Dear Friends

<u>The markets, the future and why you should always – stay in your seats!</u>

Those of you who read the press will be well aware that the investment markets have boomed over the last financial year, proving once again they are the best way to transfer wealth from the impatient to the patient.

And as always, despite this whopping 25% rise, I can claim no credit. Where I add value is in ‘future proofing’ your investments. My attitude is that the good times look after themselves, but the bad times need us to work together as a team.

Some clients will be shocked when we meet, at my suggestion that they ‘lock in their wins’ by taking a more conservative investment approach. Roughly, once every seven years there is a boom like this, and at the same interval (usually) there is a bust. I think it is wise to not keep ‘rolling the dice’ as you don’t want to risk losing your gains.

This is really hard advice to give ourselves, as we all have that little voice in our ear telling us to try our luck one more time – but it is the right advice. That’s why you have a financial planner – to give the tough advice, to explain why, and to follow through the entire strategy.

Sooner or later this boom too, will end – as they always do. No one knows, or can possibly know, as this boom proves (and given no one predicted COVID-19 last year) when this will occur and how severe the downturn will be. This is precisely as no one predicted, or could possibly have predicted in early 2020, the incredible rebound (so far)!

All of this demonstrates why one of my oft intoned, all-time favourite economist quotes (yes, sad but true, I have a few) is John Kenneth Galbraith’s observation that ***“The only function of economic forecasting is to make astrology look respectable.”***

This means I am NOT trying to forecast “The market correction we have to have” – it’s just that as night always follows the day, market corrections always follow market booms.

When that happens, the doomsday merchants will be out again trying to play on (and profit from) everyone’s fears.

It is useful to remember FDR’s now immortal and often quoted words from his inauguration speech, slap bang in the middle of the Great Depression ***“… let me assert my firm belief that the only thing we have to fear is...fear itself — nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance.”***

The world survived, advanced and has thrived, despite the Great Depression and then WWII etc etc.

When THIS correction comes, and it will – remember ***“stay in your seat”*** as ***“this too shall pass”.***

Superannuation:

As flagged in previous editions of eGrow (refer July eGrow <u>here</u>) the Superannuation Guarantee (SG) has increased to 10% from 1 July 2021. Whilst this is heading in the right direction, I would point out the federal politicians and public servants scheme allocates 15% on their behalf – and that is a more realistic target to generate sufficient funds in retirement if we are to have the kind of spending ability we did when working.

Unrelated to this SG increase, but still vital information, is the fact that the Concessional Contribution (CC) cap has been indexed to $27,500 (from $25,000) from 1 July 2021.

Similarly, the Non-Concessional Contribution (NCC) cap has been indexed to $110,000 pa and as a couple you can now potentially each contribute $330,000 into super as NCCs.

The Total Super Balance (TSB) and Transfer Balance Cap (TBC) have also been indexed to $1.7m (for those who have not already exceeded those caps).

Remember to ***"Put as much into super as soon as you can, for as long as you can"*** in order to get the most out of our tax-effective retirement system.

To those who argue super should be voluntary, I'd just like to remind them the experiment to get humans to save for their old age has consistently failed over 5,000 years of civilisation. Most of us just wouldn't put away enough to live on – but as a society in Australia (thanks to the compulsory SG rules) we are heading to a position where we will all be able to have dignity in old age.

Taxation:

If you are in the workforce earning less than $130,000 pa, you will get a pleasant surprise in your pay packet due to a tax-cut from July 1, which may see almost an $1,000 pa extra coming your way.

It's not a bad idea to direct it into your mortgage or superannuation, rather than just adding it to 'consolidated revenue.' Paying down debt and increasing your savings are the keys to financial security.

(I do have a suspicion that we should all enjoy this cut while we can. In the not too distant future, a federal government will realise that it needs to pay down the COVID-19 debt mountain – which means we will see tax rates hike again.)

Media:

If you would like to see my recent media contributions, please click here.

And one more thing:

The Hayne Royal Commission has brought about significant changes for many financial advisers, but not so many for Marinis Financial Group. We have operated our best-practice model for the last 13 years – beginning from the date we achieved our own Australian Financial Services Licence (AFSL) on 4 July, 2008.

Ironically, from 1 July this year, as an Australian Financial Services Licensee, we have earned the right (as decreed by the Australian Securities and Investment Commission) to describe our financial planning practice as 'independent'. I will be writing to you in January about the associated benefits for you, our clients – so I won't double up now.

In the process of recording these dates it occurred to me that 2021 also marks a personal milestone as 'authorised representative' (regulatory jargon for financial adviser) of 25 years – therefore 35 years since the beginning of my financial services journey as 'Graduate Recruit' at the ATO.

As always, if I or any of my team can be of assistance, please don't hesitate to contact us on (08) 8130 5130 or email admin@marinisgroup.com.au

Yours sincerely

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