Grow @ Marinis Group

From: Grow | Marinis Group
Sent: Monday, 7 August 2017 11:56 AM
To: Grow | Marinis Group
Subject: Where are we now?

Dear Friends,

Where are we now?

Financial year 2016/17 was a good one for those of us with retirement savings, with the market returning an average of just over 10.0% pa on balanced funds*.

For our clients in income 'draw-down' phase this is an extremely good result, given that I generally recommend an annual pension income based on 5.0% pa of the pension account balance. (There are, however, a number of variables, including how much an individual needs to draw down, or the size of the balance, so not everyone gets the same outcome).

Nevertheless, many of these clients will have seen an increase of approximately 5.0% in the value of their portfolio (from the starting balance on 1 July 2016) even after providing for their income needs for a year. In addition, the pension draw down amount is effectively indexed very nicely due to the 5.0% NET increase in portfolio values.

(I call this the 'Magic Pudding' scenario, where you get to eat some of your savings while the market tops them back up again).

In the short term, things may not always be this smooth; in the medium to long term, however, this is the sort of performance which can generally be expected from a balanced portfolio.

SuperRatings chairman, Jeff Bresnahan was recently quoted as saying: "Over the last five years alone, funds have averaged 10 per cent earnings every year, more than erasing the pain of the global financial crisis and putting retirees in a significantly improved financial position than they could ever have hoped for." ^

His comments reinforce the first principles of our investment philosophy "Get rich slowly and stay rich" ie:

- stick to the strategy
- keep your eyes on the horizon
- ignore the investment pornography (dare I say the fake news) peddled too often by much of the media

Protecting your assets

Our investment philosophy also takes care to include the importance of asset protection. Whilst nobody ever wants to be in a position which requires making a claim on life insurance, and yes, maintaining the cover can be expensive – having life insurance makes a huge difference if a claim is necessary. Consider this recent, real life, case study brought to my attention by a colleague in another Adelaide based financial planning firm:

Approximately 5 years ago his client (then aged 49) sought advice regarding a family debt of $2M. Part of the recovery plan involved arranging life insurance on both partners. This Easter, and five years into rebuilding their finances, the client's partner passed away, aged just 51. While the payout does not bring her back, this client is now debt free for the first time in his life, and he has also been able to give each of his three adult daughters a $100,000 deposit for their first homes.

Bear in mind though, that there comes a time in our lives when we no longer need the same levels of personal insurance cover. Your adviser will generally review these needs with you on a regular basis, and if in doubt, you should always talk to your adviser before taking action.

Potential savings of $50,000+ over a decade through lower fees & nil commissions

Over the course of the year, my continued focus has been on raising awareness of the impact of fees over the medium to long-term. For example, a 50 year old with $500,000 in super who manages to get a fee cut of half a per cent can generate almost $40,000 extra by age 60. You can buy a lot with that.

Another of my awareness raising missions relates to the savings which can be achieved through 'commission-free' life insurance. For example, we estimate that by applying for life insurance cover through super (with an adviser who chooses not to be paid for their services by commission) a 50 year old requiring life insurance cover of $1M can save on average, around $1,000 pa.

In simplistic terms, therefore, adding the savings of lower fees (and not paying commissions) could mean potential savings of $50,000**+** over a decade.

These are the sorts of things you pay me to know about. And what I earn must always be far less than the savings I generate for you – savings which I will always try to highlight. If I don't, please ask me.

Our retirement environment

Despite good news for investment returns, the last financial year has been difficult for retirement savers and pensioners. The federal government has, very short sightedly, from 1st July 2017, reduced the annual concessional superannuation contribution Cap from $35,000 to $25,000. Also, access to the aged pension has been made more difficult – and this in term will skew the housing market...

Having said that, it is my belief that we still have one of the best retirement regimes in the world. If you must be older in any country, in my view Australia is the one. And while the system is not as generous as it once was, it is still VERY, VERY good. We are also benefitting from extraordinary housing price growth, and funding retirement is generally less difficult than it was for our parents.

So what lies ahead?

I am happy to admit that I don't know. It is certain there will be financial gyrations, and I suspect there will be a boom in the ASX – followed by a bust. The timing, however, is impossible to predict.

The only certainty is that a solid, medium to long term strategy towards wealth accumulation (with conservative income draw-down in retirement) combined with a focus on cost reduction – has a proven track record in keeping my clients very satisfied with their financial outcomes.

You may also be interested in the numerous media articles which detail some of my thoughts on robust retirement planning. **Please see the various media articles alluded to above here** **http://www.marinisgroup.com.au/media/2017**

As always, if there is any issue with which I or any of my team can help, please don't hesitate to contact us on (08) 8130 5130.

**Balanced funds returned on average 10.7% for the 2017 financial year.*

Source: https://www.superguide.com.au/comparing-super-funds/super-funds-gain-2016-2017-financial-year

NOTE: Funds categorised as 'balanced' may have exposure to growth assets of 60% – 80%.

^ Source: 2017 Balanced funds returns - AFR Thursday 29 July, 2017

Kind Regards,

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Financial Strategist
Authorised Representative

GROW @ Marinis

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