July 2022 eGrow

In this issue:

- Happy New (Financial) Year!
- Thank you
- Media
- And one more thing…

Dear Friends

Happy New (Financial) Year!

Being forced to hit 'pause' can provide opportunities for reflection. In my case, the pause was to recover from a recent minor surgical procedure – during which time (as you would expect) I was reflecting on the gear shifts which are currently taking place in our national and global economies.

We should not be too concerned about these shifts.

Yes, we will have a bumpy period as inflation, energy supply challenges and geopolitical conflicts play out, but history, particularly the events of the twentieth century, have taught us much about the benefits of sensible problem solving and co-operative resolution. The great problem lies with the fact that fear, not learning, sells newspapers. Recognising this is elementary if we are to avoid the constant diet of fear being fed to us by the uninformed sensationalists.

History shows that we experience a downturn like the present one, roughly every seven years. There are also jolts like the COVID-19 crash in 2020 when the stock market fell approximately 35% or the GFC in 2008 with a fall of 55%. We endured the 'dot.com' bubble in 2000, the "recession we had to have" in 1990 – and who can forget Black Monday in 1987…? Events of this nature can be traced back, colourfully, to the famous Dutch tulip bulb market bubble, also known as 'tulipmania' in 1637.

But let me remind you that over the last 30 years the ASX has returned an average growth of more than 9.5% per annum; over the last 50 years to the end of April 2022*, the average return has been 10.7% per annum.

Whilst past performance is no guarantee of future results, it is useful to understand that these statistics, when measured over the longer term, demonstrate a reassuring consistency.

They include the spikes – not so dissimilar to the upward spike in my Blood Pressure (BP) reading as (from my hospital bed) I watched my beloved Carlton lose to Richmond ("we woz robbed!"). This was observed by the health professionals without panic; there was a reason for the spike. It was a glitch that didn't matter too much, it levelled out to be consistent with normal BP readings over an appropriate period of time.

As with BP readings, there are parallels with investment performance; it is the mid to long term results which matter.

I regard the current issues of inflation (and stagflation, as per my eGrow comments earlier in the year) as a by-product of the inaction by the various statutory monetary authorities, including but not limited to, the Reserve Bank of Australia, the US Federal Reserve and the Bank of England.

All were unwilling (and perhaps, fearful) to be the first to act on the very obvious signs – signs which I have been pointing out in our eGrow issues over the past two years. There is no 'free lunch'. Prices can't just keep growing and wealth increasing unchecked. Instead of small periodic corrections to 'let off steam' in the economy, the head of inflation steam has gathered pace to the point where a larger correction is now required.

A way to avoid pain from these difficult times is to think about why you have a financial adviser. Remember that your financial strategist is charged with making sure you don't make mistakes, to ensure you know all your entitlements and to provide advice to maximise your long-term security. As I am often heard to say, we take no credit for your results in the upturns, but we work hard to protect your financial security in the difficult times.

If you are in the accumulation phase of your superannuation, when the markets are down, you are buying discounted stocks with your contributions – this will stand you well in the long term. If you are drawing-down income from your retirement savings, you are well protected by the Marinis Buffer, which provides you with a cash 'shock absorber' in times like these. I am reminded that when markets were rising it did not seem sensible to some for a portfolio to hold the equivalent of two years' income in cash… but today, I think most people understand.

So why do I write 'Happy' New Financial Year? Simply because what we are experiencing will pass.

Remember that you have in place an excellent system for medium to long-term wealth creation, with protections in place for income draw-down. The bumps we are experiencing as I write, are bumps we've seen before.

Thank You:

Yet another thankyou to the team at Marinis Financial Group who support me so well – and to those clients who graciously moved appointments during my period of recovery. I'm now back to full health and will be in the office (minus one gallbladder) from 5 July 2022.

Media:

If you would like to check out my latest public contributions to the national retirement savings debate, please click here.

And one more thing:

I have asked Shane Oliver, author of Oliver's Insights, for permission to reprint his recent description of the current economic situation here. It provides an extremely financially literate and supportive perspective. I have known Shane for more than two decades, and whilst we have never worked together, I have always valued his views.

If you are concerned about how your portfolio is performing during these bumpy periods, please do not hesitate to get in touch with me or any of my team. We will organise a one-on-one get together to work through your concerns.

We are always here for you – call us on (08) 8130 5130 or contact us by email at admin@marinisgroup.com.au if we can help.

Yours sincerely

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* Vanguard Digital Index Chart April 2022