Dear Friends

Price is what you pay, value is what you get

The subject line above is attributed to Warren Buffet, one of my investing heroes. He has a clarity of thought, perhaps even wisdom, no doubt refined over his 90 years of life.

I was reminded of 'value' when I ran the numbers for some former interstate colleagues who are now BOTH entitled to a CSS "54/11" pension, which is the old, very generous, public service retirement scheme.

They are both intelligent and hard-working people who understand the complexities of government policy, but they came to me for peace of mind – which is a significant part of the value Marinis Financial Group (Marinis) offers. I'll call them George and Haley.

George became a client when he retired in 2017. Haley became a client earlier this year.

On my advice they both chose the Basic CSS Defined benefit pension option, which provides a significant CSS pension for each of them plus significant lump sum super amounts as well.

Haley was initially reluctant to rollover her lump sum super benefit, as she felt my recommendations would not sufficiently diversify her portfolio, and anyway, her Industry Fund "was more cost effective than anything I could recommend!"

This is a common misconception, and one for which I must congratulate the Industry Fund ad agency, as their campaign works – even if it is not true for clients of Marinis.

As our clients and regular readers of eGrow will be aware, we are committed to achieving the most competitive investment fees for our clients. It is our well proven experience that fees can be significantly lower by seeking out cost effective fund managers and investment platform providers for the delivery of investment management and investment administration services.

A vital part of the value we add involves an active assessment to ensure that each party in the investment process is the best provider, at the most competitive price.

Based on our recommendations, we were able to demonstrate that by transferring her balance of $469,000 to an alternative platform, Haley's annual administration and investment fee savings, when compared to the fees charged by her industry super fund, were $3,630.

On the same basis, George has been saving approximately $2,755 per annum since June 2017, when he transferred his super balance (currently $391,000) in line with my advice at that time.

Based on my most recent advice, George has commenced an Account Based Pension (and will commence a Transition to Retirement pension when he attains his preservation age in June 2021). This action will provide George and Haley with an additional, tax effective cash flow to enable them both to maximise their personal Concessional Contributions (CCs) from July 2021.

Being young, energetic and engaged people (I'm told 50 is the new 30), George and Haley are back working part time. Over and above their employer Super Guarantee (SG) contributions from 1 July, they will make approximately $48,500 pa in personal combined top up Personal CCs to super, which will reduce their taxable incomes – a saving of approximately $19,158 pa in personal tax at their current marginal tax rate.

After the 15% super funds tax is applied to their CCs, their net annual tax saving will be $11,883.

George will also save a few hundred dollars in super fund tax on his $102,000 ABP (as distinct from his T2R ABP) however, this is not a large saving, as this ABP will be allocated 100% to defensive cash and fixed interest investments.

George and Haley plan to gift these funds to their children in the next 12 - 18 months, to help them to buy their first homes. George will be able to receive these funds with no tax payable (despite not yet being over age 60) based on the correct application of his Low-Rate Cap amount.

Despite Haley's initial concerns, their super investment portfolios now have a much greater level of diversification due to the Marinis investment philosophy which favours an 'index' (or passive) investment approach over 'active' concentrated stock portfolios (i.e. investment options with smaller shareholdings). This means index fund's returns are higher, on a risk-adjusted basis.

George and Haley's portfolios are now also invested in our 'unbundled, sector specific' index fund asset allocation, rather than a 'bundled' asset allocation approach. They will also be invested in line with their confirmed and agreed 'conservative' risk profile, as opposed to the more aggressive industry fund 'one size fits all' asset allocation.

The annual fee and tax savings outcomes of my recommendations are summarised below:

		Annual Savings
Haley (initial super balance $469,000)	Fees Saved (Investment & administration)	$3,630
George (current super balance $391,000)		$2,755
Combined (post CC strategy) Net Tax Saved		$11,883
Total net savings		**$18,268**

This scenario is consistent with the outcomes we strive to achieve for most (if not all) clients to ensure that dealing with Marinis saves them more than our advice fees.

In addition, they have the peace of mind which comes with knowing that we will regularly review our advice in line with their personal and financial circumstances, so they can get on with enjoying their lives without the stress of their finances!

As Warren Buffet reminds us **"Price is what you pay, VALUE is what you get!"**

And One More Thing

As mentioned in last month's eGrow, remember – if you plan to make last minute super contributions, and you are relying on a cut-off date of 30 June – DON'T. If you want to ensure that you don't miss the boat – the real cut-off date is more like 20 June to allow sufficient time for processing. For payments made after this date, there is a very real risk that your last-minute superannuation contributions may not be accepted.

Media

If you would like to read my latest media contributions, please feel free to click here.

As always, if I or any of the team can be of assistance, please don't hesitate to get in touch by emailing admin@marinisgroup.com.au or by calling (08) 8130 5130.

Kind Regards,

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