Alex Wiedenmann | Marinis Group

From:	Grow | Marinis Group
Sent:	Friday, 18 October 2019 10:48 AM
To:	Alex Wiedenmann | Marinis Group
Subject:	Putting predictions in context

Spooky October… again!?

Dear Friends,

Putting predictions in context

I'm fond of the expression "even a stopped clock is right twice a day".

Now, I may stand corrected, but I think that over the course of the last two years I've predicted at least four times (and always tongue in cheek) stock market corrections. I have also stressed the point to my clients, however, that you should do nothing. When that predicted correction does occur – and it will – we should "**stay in our seats**."

There are just too many variables at play to make the art of prediction a worthy occupation – and if anyone really knew the future – they would keep it to themselves… and make a fortune!

Yes, we are in uncharted territory. Currently, the stock market is bouncing around at record highs, Mr Trump is tweeting up global instability, there is a (possible) escalation of the trade war between America and China and communism in China is marking 70 years. Iran is tense, Afghanistan is heating up, Brexit is looming in October (perhaps this could be a trigger?) and global interest rates are falling.

But I would like to remind everyone how certain the pundits were around 9 months ago, with their predictions that the real estate market was about to freefall, and that the market falls in the last quarter of 2018 were apparently, the beginning of the end of the world as we know it! They got it wrong... again!

'Spooky October' is just a coincidence. Yes, it has happened that around this time of year there have been numerous corrections, but there are also market breaks in the first half of the year.

So, what is the role of a financial adviser – if it is not predicting the future?

A major part of my job, as I see it, is to be a 'financial psychologist'. Essentially, that means keeping my clients from acting emotionally where investment decisions are concerned, and to prepare them to expect and plan for downturns. I coach them in preparing for the worst – which is why I recommend the Marinis Buffer – a two-year cash supply for those in the income draw down phase.

Of course, there is a cost to holding cash (just as there is a cost to building a levy bank in a flood prone area) but when the flood comes, we are relieved to have paid the insurance premium.

I also see my role as one of warning people about the natural human instinct to gamble – driven by those pesky emotions again.

This instinct is also a very compelling reason why I recommend index funds as the mainstay of an investment portfolio. I am firmly of the belief that as humans, we can't predict the future, so picking one stock over the other and winning is just luck. It is a form of gambling, not a science.

When a market shock does occur, however, it is a very normal reaction for people in the accumulation phase of super or wealth creation to feel emotional and vulnerable. They are generally aged over 55 and fast approaching retirement (and therefore don't yet have their Marinis Buffer in place)!

In such a scenario, they may sometimes find themselves expecting to retire on, say $1 million of investable funds, but could find that over the course of a few weeks (or even only a few days) their investment has fallen to $800,000.

My advice is always "don't panic!"

Time, not timing, is the great friend of the long-term investor.

In fact, such downturns are a FANTASTIC buying opportunity IF we just remind those with a paper loss to stick to their strategy and point out they will probably get an unexpected boost as a result.

The great opportunity here is that if you are still working, it is a great time to boost your salary sacrifice contributions into super (if you are not already doing so). You will be acquiring additional units at a discounted price (those who did so during the GFC have reaped the rewards of that smart strategy, as the markets bounced back over medium to long term, as they ALWAYS do)!

And now a confession; I have nothing to do with your investments going up (or down) I'm not that smart or powerful!

This is simply a function of the market. My skills are best directed to educating our clients, understanding their psychology, and ensuring they are invested in line with their specific investment risk profile (so that their investments are diversified across all asset class, within all asset classes).

At Marinis we also strive to keep our clients' costs low (which means they get to keep more of their investment returns) and to guide them away from 'gambling' and stock picking.

We provide an interface to the Superannuation, Taxation and Centrelink systems to ensure we recommend the best strategies for our clients (often to take advantage of any arbitrage opportunities which are available) so they can establish the most efficient retirement savings machine possible.

The brutal reality is that we often "don't know what we don't know". There is no better example of this than the inappropriately named 'Death Benefits Tax' which creams 17% off any taxable component super left over when we (or our last dependant) die. Many people, however, are unaware that this tax may be optional. Depending on your circumstances, there are strategies to reduce the taxable component of your superannuation to substantially reduce or eliminate this tax. Your financial adviser can assist.

Education is power, and my goal is to have the best informed clients in Australia.

I use eGrow and my media releases to support this financial education plan. You can see my recent Media Activity on our website or via this link (https://marinisgroup.com.au/media/2019/)

And one more thing:

Thank you to those of you who have visited us at our new premises at 49 Beulah Rd Norwood, for your positive feedback.

We are enjoying working in close proximity with my colleague and friend Marco Piteo and his accounting team; this arrangement is also proving beneficial for our mutual clients.

We look forward to welcoming you here at review time, or whenever you wish to speak with us face-to-face. Our phone number remains unchanged (08) 8130 5130.

As always, if I, or any of the team, can be of assistance, please do not hesitate to contact us.

Kind Regards,

Theo Marinis B.A., B.Ec., CPA., FPA®
Financial Strategist
Authorised Representative

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