Grow @ Marinis Group

From: grow@marinisgroup.com.au
Sent: Friday, 14 June 2019 9:30 AM
To: Alex Wiedenmann | Marinis Group
Subject: The benefits of resisting the knee jerk

Dear Friends,

The benefits of resisting the knee-jerk

With the Federal election behind us – and regardless of how we voted – in financial planning terms the status quo remains. As a nation, I am glad we didn't make knee-jerk decisions based around the 'possibility' of change.

Even when times are actually very tough (as they will be again) my advice is, and has always been: *"stay in your seats"* and stick to the strategy we have worked on together. There will be short to medium term hits to your portfolio, but the long-term outcome will be conservatively positive, and lasting.

Labor's 'Pensioner Tax' pointed to an anomaly in our retirement system which enables a very small percentage of retirees to enjoy tax refunds based on dividend imputation credits. For those choosing to rely solely on achieving their retirement income via this strategy, the prospect of the removal of cash refunds on dividend imputation credits was cause for considerable alarm.

However, this policy is likely now to disappear, at least for the foreseeable future. Nevertheless, I would never recommend a retirement income strategy based solely on franked dividend income.

Instead, I advise clients to buy into a 'capital gains tax free' pension fund that follows the market indices (both domestic and international) to diversify risk. Whilst this approach does not get the high 'highs' of outperformance… more importantly, if you are a retiree, it doesn't risk the low 'lows'… particularly if the dividend paying company fails, or there are changes to current legislation.

To my mind, 'dividend imputation hunters' lock themselves out of the balance of international markets. The Australian share market is great for dividends, whilst the US market relies instead on capital growth. In line with my commitment to always diversifying risk, I recommend a little of both.

The re-election of the Federal government reminds me that over the next election cycle, we should all be thinking about the options to 'top up' our super. We can still each make lump sum contributions of $300,000 (which the opposition had sought to reduce) and we have the right to catch up the last five years of contributions, up to $25,000 (which the opposition was proposing to end).

If you receive an inheritance or plan to sell an investment property, make sure you discuss with me the opportunity to tax effectively slide this money into the protection of superannuation. And don't forget, over 65's who downsize after a decade in their home can still transfer an extra $300,000 into super, which is another really clever way of protecting wealth from being eroded by extra tax.

For my 40th birthday, I received the gift of a flight in a fighter jet, which had been a boyhood dream. I loved the exhilaration, complete with loop-the-loops, 'Cuban 8s' and barrel rolls. When we landed, the pilot advised me that the passenger's ability to pull the ejector seat lever had been disabled because of the risk that fear in an unfamiliar experience might cause people to act rashly. However, the pilot's control still functioned, and would activate my ejection seat if necessary!

The minor panic and sell-down we saw in the lead up to the election, which saw some individuals liquidating shareholdings and investment companies paying early dividends, reminded me of that fighter experience. The untrained or inexperienced are often prone to panic, and don't look out for their long-term best interests when under stress.

I like to think that in the recent scenario, taking advice from people like me is akin to putting your trust in the pilot to stop you making a bad decision at a crucial time. Post the election, the markets boomed – with those who pulled the investment ejector seat handle missing out on this part of the ride.

Time to check your super contributions.

With 30 June 2019 fast approaching, if you were planning to make a last minute, Personal Tax-Deductible contribution to super this financial year, please act quickly.

The maximum tax-deductible super contribution **for everyone** (the amount a working person can contribute to super [inclusive of employer SG contributions] and receive a tax deduction) is $25,000 pa.

Such contributions MUST be received and banked by your super fund, BEFORE 30 June 2019. Most funds have a cut-off date well before 30 June and do NOT accept last minute contributions.

With 30 June 2019 being a Sunday, If you plan to do so I STRONGLY recommend you do so by Monday 24th June 2019, to ensure you do NOT miss out or make a mistake!

Please contact our office if you require assistance with such a contribution.

And one other thing:

Just a reminder, our office will close on June 18 due to an electricity cut by the power company. As we will not have access to the telephone or emails, we will be unable to respond to any of your communications on that day but will do so as soon as we are back online.

Kind Regards,

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

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FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Financial Strategies (SA) Pty Ltd | **ABN** 54 083 005 930
Trading as **Marinis Financial Group** | Australian Financial Services Licence No: 326403

P 08 8130 5130 | **F** 08 8331 9161 | **E** grow@marinisgroup.com.au
A 67 Kensington Road, Norwood SA 5067 | **W** marinisgroup.com.au