

Dear Friends,

What if you want to sack your Financial Adviser?

The other day a friend of mine observed that having a financial adviser was akin to someone sharing the second most intimate part of their life – their money. As with all relationships, sometimes they can fail – and that can be tricky.

If you fall out of love with your adviser, usually the starting point is to contact them about your grievance and let them try to fix the situation. In our case, you can contact me directly.

Remember, it is your money.

With the advent of the 'Future of Financial Advice' (FOFA) laws in 2013, by contacting your investment platform and advising that you have disengaged with your adviser, you can arrange to 'switch off' adviser access to your information, as well as the advice fees you currently pay them.

Of course, many people get nervous about taking this step – but they shouldn't. You should not deal with an adviser if they have lost your faith or trust.

Furthermore, if you believe that you have been wronged, bear in mind that all financial advice practitioners are required to hold Professional Indemnity (PI) insurance for your protection. You can find details in their Financial Service Guide (FSG) as well as how to commence a formal complaint – and, if necessary, to make a claim for a loss.

Keep in mind too, that the rules around the security of your investments are robust; all financial transactions made by a financial adviser on your behalf must be at 'arm's length'. Other than for the payment of an advice fee, your adviser can never accept cash or cheques payable to them, or to their business.

Your investment deposits, super contributions or rollovers are payable only to the recommended investment platform, financial institution or super fund; so there is a digital DNA trail to follow. From there, your funds are transferred to a trustee who will buy the recommended investments (eg, units in a managed fund or ETF) on your behalf, where an additional trustee/custodian arrangement is in place for further investment protection.

All trustees and custodians are personally responsible for carrying out their fiduciary duties (doing the right thing by you) and must also carry PI Insurance. In addition there is a range of settlement, accounting and tax specialists who also become involved in the process, and you are also protected by their mandatory insurance.

These protective layers explain the costs involved in such investments, and they DO work.

For example, when Lehman Brothers collapsed in 2008 (triggering the GFC) the custodians of the Lehman Brothers investment fund maintained control over clients' investments, and in due course the management was taken over by Barclays Bank. NO investors in these funds lost money despite the demise of Lehman Brothers bank!

Further, as a result of the FOFA reforms in 2013, every 2 years the law requires financial advisers to request their clients to renew their ongoing service agreements by 'Opting-in'. If you chose not to opt-in, the adviser is required to take action to 'switch off' your fees and contact your investment provider to disengage. You then have the choice to appoint another adviser or go it alone.

As mentioned earlier, you can 'Opt out' at any time; you are NOT locked into two-year service contracts. The 'Opt-in' rule was introduced to ensure that financial advice practitioners were regularly explaining their fees and providing the agreed service levels for those fees.

Bear in mind too, that if things get really difficult, the Australian Financial Complaints Authority (AFCA) – which recently replaced the Financial Ombudsman Service – is available to mediate on your behalf with ANY financial services complaints.

So, even if you are unhappy with your adviser, there are a range of experts with their PI Insurance standing behind them, to ensure that you are protected.

It is my sincere hope that our clients never feel the need to act on this information in their relationship with MFG, however if they do, this is offered with good grace. On that note, even though we regularly provide you with the current version of our Financial Service Guide, for your reference I have attached to this eGrow our website [Link](#) to the FSG current version!

SMSF investing – emotions vs logic

On another topic, from reading my recent media releases, many of you will be aware of my growing disquiet about the pitfalls involved in the running of Self-Managed Super Funds (SMSFs). During the course of preparing an article for Alan Kohler's Eureka Report [link available here](#) it occurred to me that the biggest mistake SMSF holders make is to become emotionally involved with their assets.

When I considered my own situation 20 years ago, I realised that I too, was guilty of this same emotional involvement.

At age 11, I was badly injured in a car crash in which my mother died. As a result, I inherited a small commercial property (Business Real Property in SMSF jargon) Mum had owned, which I subsequently transferred to the SMSF held by myself and my wife Julie. Eventually, I managed to give myself permission to sell the Business Real Property and transfer the proceeds to the same retail super funds I was recommending to my clients.

During the process of reviewing the value of this investment for the final settlement of my late father's estate, I realised that for sentimental reasons, had we retained the property, at best, it would have doubled in value.

On my most recent calculations, the value of our SMSF rollover has increased almost five-fold.

I believe that this anecdote provides a real example of the folly of investing based on emotions rather than logic. It is also one half of the reason I would generally recommend against going down the SMSF path. The other half relates to the onerous compliance burden (or the incredible bureaucracy) involved in running one – but I will leave that for another day.

And one more thing:

If you would like to read my latest media contributions, both articles and press releases, please click on [this link](#).

As always, if I or any one of my team can be of assistance, please do not hesitate to call us on (08) 8130 5130 - or drop in to our new offices at 49 Beulah Rd, Norwood, 5067.

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