

Chocolates and Flowers are Nice... But Financial Security is a Far Better Valentine's Day Gift!

Jane gave her partner of more than 20 years a terrific "Valentine's Day" gift – more than \$4,000 per year – simply by getting some great financial advice about her Industry Superannuation Fund (and she also made sure her children would inherit more).

The earth is flat, the sun rotates around the globe and industry super funds are always cheaper than retail funds.... Well, no, that's not quite right," says Adelaide based Financial Strategist Theo Marinis.

Make no mistake, retail super funds and financial planners are in business to make a return on their money – but industry funds also charge for their services, and at times the retail option is cheaper.

As the 'nursery' for starting a great retirement savings pool (in my view, for the first \$200,000 of accumulated funds) I am an advocate for the use of Industry Super funds. I must say however, that the catchy "Compare the Pair" advertising does not tell the full story and can, in fact, be misleading.

To explain this point, I'd like to tell you a brief story about my friends Jane and Tim (not their real names, but the details are theirs in real life, and they have given me permission to retell their story.)

Jane is a former Industry Super fund member and this is her real financial situation – her partner Tim also benefits significantly, but he is not a client (yet!). Jane has chosen to pay an ongoing advice fee based on the services provided under the Marinis Financial Group 'Bronze' Client Service Model (CVSM). This is a flat fee, and costs \$2,000 per annum.

A 'before and after' fee comparison is as follows:

Jane's previous industry fund 'Core' Pool (single investment option)

Investment Management Fees p.a.	\$300,000 x 0.80%	\$2,400
Trustee costs p.a.	\$300,000 x 0.12%	\$ 360
Administration costs p.a.	Flat fee	\$ 65
Total annual investment management costs	0.94%	\$2,825

Jane's new retail fund (unbundled investment strategy)

Investment Management Fees	\$300,000 x 0.124%	\$ 375
Trustee and Administration Costs	\$300,000 x 0.083%	\$ 250
Total annual investment management costs	0.21%	\$ 625
Annual advice fee – GST inclusive (MFG Bronze CSM)	Flat fee	\$2,000
TOTAL ANNUAL COST		*\$2,625

*in addition to the ongoing advice fee tabled above, there is a 'one off' set up fee of \$4,400 which, based on the benefits of the advice we have provided, will be more than recouped by year three.

Immediate benefits:

The removal of "death tax" at the rate of 16.5% from Jane's \$300,000 super benefit, saving almost \$50,000 which their adult children would have been liable to pay.

Tim's Extra Age Pension due to our recommendations p.a.	+ \$ 1,904
Tim's Personal Tax Saving p.a.	+ \$ 296
Jane's Super Fee Savings (as above) p.a.	+ \$ 200

NET IMMEDIATE BENEFITS OF OUR ADVICE	+ \$ 2,400
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When Jane attains age pension age:

Additional Age Pension p.a. (as a result of our advice) **+ \$ 1,904**

NET BENEFITS OF OUR ADVICE FROM THAT TIME **+ \$ 4,304**

Clearly, Jane and Tim will be immediately better off by \$2,400 p.a. as a result of our advice, even **AFTER** allowing for the ongoing cost of that advice.

The net benefit will increase to \$4,304 p.a. when Jane eventually receives her increased age pension (also as a direct result of our recommendations) and again, **AFTER** allowing for the cost of advice).

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Disclaimer

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