Grow @ Marinis Group

From: grow@marinisgroup.com.au
Sent: Friday, 16 August 2019 9:59 AM
To: Alex Wiedenmann | Marinis Group
Subject: Safety Advice
Attachments: Vanguard __ What history can teach you about market volatility.pdf

Dear Friends,

Safety Advice

Every time we board an aircraft, the flight attendants remind us very professionally, what to do in an emergency. This repetition (hopefully) serves to ensure that in the unlikely event of an emergency, we will be able to evacuate safely. In my view, safety advice is good advice.

In terms of duration, the current US share market has officially had its longest bull run in history, and to quote Robert Gottliebsen, we are now watching a major correction in equity values across the globe.

I took some 'safety advice' myself over the transition weekend from last financial year to the present. I'm 56 and will be eligible to commence a tax effective Transition to Retirement (T2R) strategy in around 18 months' time (this does not mean I am retiring, by the way). I sold down approximately 18% of the growth assets in my superannuation fund and transferred the proceeds to cash.

This action was effectively to lock in some of the gains on my portfolio which will now fund my 'Marinis Buffer' – a cash supply to fund a pension income for two years, which will ensure that I don't need to sell down good quality stocks when I begin my T2R strategy.

This is the same kind of strategy I recommend to my clients. Of all the people likely to read this, I am probably the only one not to have a financial adviser, therefore I need to remain disciplined and act in exactly the way I would recommend my clients to act. And like anyone, I get emotional about investments and I get swayed by 'tips', but to ensure that I can look my clients in the eye, I must avoid these temptations.

During this correction, and in future downturns I can rely on both my 'Marinis Buffer' and my re-weighted portfolio – one that is now less growth oriented, given my age and the fact that I will soon begin drawing on my super balance!

My portfolio is less aggressive and more stable. During the buoyant times, it will not grow as much. I consider this gap the 'insurance premium' I must pay to ensure I don't get wiped out at this sensitive time in my investing life, in keeping with my mantra to "get rich slowly – and stay rich".

In the current climate, I know that I have followed my own safety advice. I can remain calm even as the headlines shout about financial disaster and the demise of the financial system… or even 'life as we know it' (it has been, by the way, greatly amusing to observe how many people in the media forecast a huge crash in domestic home prices in the major cities over the last two years – and then to observe the recent shock of house prices in Sydney and Melbourne increasing by 0.1% and 0.2% respectively). Reading newspapers can be very bad for blood pressure!

I know that over history, the best way to grow and maintain wealth is by investing in the stock markets of the world. They have grown on average by over 9% per annum since inception – of course with some low lows – but the periodic 'blips' means little in the medium to long term.

My safety advice for investors is simple:

- Develop a medium to long term fully diversified strategy - and stick to it
- Contribute as much as you can, as soon as you can, for as long as you can
- Cover yourself with reasonable insurance
- Have in place a 'Marinis Buffer' of two years cash if you are in income draw down phase
- When the crash comes, stay in your seats… and… enjoy the panic merchants rushing for the door… and… if you have any spare cash when the market has plummeted, buy into more Index funds and watch your wealth accelerate.

- Be nice to your loved ones!

And One More Thing…
"Resisting the temptation to chase returns may be easier said than done but you can strengthen your resolve by studying a little market history" according to Robin Bowerman, Head of Corporate Affairs at Vanguard Australia. The attached article (read here) is shared with permission, and includes a link (see link here) to Vanguard's 'Interactive Index chart' of 45 years of investment returns across major asset classes, taking into account all of the major economic, historical and economic changes which have occurred over this period. The chart demonstrates that the asset classes that perform best or worst over a given year often generate very different returns over the long run.

It reinforces why we need to diversify our investments, choose the strategy that best suits our goals, and stick with it for the long haul, regardless of the turbulence – good safety advice, and consistent with the advice which we at Marinis Financial Group seek always to provide to our clients.

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

Kind Regards,

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Investor resources Smart investing

What history can teach you about market volatility

09 July 2019 | Markets and economy

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When turmoil strikes, people often feel as if it will never end. It's often only years later that they realise that the problem that once loomed large has faded significantly in importance.

Investors who are constantly changing tack through seeing share markets plunging and decide to sell, or hearing about a rally and deciding to jump in increase the odds of buying high, selling low — and reducing returns.

To avoid this pitfall, investors should choose a strategy that matches their goals and allocate assets accordingly in a low-cost diversified portfolio. By sticking with this strategy through all kinds of market weather investors can increase the chances of investment success.

Resisting the temptation to chase returns may be easier said than done, but you can strengthen your resolve by studying a little market history. Vanguard's Interactive Index Chart can help you visualise the lessons of history by allowing you to look at 45 years of investment returns across major asset classes and major economic, historical and demographic changes. This tool can help you see that the asset classes that perform best or worst over a given year often generate very different returns over the long run.

Comparing short-term periods to longer ones provides perspective on market ups and downs. If you look at the performance of Australian, U.S. and international shares in 2010 on the chart, you will see a steep drop in the middle of the year, at about the time of the first bailout of Greece. If you zoom out to a few years later, the 2010 decline looks like a small blip on the path to strong returns.

The "Manage Portfolios" tab in the chart allows you to compare portfolios so that you can see how increasing or decreasing different asset classes, such as international bonds or Australian property, would have affected returns. During 2010, for example, a high-growth portfolio would have lost 6.3 per cent during the downturn, compared to a loss of 1.4 per cent for the balanced portfolio, which has greater exposure to bonds that protect against volatility.

Over long periods, however, the high-growth portfolio generated stronger returns than the balanced portfolio. That may suit you if you decide you can handle the higher risk of volatility as a tradeoff for the potentially higher returns. Alternatively, you may prefer a more conservative portfolio that doesn't keep you up at night.

By spending some time experimenting with the chart, you can develop a stronger sense of what type of portfolio will keep you on course toward achieving your investment goals.

Written by Robin Bowerman, Head of Corporate Affairs at Vanguard.
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Robin Bowerman, Head of Corporate Affairs at Vanguard Australia, shares investment and personal finance insights gained from over two decades in the finance industry as writer, commentator and editor.

Robin Bowerman

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