full time!

"I recently became a little concerned when reading some news articles about the amount of income we were receiving and thought I had better check with Theo if we should actually be paying tax. I was delighted when he reassured me that the strategy he had established 15 years ago still meant our income would not bother the Tax Commissioner. He had 'future-proofed' our retirement. **Theo further confirmed we will NOT be affected by the impending Centrelink Asset Test changes from 1st January 2017.**

"Over the last seven or eight years we have relaxed a lot more financially and now that Brian is not as well as he was, I am very glad we did. We have used the money to have some incredible trips, to visit and explore different cultures, including Vietnam, Cambodia and Bali as well as touring New Zealand, Hong Kong, Canada and Alaska.

A lot of our friends, perhaps, were not as wise and decided to either take their retirement plans on themselves or put them in the hands of a bank. We are glad we trusted an expert.

"Theo is more than our financial adviser, he takes us to the pictures or to the zoo from time to time and makes us really feel part of the wider Marinis family. Plus, he always has time to chat and make us feel that we are just as important as any of his other clients, some of whom no doubt have more invested than we do.

And every fortnight we just sit back and watch as our 'pay' goes in to our working account, and we feel really relaxed about it, thanks to Theo. In fact, I hadn't realised just how much income we were receiving, it is quite a pleasant surprise! Susan said.

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NOTE: The superannuation rules which benefit Susan and Brian so well have been changed. Fortunately, the government of the day 'grandfathered' the regulations which means those who were already following this strategy could continue for life.

Comment from Theo Marinis: Although the rules have changed (for example Term Allocated Pensions like Brian's are no longer available) Susan and Brian's situation is an example of what can be done to help retirees maximise the opportunity for Centrelink and tax-free income.

The mistake most self-directed retirees make is simply 'not knowing what they don't know.'

Successive governments have made the super system incredibly confusing, so now, in my opinion, only an experienced financial adviser can unlock the opportunities for retirees.

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Disclaimer

The information in this article reflects Theo Marinis' understanding of existing legislation, proposed legislation, rulings etc. as at the date of issue. While it is believed the information is accurate and reliable, this is not guaranteed in any way. The information is not, nor is it intended to be comprehensive or a substitute for professional advice on specific circumstances.

The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.

BRIAN AND SUSAN TABLE 1 (Assets)		
As at 12/09/2016	**Actual Assets**	**Centrelink Assessable**
Account Based Pension	$ 114,734	$ 114,734
Term Allocated Pension (50% Asset Test Exempt)	$ 138,912	$ 69,456
Annuity (100% Asset Test Exempt)	$ 277,686	$ -
Joint Savings Account	$ 4,586	$ 4,586
Joint Savings Account	$ 25,000	$ 25,000
Joint Cash Management Account	$ 11,480	$ 11,480
Home Contents	$ 5,000	$ 5,000
Motor Vehicle 1	$ 18,000	$ 18,000
Motor Vehicle 2	$ 3,000	$ 3,000
Motor Vehicle 3 - Historic 1962	$ 5,000	$ 5,000
Motor Vehicle 4 - Historic 1951	$ 4,000	$ 4,000
TOTAL	**$ 607,398**	**$ 260,256**

BRIAN AND SUSAN TABLE 2 (Income)		
As at 12/09/2016	**Actual Income**	**Centrelink Assessable**
Account Based Pension	$ 10,680	$ 3,064
Term Allocated Pension	$ 8,110	$ 2,836
Annuity	$ 12,975	$ 1,458
Joint Savings Account	$ 115	$ 80
Joint Savings Account	$ 625	$ 438
Joint Cash Management Account	$ 287	$ 201
Home Contents	-	-
Motor Vehicle 1	-	-
Motor Vehicle 2	-	-
Motor Vehicle 3 - Historic 1962	-	-
Motor Vehicle 4 - Historic 1951	-	-
TOTAL	**$ 32,792**	**$ 8,077**

BRIAN AND SUSAN TABLE 3	
Actual Income Per Table 2 above	$ 32,792
Plus Combined Age Pensions	$ 30,911
TOTAL NET INCOME COMBINED	**$ 63,703**

SUMMARY

Nil tax is payable as the ABP, TAP and annuity income is tax exempt. Their Age Pension loss is only $242 pa combined and they are not affected by 1st January 2017 changes.

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