Grow @ Marinis Group

From:	Grow | Marinis Group
Sent:	Friday, 13 July 2018 9:33 AM
To:	Alex Wiedenmann | Marinis Group
Subject:	Super not so super? It's not all bad news
Attachments:	Client Case Studies.pdf; Media Release No 82 _ 2018 07 13 _ Whipping up hysteria will only damage super.pdf

July eGrow

Super not so super? It's not all bad news

Regular readers of eGrow will be not be surprised to know that whilst some of the findings from the Banking Royal Commission (RC) – and now the draft Productivity Commission (PC) Report on Superannuation reflect unfavourably on the financial planning and superannuation industry – I am not unhappy to see the daylight being let in on practices which simply should not be happening.

The findings emerging from the Banking Royal Commission are concerning and disappointing; they are evidence that cultures where conflicts of interest are still allowed to exist have no place in the financial advice process.

When it comes to the draft Productivity Commission Report on Superannuation, however, you will be well aware that there has been no shortage of anti-super rhetoric and alarmist commentary on the back of media reports such as these:

- *The revenue and financial services minister, Kelly O'Dwyer has stated that "Unwanted fees and insurance premiums on multiple superannuation accounts are a 'massive rip-off 'and must be stopped."*
- *Productivity Commission deputy chair Karen Chester, stated that "the odds were stacked against super fund members due to 'unintended multiple accounts and persistent underperformance' from some funds. The impact of that is highly regressive, it causes a great harm to young people, workers on low incomes and workers in and out of work."*

Let's keep things in perspective – some super is better than none

Whilst there are clearly some less than ideal outcomes relating to both retail and industry funds in the Productivity Commission findings, it is useful to bear in mind that Australia still has the third best retirement system in the world.

And despite the negative reports emanating from the Productivity Commission, having <u>some</u> super is better than <u>no</u> super – PARTICULARLY for "young people, workers on low incomes and workers in and out of work"!

Given that average per annum fees for industry super funds come in at around 1.0%, retail super

funds on average 1.5%, we need to encourage <u>more</u> of those people to seek advice to compare the fees they are paying and achieve lower costs.

Marinis clients pay on average, super fees of between 0.4% to 0.6% pa.

Furthermore, these fees can be achieved via reputable retail platforms using fully diversified, sector specific portfolios.

Life insurance can also be expensive but it is often a wise addition, given that so few young people have any protection for their family in the event of their premature death or disablement.

Marinis applies a 'wholesale' approach to providing insurance advice.

This means that we remove all commissions normally paid to advisers to recommend specific insurance products to clients. The effect of this is to permanently reduce the cost of ongoing premiums by approximately 30% for the life of the policy. We believe that by charging clients a fixed fee for any insurance recommendations, this 'nil commission' philosophy also permanently removes any conflict of interest; it breaks the link between how much we get paid, what insurance we recommend and on what terms.

To demonstrate what can be achieved by seeking advice and comparing the costs (even by those people with lower balances) we have included some client case studies to this eGrow.

The examples demonstrate what Marinis Financial Group have been doing for our clients – and our clients children – since obtaining our own Australian Financial Services Licence (AFSL) a decade ago in July 2008.

Our AFSL has provided us with the ability to source low cost product offerings without built in commission payments i.e. **NO** commissions, **NO** percentage fees (which are really commissions) and **NO** hourly fees (which reward inefficiency and incompetence). We are remunerated by flat dollar fees, which allows us to rebate ALL such distortions.

What the 'RC' and 'PC' findings highlight for me is that you SHOULD tell your children to come and see us sooner than later.

At the end of the day, having some super is better than none. We should start saving as much as we can, as soon as we can and for as long as we can, and encourage our young people to do the same!

Please find attached my recent media release on the need to stay positive about super.

Oh, and one more thing:

I have been surprised but encouraged to see that what we eluded to in a recent edition of eGrow (i.e. the breaking up of the functions of banking and the provision of financial advice) is coming to fruition.

You may have seen some of the recent press reports on plans by the banks – ANZ, NAB and most recently CBA – to sell off their wealth planning divisions in order to "move towards a simpler banking business model with an intention to focus on core banking".

Whilst there is no doubt that the impetus from the Royal Commission findings has spurred this activity, there is also no doubt that it signals a significant change for the better.

As more institutional conflicts of interest are eliminated, we should expect corresponding improvements in cost efficiencies and increased competition AND fewer barriers for financial advisory businesses to adopt an approach similar to that characterised by the Marinis business model. Great news for the financial planning industry and even better news for the consumer!

If you would like to look at details of our public stance on issues affecting the industry over the last decade or so click on www.marinsgroup.com.au and go to the media section

As always, if I, or any member of the team can be of any assistance to you, please don't hesitate to call us on (08) 8130 5130.

Kind Regards,

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Compare the costs – super fees & insurance

The savings demonstrated in the following examples are based on actual client case studies. They are drawn from a cross section of our younger clients (names changed) in the early stages of accumulating super.

Oscar & Linda Carey

Oscar	Super Balance: $122,505	Annual fees ($/%)	
Existing fund:	AMP North Personal Super – (Multimanager) Growth option	$1,715	1.40%
Recommended:	Retail platform – (sector specific portfolio*) Growth Profile	$564	0.46%
	Fee Savings	**$1,151**	**0.94%**
	Savings on Insurance premiums (wholesale pricing):	**$1,508**	**30.00%**
	Personal Tax Savings via Salary Sacrifice to Super @ $100 pw:	**$2,028**	
Linda	**Super Balance: $111,703**	**Annual fees ($/%)**	
Existing fund:	CFS First State Super – (Multimanager) Growth option	$827	0.74%
Recommended:	Retail platform – (sector specific portfolio*) Growth Profile	$525	0.47%
	Fee Savings	**$302**	**0.27%**
	Savings on Insurance premiums (wholesale pricing):	**$1,564**	**30.00%**

Bonnie & Angus Scott

Bonnie	Super Balance: $89,691	Annual fees ($/%)	
Existing fund:	AMP North Super – (Multimanager) High Growth option	$1,623	1.81%
Recommended:	Retail platform – (sector specific portfolio*) High Growth	$431	0.48%
	Fee Savings	**$1,192**	**1.33%**
	Savings on Insurance premiums (wholesale pricing):	**$1,033**	**30.00%**
Angus	**Super Balance: $37,270**	**Annual fees ($/%)**	
Existing fund:	Australian Super – Balanced option	$391	1.05%
Recommended:	Retail platform – (sector specific portfolio*) Balanced Profile	$171	0.46%
	Fee Savings	**$220**	**0.59 %**
	Savings on Insurance premiums (wholesale pricing):	**$812**	**30.00%**

Adam Nguyen & Kylie Liaw

Adam	Super Balance: $63,911	Annual fees ($/%)	
Existing fund:	REST Super – Growth Option	$798	1.25%
Recommended:	Retail platform – (sector specific portfolio*) Growth Profile	$294	0.46%
	Fee Savings	**$504**	**0.79%**
	Savings on Insurance premiums (wholesale pricing):	**$1,138**	**30.00%**
Kylie	**Super Balance: $101,894**	**Annual fees ($/%)**	
Existing fund:	Australian Super – Growth Option	$938	0.92%
Recommended:	Retail platform – (sector specific portfolio*) Growth Profile	$469	0.46%
	Fee Savings	**$469**	**0.46%**
	Savings on Insurance premiums (wholesale pricing):	**$1,633**	**30.00%**
	Personal Tax Savings via Salary Sacrifice to Super @ $100 pw:	**$1,839**	

** Fully diversified portfolio constructed from individual sector funds representing the major asset classes.*

Media Release No 82 **13th July 2018**

Whipping up hysteria will only damage super

"The hysterical indignation in response to the findings emerging from the Banking Royal Commission (including the commentary from some economists who should know better) does our retirement system more harm than good." said Adelaide based financial strategist Theo Marinis.

"Nobody thinks that ripping people off is a good idea, and the Royal Commission is doing a fantastic job. However, much of the anti-super rhetoric is not only ill informed, but self-serving.

"There have been countless examinations into the superannuation system over the years but due to subsequent political and industry interference, not one of them has yielded meaningful benefits to consumers. The Productivity Commission report will ultimately fall into that bucket for the same reasons," Theo said.

"Australia has the third best retirement system in the world. Only a fool would say it is perfect, but we need to consider some facts.

In pre-super days, approximately 96% of Australians relied on the age pension, with just 4.0% self-funding their retirement. Today, the number of retirees who receive some social security support is 80% (with a shrinking number on full Age Pension) but that also means one in five of those retirees are doing it for themselves. Logically, as the years pass, so does the burden on Canberra – and people buy themselves dignity in their old age.

In fact AFSA's chief executive Martin Fahy said "Despite the fact that we've got a very generous Age Pension, we're in a different place because of superannuation. Twenty five years of accumulation and contributions, currently at 9.5%, has meant that we've accumulated a pool of savings that will mean by 2050 almost half of all Australians will be self-funded in retirement. Therefore, the burden of the Age Pension will continue to be manageable, but that doesn't mean we can afford to be complacent".

Added to this is the fact that the $2.6 trillion pie is getting bigger – contributing to Australia's economic development by funding infrastructure, providing capital and jobs.

There is no doubt that fees play an important role in all our financial transactions and this especially the case with super and healthier retirement savings. Fees must be fully transparent to allow meaningful cost comparison; conflicts of interests and other cost distortions cannot be allowed to exist if fees are to truly reflect the cost of the services being provided.

Compulsory life insurance in super is a further contentious issue. It can be expensive, but depending on where they are in their life cycle, it can be a wise addition, given that so few ordinary people have any protection for their family in the event of their premature death or disablement. If you consider the cost of a funeral is around $10,000, the average credit card debt is $4,200 and a personal loan $12,700, a single unit of life insurance may just clear these burdens. If there is a mortgage, hopefully they will have more life cover. I've never met a widow who said "'I wish he left me less".

Yes, we need to prosecute the rogues, we need to change any flawed rules, and we need to stop the commission and fee gougers – but we also need to remind Australians that the best way to have a great retirement is by taking responsibility for it themselves.

We should start saving as much as we can, as soon as we can and for as long as we can, and encourage our young people to do the same.

Every Australian should thank their lucky stars we live in this financially secure and innovative country. Our superannuation system needs to have its critics to stay healthy, but we need to put away the carping, and worst of all, the panic and the scaremongering. Superannuation in this country is a win-win. It encourages people to get off the government payroll in older age, and it allows people to retire more comfortably.

In the present environment, the hysteria over super only serves to frighten people away from taking responsibility for themselves."

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