Grow @ Marinis Group

From:	Grow | Marinis Group
Sent:	Friday, 9 November 2018 10:26 AM
To:	Alex Wiedenmann | Marinis Group
Subject:	It's All My Fault
Attachments:	November eGrow Attachements-min.pdf

eGrow - November

Dear Friends,

Yes, it was my fault!

Even financial planners need a holiday. So, when Julie and I recently achieved a life-long dream to visit Wall Street – well, Julie may not have had the same dream but she came anyway – what happened? While we were there, the market tripped; prompting a cheeky comment from one of my buddies that it was all MY fault!

Well, perhaps it was – but over the last decade we have compiled quite a library of articles and media releases on being prepared for just this sort of stumble – or even a dramatic crash. I invite you to have a look at them at www.marinisgroup.com.au. A list of the specific articles is provided at the end of this eGrow.

Many of you who read my articles will know that I often quote the truisms "investment markets are a very efficient way to transfer wealth between the impatient and the patient" and "when the mob panics, good quality assets are sold at fire sale prices and the patient investors pick up bargains".

The attached article (written by Robin Bowerman and reproduced with permission of Vanguard investments) reinforces these mantras.

The numbers demonstrate that even if you invested a year before the Global Financial Crisis, with an average return of 7.0% p.a. you are now ahead.
Given that I always recommend that investors budget on a return of around 5.0% p.a. this has been a great performance.

Of course, those of you who have been clients since pre GFC days, will have personally witnessed this fact. By sticking to the strategies we have recommended, your investments have performed very well, as they will once again through the current volatility.
Recently one of our Board members recounted to me the story of his colleague (about to move into super draw-down phase) racing into his office in a great panic. He had heard that 'this is a terrible time to retire'.

But it isn't – just as it wasn't when the GFC struck!

The market rises and falls all the time. If it took this person a lifetime of work to build a nest-egg of $1m, it is not going to evaporate. By seeking appropriate advice, and simply investing conservatively in index funds, there is the potential to earn a tax free, indexed income of more than $60,000 pa for the rest of his life. The equivalent of what he earns today, after tax!

When the time comes to retire, my advice always is to establish the "Marinis Buffer". This means keeping the equivalent two years' income as a cash reserve to avoid having to sell good quality assets to live on when the market is down.
The key to surviving market volatility is to stay in your seats and don't panic. Get good advice from an experienced financial adviser, and then relax and enjoy each stage of your life, whether that is involved in building your nest-egg or drawing down on it.

The best strategy when the market breaks has always been and remains: Do nothing – unless you are awash with spare cash, in which case you should buy more units in indexed blue-chip managed funds or exchange traded funds (ETFs).

And one more thing:

In addition to the links listed below, you may be interested in some recent media articles which include my views on the world of investing "Negative super no reason to panic" – 19 October 2018. There is also a tongue in cheek media release attached MR 87 "It's all my fault!" – 15 October 2018 where I accept blame for the recent hiccup in investing.

I hope you enjoy the read.

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

Market volatility - Attached media articles and previous client communications

MR 6	5 April 2007	**Don't let share markets scare you**
Client Mail out	10 April 2007	**Stay in YOUR seat**
MR 25	5 January 2009	**Great Time to be Generation Y!**
MR 24	5 January 2009	**Generation X – Stunned**
MR 26	9 February 2009	**Boomers and Retirees: see Your Adviser**
MR 28	27 April 2009	**Stick to Your Strategy**
MR 27	23 April 2009	**SMSF Owners need to see an Adviser Now**
eGrow	9 March 2018	**What the recent market tremor reminded me**
eGrow	9 February 2018	**The best of times, the worst of times**
MR 83	27 July 2018	**Armageddon IS Coming**

Kind Regards,

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Adviser resources Research & commentary

The global financial crisis: Behind us but far from over

28 September 2018 | Markets and economy

Print Share

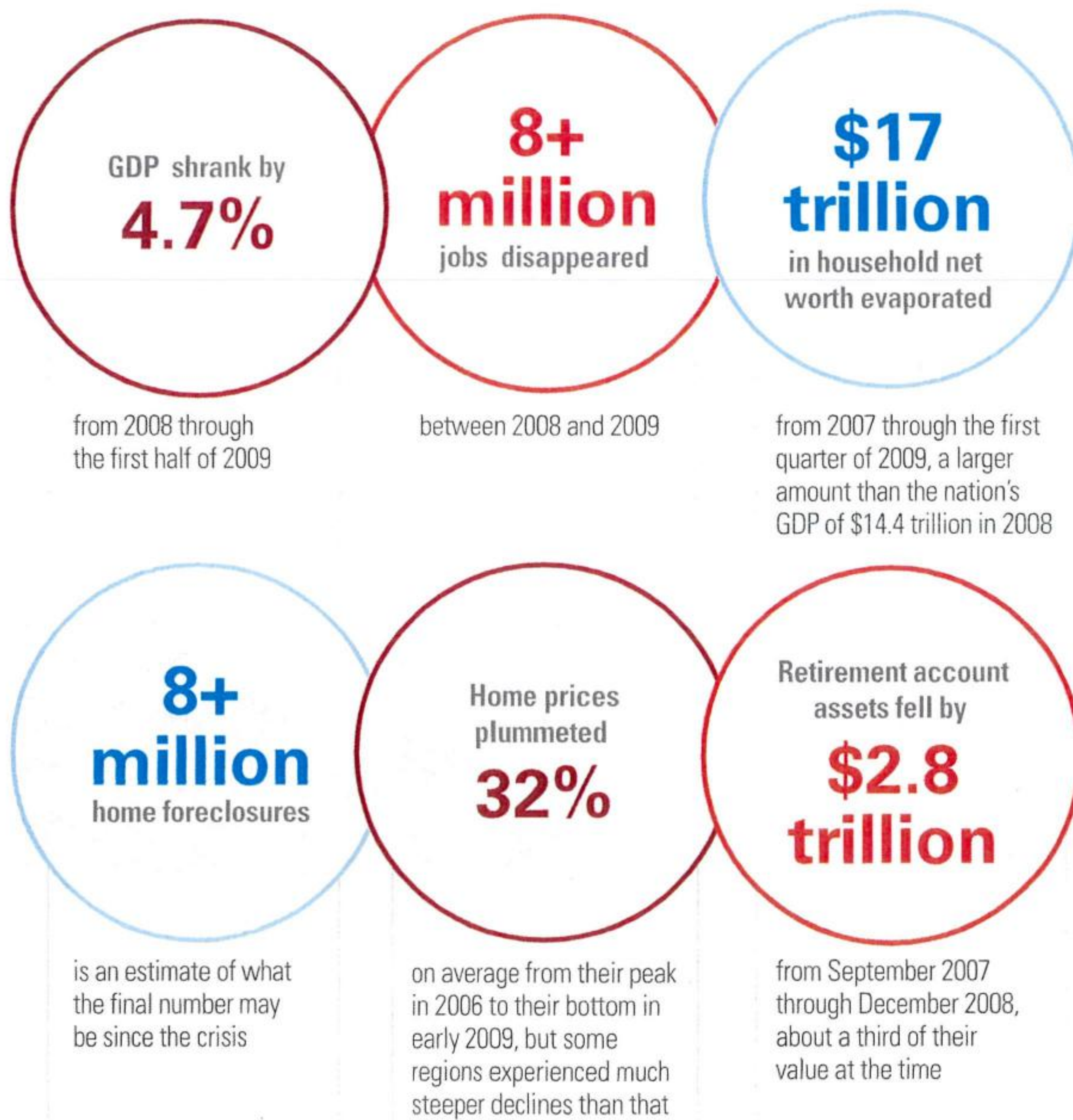
Ten years ago this month, Lehman Brothers, the fourth-largest US investment bank, filed for bankruptcy protection. It was a seminal event in what has come to be known as the global financial crisis (GFC). Even a decade on, the massive damage it inflicted across the world continues to shape both the global economy and investor behaviour.

Just how bad was it?

The epicenter of the crisis was a wave of US subprime mortgage failures that hit the housing and financial sectors and then spilled over into the broader economy and far beyond the United States. It created a synchronised global recession. For a number of countries, including Greece, Italy, and Spain, recovery from this recession to pre-crisis GDP levels has taken even longer than it had from the Great Depression. Other countries still aren't there yet.

Although numbers alone can't capture the full impact of what happened, below are some indicators for the United States that at least give a sense of the scale of the crisis.

A short list of some of the damage



Sources: Vanguard, *Financial Crisis Inquiry Report: Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States*, and "The 2007–2009 Financial Crisis: An Erosion of Ethics: A Case Study" in *Journal of Business Ethics*, December 2017, Volume 146, Issue 4, pp. 805–830.

Some healing from the GFC and some enduring scars

"Obviously, we're in a much better place right now than we were a decade ago," said Roger Aliaga-Díaz, Vanguard chief economist for the Americas. "The global economy has been expanding—the US is in its ninth year of expansion, which is the second-longest on record, and most developed economies are at or near full employment. And inflation remains modest despite unprecedented monetary stimulus.

"But on the other hand," he noted, "the GFC set in motion or accelerated some deep shifts in the global economy that leave us still short of 'pre-crisis normal,' according to some key metrics. I'd point specifically to wages, global growth, international trade, and interest rates as prime examples of that."

- **Slower global growth, less international trade.** The financial meltdown put a brake on the debt-fueled consumption boom in the developed world and, with it, the main growth driver for export-oriented emerging

markets. The US, for example, began buying less abroad, causing its trade deficit to drop from close to 6% of GDP in 2006 to about 2.5% post-crisis, while China's trade surplus shrank from 10% of GDP to around 2%. (They are still at roughly those levels today.) The abrupt drop-off in international trade accelerated the drive of some emerging markets like China to rebalance their economies from export-oriented manufacturing production toward domestic-oriented services. Other emerging markets, especially commodity exporters, have struggled to reorient their economies. As a result, emerging markets are not the engines of global growth they once were. Growth in China has slowed from an annual average of about 10% for the two decades prior to the GFC to about 6.5% since then. Overall emerging-market growth has fallen from about 7% to about 4% over the same time frame.

- **Persistently low interest rates.** Global demand for "safe assets," such as high-quality government bonds, had been increasing well before the GFC. One reason was the burgeoning retirement savings of aging populations transitioning toward more conservative portfolios. A second reason was a buildup of reserves by emerging-market central banks in response to their traumatic currency crises of the 1980s and 1990s, and more recently by their attempts to offset the effect of quantitative-easing policies of the last decade on their currencies. The GFC caused a collapse in the availability of those assets, effectively shrinking the pool of what constituted "safe." Before the crisis, many investors felt that financial assets, such as synthetically engineered AAA-rated securities, securitised mortgages, and related derivatives in the US, as well as euro-backed peripheral government bonds in Europe, were all valid alternatives to Treasuries. After the US housing and European debt crises, investors learned that that was not the case.
  The deteriorating global supply/demand imbalance resulted in a massive shortage of high-quality, risk-free assets around the world. This had the effect of pushing the prices of the few safe assets left—mainly US Treasuries, British gilts, and German bunds—to extreme highs. Since bond prices and yields move in opposite directions, bond yields and interest rates have reached historical lows.
  This global shortage of safe assets is likely to persist and long-term interest rates could well remain at current levels for some time.
- **Stagnating wages.** In a typical economic recovery, companies have to raise wages in order to attract and retain increasingly scarce workers. However, there hasn't been as strong a demand for more workers in this recovery because global growth has been slower.
  Demographic trends across developed markets are an important part of the explanation. In the US, the main reason for the fall in the unemployment rate has been the retirement of baby boomers, a trend that the recession probably accelerated and that is likely to continue for decades. The US labour force participation rate has shrunk by almost 4%, or more than 9 million workers, since the GFC. And because the retiring boomers have been replaced by younger and cheaper workers, the usual post-recession surge in wages, after adjusting for inflation, hasn't materialised.

And yet the financial markets have been surprisingly robust

"The contrast between the economy and the markets couldn't be starker," observed Vanguard Chief Investment Officer Greg Davis. "While most economic variables showed subpar performance, stocks have delivered solid returns."

The US market has delivered an outstanding annualised average return of 19% since March 2009 (the crisis-era low) following a meltdown of –47% in the six months prior to that. Those returns put the average annual return for the full ten-year period at 11%, or slightly better than the comparable return of 9% for two decades prior to the crisis.

The performance of bonds was also decent given the low-interest-rate environment—the average annual return for US bonds was 3.5% for the decade. Given the demand for safe assets, neither the extended period of economic expansion nor the unprecedented quantitative easing across much of the developed world has lifted rates very high.

Even including the crisis, returns since 2008 have been healthy

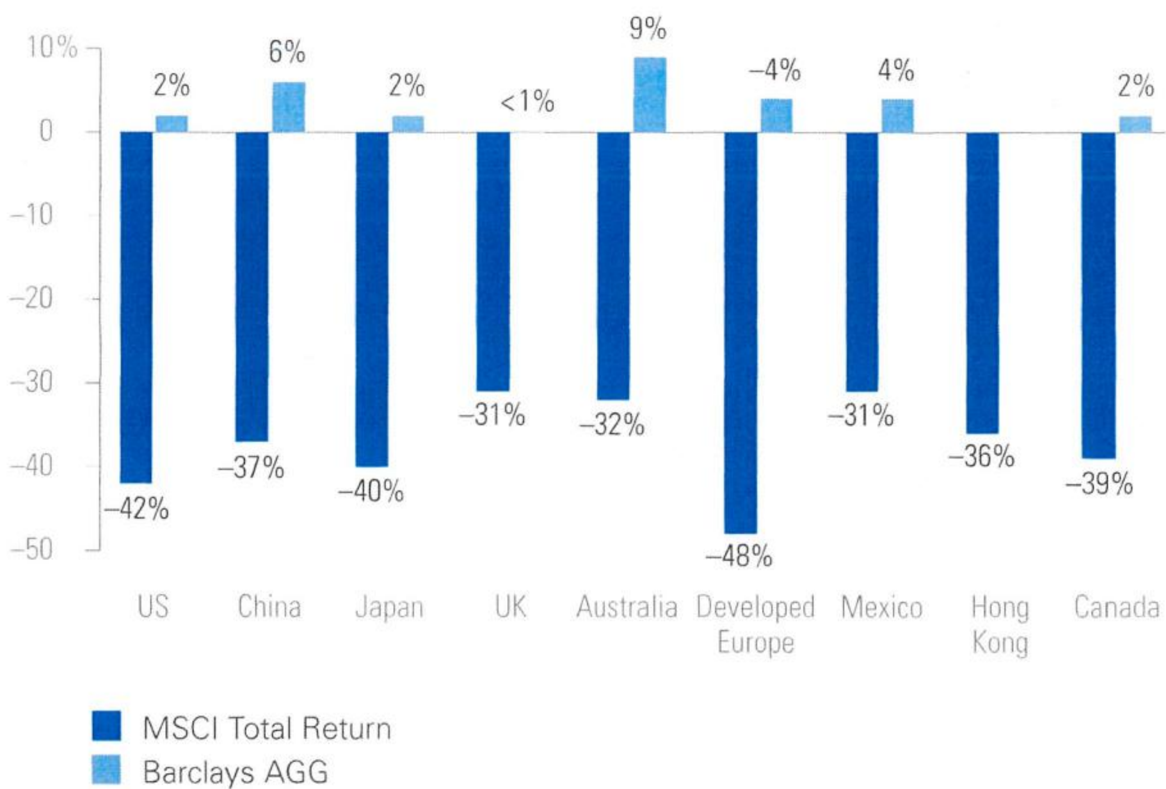
Cumulative total returns since September 2008 (just before crisis), by region

Total stock return Total bond return

US	China	Japan	United Kingdom	Australia	Developed Europe	Mexico	Hong Kong	Canada
180%	83%	61%	91%	94%	44%	121%	124%	56%
44%	52%	21%	76%	79%	55%	90%	N.A.*	51%

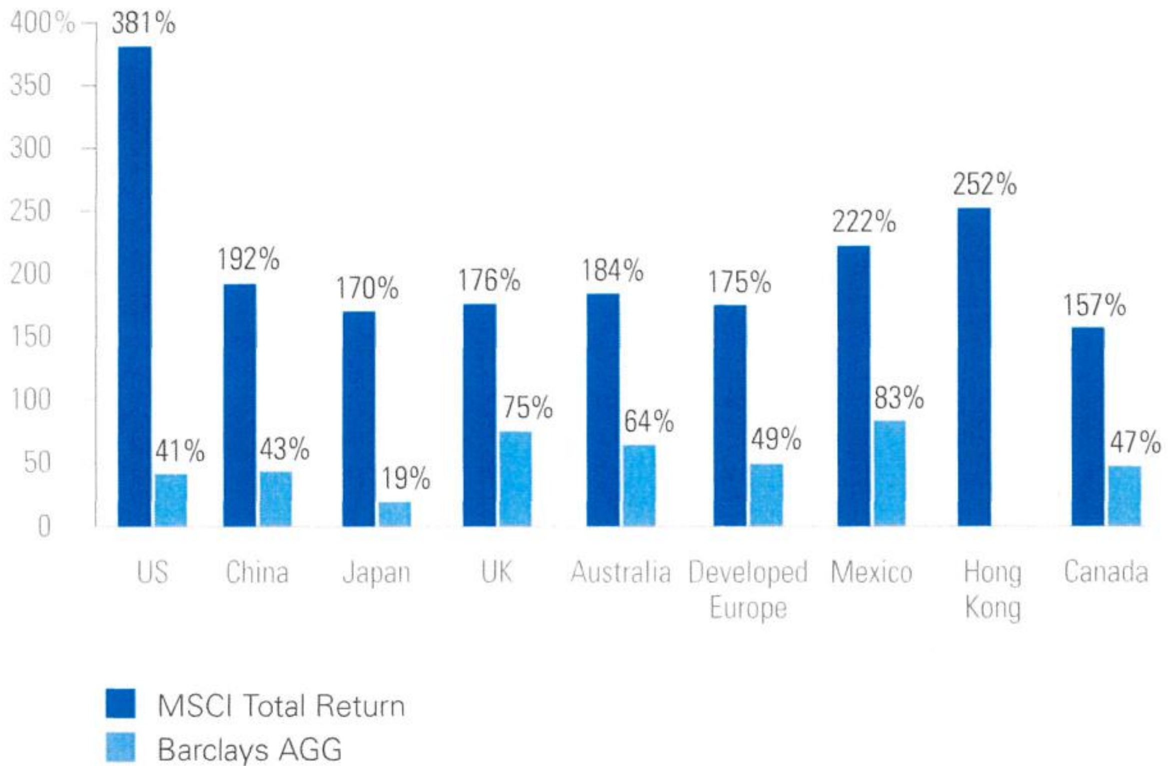
Returns during the global financial crisis

September 2008 through March 2009



Returns post-global financial crisis

March 2009 through August 2018



*Data for Hong Kong bond returns were not available.

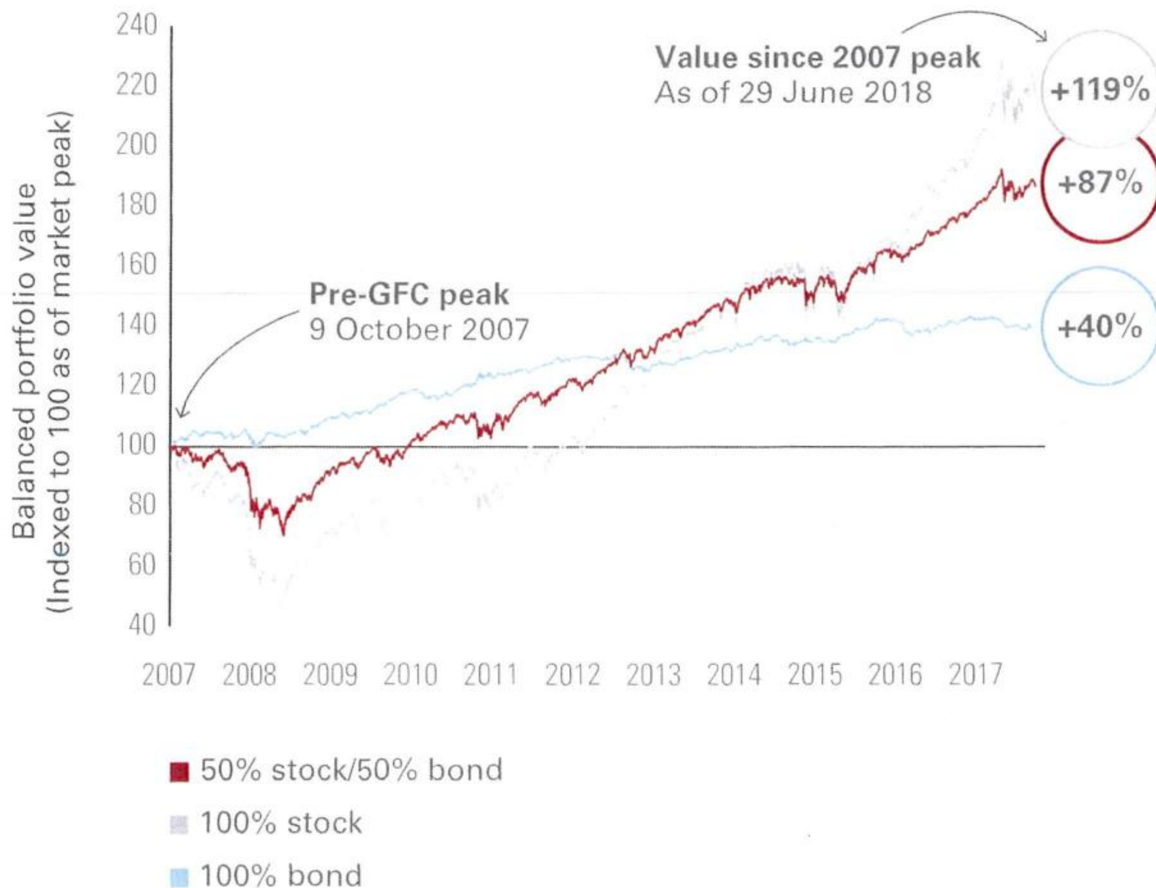
Note: The periods cover the global financial crisis (September 2008 through February 2009) and the post-crisis period (March 2009 through August 2018).

Sources: Vanguard calculations of stock returns, using data for MSCI Total Return Indices, and Vanguard calculations of bond returns, using Bloomberg Barclays indices.

Lessons for investors

There's no better illustration of the importance of staying the course through good markets and bad than the US equity market's impressive turnaround since the GFC. Investors with a broadly diversified portfolio of 50% stocks and 50% bonds who didn't hit the panic button saw an average annual return of 7% from the pre-crisis market peak in 2007 through June of this year.

The markets ultimately rewarded investors who remained disciplined



Notes: Stocks are represented by the Standard & Poor's 500 Index. Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index. The 50% stock/50% bond portfolio was rebalanced monthly. Data are provided by FactSet and cover the period from 9 October 2007, through 29 June 2018. Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Source: Vanguard calculations using data provided by FactSet, as at 29 June 2018.

As would be expected, more risk-tolerant investors with larger portions of their portfolios in stocks would have done better. It's worth noting, however, that a 100% stock portfolio would have been under water for the first four years after the market peaked in 2007.

Maybe the GFC's most enduring effect on investor behaviour is greater fear of loss. Millennials who started investing with Vanguard *after* the GFC were twice as likely to hold zero-stock portfolios as those who started investing *before* it occurred. For them, market risk seems to be more salient than potential return.

"Bond returns are likely to remain modest and US equities also face some headwinds due to high valuation levels," said Mr. Davis, "which translate into subdued return expectations for the next decade. For all the contrast between the performance of the economy and market returns over the past ten years, we may be heading into a period of lower portfolio returns over the next ten years. A global balanced portfolio may return between 3% and 5% after accounting for inflation, compared with a historical return of around 7%."

One of Vanguard's main goals in providing forecasts about capital markets is to arm investors with realistic expectations about portfolio returns so they can calibrate an appropriate level of savings in order to ensure they reach their investment goals.

Timeless advice

The global economy is in a very different place a decade after the GFC and some investors remain risk-shy (especially those who didn't participate in the great stock bull market that ran from 1982 through 2000). But Mr. Davis said Vanguard's investment approach hasn't changed: "Think about how much risk you can take on and still sleep at night, diversify your portfolio across the globe among stock and bonds, and make sure to rebalance from time to time—those steps should still offer you the best chance for investment success."

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Media Release 87 **15th October 2018**

It's all my fault!

By Theo Marinis

Adelaide based financial strategist Theo Marinis today admitted the recent Wall Street jitters, which saw the market slide by around 5%, were entirely his own fault.

"Last week (while my wife Julie and I were on holiday in the US) vanity got the better of me and I visited Wall Street – ***as can be seen in the photographic evidence below.***

And what happened? The market broke.

"Clearly, it is my presence that caused this" he said, with tongue firmly in cheek.

Marinis apologised to his clients, however he did point to the fact that it is 'Spooky October' when traditionally, cracks appear in financial markets.

"As I've been saying for years (Please visit www.marinisgroup.com.au/media to see Theo's ***recent***, relevant media releases and client newsletters, including the two most recent examples attached below) the market often has a correction around Halloween.

What is important to understand about investing is that it is a little like a blood pressure reading, one day it might be high, another day it might be low; what is important is the medium to long term trend.

Over the last decade the market has averaged almost a 10% per annum return, so a five per cent hiccup is not a big deal.

My advice to investors at times like this is to do nothing. Sit back and watch the mad crowd panic, and patient investors will reap the rewards.

If you have any spare cash, these are the times to buy - when everybody else is selling.

If you are a retiree, don't worry about it. As you know, I encourage people to think of the return on their investments at five per cent - or $5 in every $100 invested. The reality has been much better.

I also recommend retirees have a 'Marinis Buffer' of two years' cash to protect them if the fall gets worse.

Visiting Wall Street at a time like this has been interesting. It is always exciting to be at the heart of an 'event' and witness a bit of history. I wasn't concerned, however, as I know my clients are well protected by our approach to investing, and by the conservative, long term wealth protection advice we provide."

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Media Release #83 – Armageddon Is Coming

eGrow 9th March 2018

Negative super no reason to panic

ANTHONY KEANE

SUPER funds' poor start to the financial year has put them on track for their first negative result in a decade but savers are being urged to avoid knee-jerk reactions.

Almost one-third of the 2018-19 financial year is over and most superannuation fund returns have been in negative territory amid share market weakness in Australia and overseas.

Not even their conservative investment options have dodged the falls.

However, super specialists warn that panicking and switching to so-called safer investments could lose people money in the short term, and will almost certainly cost them in the long term.

Rainmaker Information director of research Alex Dunnin said the latest volatility on financial markets was normal and super was a 70-year investment for many people.

"Every time there's a big whack, there's always a big rally," he said.

It's been super's worst start to a financial year since 2015-16, although back then still finished the year higher.

Since the Global Financial Crisis 10 years ago, super has delivered a positive annual return every year.

Most Australians hold their retirement savings in their funds' default or MySuper options – typically a mixture of shares, bonds, property, infrastructure and other assets.

Mr Dunnin said during the GFC, some super funds reported up to one-third of their members switching to safer but low-return cash investment options.

"A lot of people who went to cash never got back in, and missed all the upside," he said.

Financial Strategist Theo Marinis said October was "always spooky" for investors as a traditional time of financial market weakness.

"It's almost psychological – there's no reason why it's different from any other month," he said.

"Keep your emotions in check. If it's your super, it's long term."

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Media Release No 83 **27th July 2018**

Armageddon IS coming!

(But don't forget, as Paul Samuelson reminds us: 'Economists have successfully predicted nine out of the last five recessions.'

By Theo Marinis

There is a certain smugness about knowing you are right - and when I say 'Armageddon ***IS*** coming', like all my fellow economists, I know this prediction is 100% accurate - but experience tells me two things: I can't know when it will happen and secondly, it won't be the catastrophe the headline writers will predict.

At 55 I have lived through, amongst many other 'disasters', the Cuban Missile crisis, the Vietnam war fiasco, the Whitlam years, the cold war, Chernobyl, the collapse of the USSR, Iraq (twice), Afghanistan, numerous market breaks ... and I am now facing the Trump challenge. And what has the market done over this half century and a bit - increased ***on average by 11.68% pa (Based on the US S& P 500 Index in the period 30/11/1962 to 30/6/2018 as per data supplied by Vanguard Investments Australia Limited)***

So, what have I learned as an economist and financial strategist?

Principally, that panic and impatience lead to poverty.

Benjamin Graham is renowned for saying '***Individuals who cannot master their emotions are ill-suited to profit from the investment process.***' I would argue that when it comes to investing our own money, just about all of us are prone to fall for a 'tip', a 'hunch' or a headline. We get emotional about our money and we are often irrational - and if we get lucky because of our tip, hunch or headline investing, we get arrogant. These are all normal human emotions which usually lead us to failure.

So how do I advise clients to avoid these well-known and proven mistakes?

I preach the Gospel of diversification - and patience.

We all remember ***Warren Buffett's message***: ***'Be fearful when others are greedy - and be greedy when others are fearful.***' Buffett's contrarian approach is great - particularly if you have huge pots of available cash to splash around, and where 'taking a bet' .... and getting it wrong .... won't mean financial disaster. But, for most of us, as 'mum and dad' investors, we can't follow this strategy.

There is another old investment truism, ***'don't try and catch a falling sword,'*** which reminds us we cannot tell where the bottom (or top!) will be and the impact of buying (or selling) too early might lead to significant financial pain.

We need to understand and accept the market gyrations as normal and healthy.

Part of this is understanding, as everybody's economic hero ***John Maynard Keynes*** said, '***The social object of skilled investment should be to defeat the dark forces of time and ignorance which envelope our future.***' In other words, there will, at times, be short-term underperformance. It takes time to rebuild after a market break. This can be very painful for the retiree, in particular.

To deal with this situation, I typically advise clients to maintain a 'Marinis Buffer' equivalent to two years' worth of income when they are in the draw-down phase. This inoculates their investments from the need for a 'fire sale' of good quality assets during a downswing just to fund their daily lifestyle.

As investors, we need to accept that we don't know what will happen in the future

George Soros said, ***'The idea that you can predict what's going to happen contradicts my way of looking at the market.'***

And I am constantly amused by ***John Kenneth Galbraith,*** who had a wonderful take on this when he said (in my absolute personal favourite economist quote) ***'The function of economic forecasting is to make astrology look respectable'.*** Even the "so-called" experts get it wrong - often.

So, we don't know what will happen in the future, except at some stage we are certain it will be 'bad'. During these 'bad' economic times we know for certain that the 'whales' of the investment market will buy good quality assets at very cheap prices.

The skill of the investor is to separate their emotion from their rationality - to recognise that breaks are normal - and that the investment markets are not linear, and therefore don't panic and sell down, or you will lose a fortune.

A successful investor has a medium to long-term strategy, which involves getting rich slowly. Often investing is a two-steps forward, one-step back, process.

We also need to recognise that as investors we are also impacted by the human emotions of fear and greed - and do our best to avoid them.

Therefore, I always recommend appointing a reputable team of advisers; whether accountants, lawyers, stockbrokers or financial advisors, to have an emotionally unengaged personal 'board of advice.'

This is, in my opinion, some of the best money an investing individual will ever spend.

- Thanks to 'The Wisdom of Great Investors' by Perennial Investment Partners for most of the quotes used above.

-o0o-

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eGrow 9th March 2018

What the recent market tremor reminded me

So... how many clients rang me with concerns about the great stock market tremor of 2018... one!

That person was a new client, anxious that his funds (which had just been rolled over to a new investment/administration platform) were sitting 100% in cash as markets were in correction. His question – would it be better to remain in cash for the time being?

Our ensuing conversation reminded me that 'snapshot' moments in medium to long term investing are misleading representations of the overall. They are not a valid basis for decision making. In fact, they are on parallel with a doctor taking a patient's blood pressure once and recommending a heart transplant!

A far better approach is to understand the performance of your portfolio over a series of quarters, if not years.

Investment markets are for the most part (despite the distinct lack of volatility for much of 2017) incredibly volatile on a moment by moment basis – but when averaged out over say, 10, 20 or 30 + years (especially for long term investments, like super) the average return on share investments has been **much, much** better than 7% pa – and this includes some high 'highs' and low 'lows'.

Incidentally (and as you would expect from the foregoing comments) my advice to our concerned client was to proceed to implement his investment allocation IN FULL (as per our recommendations provided in December 2017) despite the current market falls. In addition to gaining the reassurance he sought, the market correction also meant that his investment units were purchased at a discount to the prices which would have applied in the previous 2 months!

Despite headlines shouting "$30B lost!" this was my only phone call.

I put this down to the ongoing adviser/client conversations we continue to have – conversations which are based on sharing my understanding of the vagaries of the investment markets and their legislative frameworks with you, and **the importance of maintaining a long-term view.**

This is in line with my personal investment philosophy and the way I approach my family's financial future. It is a view which I share consistently with friends, acquaintances and clients alike, and those of you who know me well will know that I am committed to this process (to the point that I am completely comfortable sharing my own financials to demonstrate that I believe in what I recommend. In other words; not only do I 'talk the talk', I also 'walk the walk'.)

Some other thoughts:

- Superannuation is a long term asset – one which will still be funding a lifestyle in another 30 years. Quick (and massive) movements have ALWAYS been, and will continue to be, a feature of financial markets. The key is to view the medium to long term, and ignore the knee jerk reactions.

- ALWAYS ignore the 'noise' during corrections.A month ago the headlines were screaming about the billions "wiped off the market". Yet the silence was deafening in the weeks that followed when markets recovered most of those "losses"!

- There is a real advantage in ALWAYS maintaining a cash ("Marinis") buffer to mitigate the possibility of having to sell assets at fire sale prices – as many discovered during the GFC. Holding a "Marinis" buffer may also provide some 'dry ammunition' for bargain buying investments in the event of a significant 'earthquake'.

- Successful long-term (contrarian) investors often make such asset allocation decisions – in direct contrast to most other investors. For example, by often BUYING growth assets when market sentiment is negative and SELLING some growth assets when markets are booming.

- Investing is long term and we should NOT speculate. My advice: "Be the casino, not the gambler". (It is interesting that the Adelaide Casino promotes the fact that it returns 93 cents in every dollar... so you 'only' lose seven cents in every dollar to the house.... obviously, therefore, who is making money)....

- Bear in mind too, that the 'house' does sometimes lose in the short term, but it always wins in the long term, as it plays the percentages and sticks to the LONG-TERM strategy.

  For example, (although lacking in casino experience as a player) I do know that the dealer in blackjack does not "draw on 14". Therefore, even if ALL the punters are still in the game and ALL have more than 14 in front of them, the dealer MUST pay them ALL out, rather than gamble and draw again.

  This is because the casino is willing to take a short term hit in the knowledge that they will WIN in the long term!

And one more thing:

I thought you might be interested in some of the recent media releases I have distributed to various outlets around Australia plus my most recent correspondence to Canberra. I always load my media articles etc on my website, so if you are ever interested in what I am up to, feel free to check out www.marinisgroup.com.au

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Grow @ Marinis Group

From: Grow | Marinis Group
Sent: Friday, 9 February 2018 10:35 AM
To: Grow | Marinis Group
Subject: The best of times, the worst of times

eGrow 9th February 2018

Dear Friends,

The best of times, the worst of times

As you will all be aware (and expect) I follow closely what's going on in the investment markets. We are presently experiencing an incredible economic boom as a result of the American economy kicking into a full 'bull run' – now one of the longest on record – thanks to (among other factors) VERY low interest rates and unprecedented property prices.

We have, of course, experienced similar rollercoaster rides in the past.

For the gamblers, as is so often the case, it will end in tears.

The duration of the current bull run suggests we are due for correction – though no one knows just when. I'm also watching the Bitcoin fiasco with interest – this is an incredible bubble to steer well clear of, as there is no doubt that it WILL end very badly, with many more needless tears when it's over!

On average, stock markets correct every 7 to 10 years. Our last big fall, in line with the Global Financial Crisis (GFC) in 2008, was the biggest market correction in over 70 years.

Note, however, over the last ten years, the GFC has been followed by one of the longest bull runs on record; proof once again that the world did not end in 2008, despite the naysayers!

It is timely, therefore, to note that this week we may be seeing the beginning of a correction, which is actually healthy given the length of the market boom.

With this in mind, I hope you won't mind me trotting out (yet again) some favourite quotes from two of my favourite economists – I know I need to get out more!

"The market can remain irrational longer than you can remain solvent." (John Maynard Keynes).

"The only function of economic forecasting is to make astrology look respectable." (John Kenneth Galbraith).

What we can take away from these messages:

Don't try to predict market corrections. Expect them to correct, as they do cyclically (in line with most things in life) but when they do, **keep calm and carry on!**

Ignore the noise. There will be the usual of 'end of the world' headlines. The mass reaction will be predictable, but remember that market corrections are entirely normal events.

What you <u>do</u> need to bear in mind is that between 2009 and 1 January this year, the ASX300 increased by **62.6%** (excluding dividends). Therefore, had you invested $1,000 in this index on 1 January 2009 – at the start of <u>this</u> year your investment would have grown to **$1,626 – before dividends!**

The same amount of money invested in the All Ordinaries Index from 1 January 1900 to 1 January, 2017 would now be worth **$60,705,608** (or an average return of **9.96%** per annum). All that despite two World Wars, The Great Depression, The Korean, Vietnam, Cold War, Gulf War I, Asian Financial Crisis, Y2K and the Tech Wreck, Sept 11, 2001, invasion of Iraq etc, etc ... (reminds me of the lyrics from one of Billy Joel's smash hits)!

The stock market remains the most efficient creator and protector of long term wealth ever invented – and, as I am also fond of quoting, it is also a very efficient way to "transfer wealth from the impatient to the patient".

Please have a look at my media releases from early 2009 by clicking on the links below.

- **5 January 2009 - Media Release No 24 – Generation X – Stunned!**
- **5 January 2009 - Media Release No 25 – Great Time to be Generation Y!**
- **9 February 2009 - Media Release No 26 – Boomers and Retirees: See Your Adviser**

What you will see is that collapses in the stock market also provide opportunities for investors. They can be the best of times, even though these media releases were in midst of the GFC when all the talk was doom and gloom.

These messages, which were essentially "do NOT get caught up in the negativity of the time, but wherever possible, take advantage of the situation", did get some quality media exposure. There were, however, many who were all caught up in the panic and hysteria.

My advice remains unchanged; invest conservatively, expect stock market gyrations, put a 'Marinis Buffer' in place and 'strap in for the ride'. You can stay impassive even though others may panic, creating for themselves the worst of times.

NEVER, whatever you do, change your investment plans as a result of market fluctuations.

And one more thing – over the summer holidays I was asked by a number of journalists for various opinions on superannuation and investment. If you would like to read those articles, please click **here.**

Know that I am committed to maintaining an active media presence so that I can voice my opinion on the flaws and strengths of government policy (as it relates to the retirements savings system) and to advocate for better, fairer and more flexible retirement savings strategies.

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

Sincerely,

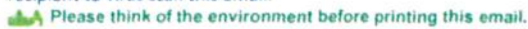
Theo

Kind Regards,

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

GROW @ Marinis

PROFESSIONAL PRACTICE



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Media Release No: 24 – 5th January 2009

Generation X – Stunned!

For most Generation X'ers (those people born between 1961 and 1981) the wonderful, easy world of making money, full employment, buying a plasma TV on easy credit and 20 per cent investment returns has evaporated and as a result, many are stunned by all the negative reports on the current economic downturn. However, these are actually good times for those smart enough to take advantage of it, says Adelaide-based financial strategist Theo Marinis.

"What we are really experiencing at the moment is the pendulum swing of correction which was due in reaction to the greed and excesses of the recent few years." Theo said.

"For Generation X'ers these are unprecedented times. You can understand why so many are worried that Australia may be facing a depression. Clearly however, we are not heading for a depression, it simply feels that way for a generation which has little personal life experience other than the unprecedented good economic times to draw upon.

Perhaps they should chat to their grandparents about what a real depression is like!" We all need to remember that there was no Social Security system in place in the 1920's or 1930's. The social security system was introduced due to the terrible hardships experienced during the Great Depression. This was to ensure there will always be a safety net to reduce the pain during times such as we are currently experiencing."

"For those Generation X'ers who maintain employment (and this will be the vast majority of them) these times are brilliant opportunity for those smart enough to subscribe to the old axiom 'Get Rich Slow.'"

"Petrol prices have fallen by 30 per cent, interest rates have dramatically reduced and for those eligible, the Federal Government has been very generous in giving away free money to working families."

"It is what the Generation X'ers do with these windfall gains which will make a dramatic difference to their long term wealth."

"Firstly, any extra money should be used to pay off short term debt such as credit cards and/or car loans, then any extra funds should go to their home mortgage. Paying off debt as quickly as possible gives you the chance to later supercharge your superannuation by making significant personal contributions."

Now Super has of course recently been getting a lot of bad press, which is quite unfortunate and ill informed.

You need to remember that Super is simply and undeniably the most tax effective way to save for your retirement. It is the investments held within Super that are being hit at the moment, but they have whether held in super or not!

The wonderful thing is that for Generation X'ers with more than 20 years to go to retirement, their super contributions are buying into shares which just 18 months ago cost twice what they do today. This means those super contributions will get a supercharge rebound when the share market rebounds (as it always does) in the medium to long term.

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Many Generation X families often have one partner working part time. There remains a great opportunity for those earning less than $60,342 to contribute up to an extra $1,000 to their superannuation to pick up the Federal Government's co-contribution payment and there is nothing stopping the higher earning partner from making this contribution on their behalf!"

In fact, for those Generation X'ers who are clever enough to recognise that the world has changed, but that the sun will still come up each day, these are great times to build family wealth. It is like the famous opening lines of the classic Charles Dickens novel '*A tale of Two Cities*' It was the best of times; it was the worst of times…"

-o0o-

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Media Release No: 25 – 5th January 2009

Great Time to be Generation Y!

The world might be coming to a financial end if you believe all the hype, but there has never been a better time to be a young working person between the ages of 16-25, also known as Generation Y or "Gen Y'ers," according to Adelaide-based financial strategist Theo Marinis.

"So long as a Gen Y'er is able to hold down a job, we should not get too caught up in the gloom. A 7 per cent unemployment rate still means 93 per cent of us have got paid employment. Times could not be better economically for working Gen Y'ers and don't forget that unemployment is still currently around four per cent!" he said.

"A smart Gen Y'er will be taking advantage of the lower interest rates to pay off as much as possible from any "lazy" short-term debt such as credit cards and car loans. The lower cost of fuel, down almost 30 per cent will also help."

Once the credit card and the car problems are sorted, an older Gen Y'er with some get up and go will be getting themselves a home loan with cheers all around from their parents, move into it later in the year or early in 2010 when property prices which traditionally lag the stock market are likely to be at their most affordable in the cycle. If the rumours are right, the Federal Government will have extended its unbelievably generous first home owners support scheme which will essentially pay off the stamp duty and solicitor's fees.

"For those Gen Y'ers who perhaps don't earn sufficient to take on a home loan, believe it or not, they will do really well in the long term by putting extra money (after paying off lazy debts) into their superannuation."

"There are two great reasons for putting more money into super right now – the first is you will be buying assets at around 50 per cent of what they cost just 18 months ago which is a terrific bargain that will stand you in great stead when the markets return. The second is to take advantage of the superannuation co-contribution offered by the Federal Government."

"Under the co-contribution, workers who put extra into their super and earn less than $60,342 pa will find the Federal Government will give them additional superannuation money for free – up to $1,500 in a year for those earning less than $30,342 who contribute just $1,000 extra themselves. There is nothing stopping a generous parent or grandparent from making this payment on their behalf!"

"So how much impact will this approach have – a huge amount particularly if repeated each year. If a 19 year old earns $27,000 pa, their employer will be compulsorily contributing almost $2,500 into super for them under the Super Guarantee (SG) rules. When you then personally add a further contribution of $1,000 from a relative and the Federal Government's $1,500 you get a total gross super contribution of around $5,000 pa.

It is reasonable to expect just the $1,000 pa personal extra contribution and the resulting $1,500 government contribution to grow to $250,000* by the time that person is 65 years of age.

Further, this $250,000 super saving is over and above the value of the compulsory SG contributions and earnings balance over that time!

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"Now, human nature being what it is, most Gen Y'ers will notice a few extra dollars in their wallets and go and buy a trendy new outfit. However, for those who have a view which expands further than next weekend's dance party, the opportunities presented at the moment are fantastic."

"It is unlikely that the people I'm talking about will be reading this article. However, their parents and grandparents might be able to pass on the message. I recommend texting!"

***Based on an assumed 6% pa net earning rate.**

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Media Release No: 26 **9th February 2009**

Boomers & Retirees: See Your Adviser

Despite widespread headlines of doom and gloom as a result of the much over-hyped Global Financial Crisis, it could actually prove to be the real break Baby-Boomer and Retirees have been hanging out for – they just need to make sure they have had their portfolio reviewed and if necessary, reweighted says Adelaide-based financial strategist Theo Marinis.

"Baby Boomers who are over 55 and still working are in a fantastic position so long as they are using Transition to Retirement (T2R) legislation to help them supercharge their retirement savings. They are using near tax-free dollars to buy heavily discounted assets which means when the market returns to good health (and it will as sure as day follows night) they will have had a double win," he said.

"Working Baby Boomers should make sure their adviser reviews the asset classes of their existing portfolio and if necessary, reweight it to take advantage of the time they have left until retirement and the projected income they will be getting between now and then."

"While many predict the future will be bleak for Boomers and Retirees, these prophets of gloom are forgetting that there is still a looming skills shortage in Australia. If you look at the public service, one of the major employers in the country, for example, it is estimated that 30 per cent of the work force will be eligible to retire by 2013. Further, it is a similar situation in every sector of the economy!"

"Baby Boomers will have the potential to be recruited and even retrained for new careers, on their own terms (probably therefore on a part-time basis) to fill these vital roles in administering the Government's policies and the great news is that they will be able to do so using a T2R approach thereby paying little or no tax."

"As strange as it seems, retirees who have provided well for their own retirement are in a very good position as well, so long as their portfolio has a balance between a strong cash buffer and believe it or not, growth assets. The cash buffer allows them to see out the present difficulties while the growth assets will help them make the most of the impending upswing in the medium to longer term."

"In fact, retirees will be enjoying the cost of living reductions brought on by the Global Financial Crisis including cheaper fuel, airfares and food items.

"In addition, people should not lose sight of the fact that 21st Century Australia is very generous by world standards. We look after pensioners by providing up to 25 per cent of the average working man's wage in Centrelink Age Pension benefits in addition to allowing people have their own private pensions (through super) providing significant additional income to supplement the basic Age pension even for those with relatively modest private savings."

"All those scaremongers talking of another Great Depression need to be reminded that this was not the case in the 1920's and 1930's."

"In fact, the Great Depression was the main impetus for the creation of our safety net Social Security system. It was to ensure that in time of economic downturn people would not be forced to live in the streets and line up at soup kitchens for a feed."

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"Self-funded retirees too, need not panic. For example, a self-funded retiree of 65 with $1.0 million in a superannuation pension has options even if their pension investments are not currently, correctly allocated.

In this case, they need to review their investment allocation with the aid of a quality adviser. A good adviser could for example, reallocate $200,000 of the portfolio into cash investments with the balance remaining exposed to growth assets (subject to the clients risk tolerance).

This cash allocation acts as the portfolio's "shock absorber" to cushion the portfolio from market volatility and is the account where the pension payments will be paid from, ensuring none of the growth orientated assets in the portfolio are crystallised at a loss, in the current environment.

Now, if this self-funded retiree pensioner draws $50,000 pa (tax free super pension) as "pay" taken from their "shock absorber" cash portfolio, they have about four years of pension payments in the starting $200,000 cash account.

However, this ignores that the entire portfolio is receiving income (eg; interest and dividends) even though the portfolio value has fallen during the current crisis. If we assume a conservative 4% pa net income yield that equates to around $40,000 in income flowing into the cash account whilst drawing $50,000 pa in pension payments from the cash account.

Quite clearly therefore, the $200 000 cash account will be self-funding for many, many years providing plenty of time to ride out the current volatility and allow the growth assets to recover their capital value, as they certainly will in due course.

"In my more than 20-year career including my time at the ATO, Centrelink and the Insurance and Superannuation Commission before establishing Marinis Financial Group, I have observed one golden rule of the world – times are never as good as they seem and they are never as bad as they seem.

"I remain very optimistic that Australia will pull through the current global financial crisis and will spring back to its position of robust growth, having learned the lesson about getting rich slowly – it is about the strategy rather than the trying to pick the best underlying investments or the best time to buy."

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Media Release No: 27 **23rd April 2009**

Self Managed Super Fund Owners Need to See an Adviser Now

According to Adelaide-based Financial Strategist, Theo Marinis, owners of Self Managed Superannuation Funds (SMSF's) need to see an experienced and qualified financial adviser immediately to help them re-assess their portfolio following the potential halving of their wealth as a result of the recent sharemarket turmoil, dubbed the Global Financial Crisis (GFC).

"Over the last few weeks, I have been made aware of the enormous financial hit suffered in the SMSF sector, with many invested exclusively in Australian equities. The people I have been seeing and talking to had always believed they did not need a Financial Adviser nor did not see the need to pay for advice. They are rethinking their position now," Theo said.

"One individual I have been talking to had a SMSF balance of $1.2 million not so long ago, the same as one of my long term (non-SMSF) clients. The SMSF has halved in value as it was invested exclusively in blue chip shares. My client's portfolio is today worth $1 million – a loss of $200,000. However, my client is $400,000 better off because they had been advised all along to take a more cautious investment approach and essentially buffer themselves against any possible downturn."

"SMSF owners do not necessarily need to roll their funds into a pre-set structure such as a master trust. They will find that if they negotiate with a reputable financial adviser they will be able to pay him/her a fee for advice and then implement the appropriate strategy themselves, although this is not the best approach in my view."

"The best approach involves working closely on an ongoing basis with a financial strategist who truly invests funds for their clients for the long term, rather than speculating as most amateurs tend to do when investing."

"In that way the financial and investment strategist will keep their clients on track with their long term strategy, rather than trying to pick which stocks or fund managers to choose and when to switch into and out of cash, a flawed and very risky 'investment approach'!"

"The Australian sharemarket turmoil, as a consequence of the GFC, has hit the SMSF sector very hard. In the boom times, it seemed anybody could make a 20 per cent plus return on their blue chip assets and so thousands of SMSF's were created because individuals thought they were avoiding 'unnecessary' costs by doing things on their own."

"However, the world has now changed and a vast portion of the SMSF sector is operating without proper, conservative, strategic investment advice which would protect people when the difficult times arrived – especially in the case of funds paying pensions. As the world's most successful investor Warren Buffett said: 'Only when the tide goes out do you see who has been swimming naked!'"

"A financial strategist will help the SMSF trustees to appropriately restructure their portfolio to ride out the current uncertainty and position themselves to take advantage of the inevitable upswing which will come in the future. Also, a good financial strategist will assist the trustees in ensuring their planning strategy is correct and the fund compliance is up to date.

"I believe SMSF's have a place in the superannuation landscape where fantastic investment strategies can be implemented, especially in relation to property and more 'exotic' assets."

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"However, they are definitely not for everyone and I believe many trustees have commenced a fund without knowing their responsibilities. Personally, I do not understand why most individuals would bother trying to manage all the bureaucracy required by the ATO as well as having to keep up to date with the latest legislation, especially when the same outcomes can be achieved very cost effectively with some fully functional wraps and master trusts."

"At the very least, SMSF trustees should enlist the help of a financial adviser to assist them in deciding whether an SMSF is the right structure to hold their retirement savings."

"Perhaps some accountants and financial 'advisers' have simply established SMSF's because this is what the client thought they wanted. Unfortunately, these advisers may not have explained all the pros and cons of SMSF and the alternatives; maybe they do not fully understand them themselves."

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Media Release No: 28 **27th April 2009**

Stick to Your Strategy

Two years after writing to clients warning them of the impending Global Financial Crisis, Adelaide-based financial strategist Theo Marinis is encouraging them (see the attached client letter) to continue to stick to their strategy.

"It is difficult to keep your nerve when everyone around you is panicking. However, I am convinced that as history shows us, those investors who do so will ride out the current Global Financial Crisis and find themselves in a far better position," Theo said.

"In April 2007 I wrote to my clients advising them that from my perspective as an economist, a correction was inevitable. Realistically, nobody could have seen the depth of the recent market falls. However, the point was I wanted to prepare clients for the rough financial weather. My view has always been and remains, that despite the difficult times currently being encountered, if people stick to their strategy they will ride out the storm."

"Attempting to pick hot stocks and to time markets, is as foolhardy as betting on blackjack – I wouldn't like to see my fortune resting on the flip of a card."

"The one person who wins in the long term in gambling is 'The House', because they coolly and level headedly always play the percentages, knowing that over time they will generate a fortune, even if they provide some wins from time to time to keep the punters gambling. Successful investors need to think like 'The House' and play the percentages in their own favour, not act like mug punters."

"Investment strategies that don't consider a downturn are a strategy for poverty, as many holders of margin loans have recently discovered. Essentially, a wise investor gives away a little of the upside to protect themselves from the downside."

"I have always believed in the adage attributed to journalist Edna Carew – you should plan to get rich slow."

"I expect the economic times to become more difficult over the next 12 months or so as the knock-on effect of the GFC washes through the economy. Once this time has passed and we stabilise I expect we will see a return to growth again."

The medium and long term fundamentals have not changed for China and India and their continued economic development. They will continue to demand increasing amounts of our minerals, services and skills for many decades ahead."

"The world's greatest investor, Warren Buffett, describes his investment timeline as 'forever.' When you think of wealth as belonging to a family rather than an individual (and that under the new superannuation rules it essentially will be transferred intergenerationally) then I think you should adopt the same view about your investment timeframe."

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"One of the pillars of successful investing is to recognise that it is not about timing the market, but time in the market."

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Media Release No: 6 – 5th April 2007

DON'T LET SHARE MARKETS SCARE YOU

Mum and Dad investors, people with superannuation and retirees with managed funds should relax and not be scared by the current volatility in the Australian share market, according to Adelaide based financial strategist Theo Marinis.

"Volatility in share markets is normal," said Marinis. "What is odd is the four years of a Bull market we have just enjoyed – unlike any other share market in the world."

Theo Marinis said he had recently been contacted by a number of clients who were concerned about the wellbeing of their investments following the recent China Shock, and with the Australian Sharemarket "giving back" some of its gains.

(As a result of significant interest, Theo Marinis sent his top 100 clients the attached letter.)

"There was much celebrating in the investment community when the ASX first tipped over 6000 points, however perhaps it was premature. One thing I have learned in my 20 years as an economist, accountant and financial strategist is that markets are staircases ruled by gravity."

"The great news is that there has been no better place to invest since World War II than in the Australian share markets. Despite the fluctuations, in the longer term, the market has been the best performed investment."

"As I constantly remind people, it is not your timing on when you buy into the ASX, it is the length of time you are part the market which determines your returns. Investing should always be seen as a long-term strategy for wealth creation. The markets are not a Casino where you can pick up quick wins (or losses!)"

"Perhaps the most important role of a financial adviser is to educate his or her clients. We have a responsibility to remind people about the nature of investments, as well as the best asset selection for their personal situation."

"Based on my experience, I anticipate the next 12 to 18 months will continue to be very positive for the Australian markets. I expect that in the lead up to the Beijing Olympics we will see continued demand from China, which in turn will fuel our local market."

"The next boom for Australia will be demand from India, which is currently opening itself up to new capital, and has the advantage of a shared background with Australia in legal systems and language."

"Australia's geographic position, natural resources, educated citizenry and spirit of entrepreneurship mean that we are bound to benefit from the development of our near neighbours over the next century".

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"There has never been a better time to be an investing Australian, and given most of us are contributing to superannuation or drawing down on it, that means just about all of us. It is very important not to let the volatility of the share market scare you, it is a natural part of the process," said Theo Marinis.

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Disclaimer

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The information given in this article is of a general nature and has not taken into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision on the basis of the advice above, a prospective investor needs to consider, with or without the assistance of a professional adviser whether the advice is appropriate in the light of their particular investment needs, objectives and financial circumstances.

10 April 2007

Client Names
Postal Address

Dear

STAY IN YOUR SEAT!

You have probably noticed that after a very good start to the year the investment markets have become a bit less certain.

A lot has been written about the China Shock, low building approvals and the American current account deficit.

My advice to investors in these uncertain times is to stay where you are – keep your seat! You may wonder why I would give such advice. Put simply, it is because the nature of the share market is volatile; sometimes it races up, sometimes it crashes down

However, one thing the Australian Stock market has done consistently over the last 25 years, is to grow by about 14 per cent pa on average, despite the various fluctuations along the way.*

As I said early in our relationship, it is not "Timing" the market, but "Time In" the market which leads to overall asset growth.

Every so often, stock markets become "overheated." This simply means the prices paid for shares are more than they are really worth, so a correction occurs. Such an event can provide opportunities for stock pickers to buy cheap shares – but this is an area best dealt with by the experts.

My prediction, based on my experience as an economist, my training as an accountant and my years of practicing as a financial strategist, is that the next 12- 18 months should see continued positive returns. I think in the lead up to the Beijing Olympics, demand from China will continue to fuel the Australian economy. I also expect there will be a few bumps along the way.

As always, if you would like to discuss your investments, please don't hesitate to call me on (08) 8130 5130 – and remember last month marked the fourth anniversary of the current Bull market.

With my very best wishes

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategist

*** Source: (The Aust Share market as measured by the ASX Accum Index has returned 14% pa for the 25 years to December 2006. Note returns during this time have been above the historic average.)**

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