Grow @ Marinis Group

From: Grow | Marinis Group
Sent: Friday, 13 September 2019 10:05 AM
To: Alex Wiedenmann | Marinis Group
Subject: eGrow - What I've learned from 'Billy the Goose'
Attachments: 2014_08_29_-_eGrow_-_An_Important_Question_from_a_Client.pdf

Dear Friends,

What I've learned from 'Billy the Goose'

"Geese increase their range by 71% when they fly together in a formation – in other words, they do a lot better when they work together…"*

You may recall a past eGrow from 2014/15 (refer attached) which featured a client who at the time dubbed himself 'Billy the Goose" (in approving this current eGrow, he suggested he now goes by the nom de plume "Billy the Coke Bottle" for his own reasons!?).

Almost half a decade later, I reflect on what I have learned from him.

The first is the value of a team. Bill built, and sold, a very successful business. He learned how to trust people – but he also learned the value of putting two people in charge of supervising each other. In the money space, Bill relies on his accountant to keep me honest – and on me to keep his accountant honest.

He also values long term relationships. But he won't be taken for granted. Bill expects the best, hates 'show-offs' and understands you need to pay for quality services and advice.

He expects to get what he pays for (nothing less) and loves to be surprised on the upside. When bad times come – as they inevitably do – he doesn't shoot the messenger, but he does call people to account. And he values people who look at problems from all directions, especially tax issues, (he hates paying a cent of extra tax)!

We go back about 20 years. I recall driving hours to meet him, but he was busy. He signed our Terms of Engagement on the bonnet of a car because he had faith in what we discussed. Bill wanted to get on with his work providing service to his clients, and he wanted me to do the same.

So, now Bill is almost 70. I met him recently to review his situation.

As a result of his hard work, when I first met him in January 2000, he had about $500k in a retail super fund. He also had $500k in investments owned by his trust, and $500k in his company. The two non-super investments were managed by banks and their "advisers", one with the NAB/MLC the other by CBA/CFS. He was diversifying the risk of dealing with people like me…. the 'suits'.

Initially, Bill didn't want to have all of his investments under my advice. Although like all smart over 50s with surplus cash (but also on my advice) he had been 'maxing out' his super contributions. (This relates to a period when those eligible could concessionally contribute $100,000 pa to super!)

In 2008/09 [when Marinis transferred our operations to our own Australian Financial Services Licence (AFSL)] Bill had decided that I had proved my worth and authorised me to advise on ALL his investments.

As many of our readers will be aware, our AFSL provides us with the ability to choose, research and approve our own investment platform solutions, based on cost effectiveness but with the "best of breed "functionality and flexibility.

Using the same approach we advocate for all our clients, we were able to reduce the administration and investment fees on Bill's combined investments (which by then had doubled to from $1.5m to approximately $3m) from 1.3% pa to 0.53% pa.

In terms of advice fees, Bill qualified for our 'Diamond' flat dollar adviser service fee arrangement.
Whilst Bill's advice fees increased by approximately $2,000 pa after tax, from 2009 onwards his investment and admin related fees dropped by $23,000 pa – netting him an extra $21,000 pa in NET fee savings, every year. (That's around $210,000 to date, *ignoring the growth on those savings*)!

Today, Bill's portfolio has more than doubled again, to a figure more than $6.0m. Currently we are in the process of implementing on his behalf, a transfer to an even lower cost investment platform which has recently become available.

Not only will this facility provide even greater functionality than his current arrangements, but his Investment and administration fees will again halve, to approximately 0.29% pa! That represents further fee savings of around $13,920 pa.

Had Bill not accepted our recommendations in 2009, he would probably still be paying at a rate of 1.3% pa, the 'grandfathered' fees we kept hearing about in the Hayne Royal Commission last year.
Of course a saving of 1.01% doesn't sound much.... unless you consider the actual dollars involved... Based on his current portfolio, I estimate Bill's TOTAL fee savings after making the latest tweaks will be around $61,600 pa!

Remember mum's truism? "A dollar saved is a dollar earned." We apply this fee saving philosophy to the strategies we recommend for ALL our clients.

The good news is that Bill takes my advice, particularly when he finally realised he could trust me, by engaging me to provide advice to him in respect of his entire portfolio. The fact the he always takes my advice, which includes investing predominantly via the index, and has contributed to super "as soon as he could, as much as he could, for as long as he could" (even past age 65) has got him to his current excellent financial position.

Perhaps the greatest mark of mutual respect is that 'Billy the Goose' has referred his partner to us – so that they 'too' can fly in financial formation.

NOTE: Bill draws down the minimum from his Account Based Pension, which is almost $90,000 pa tax-free. He admits he barely spends it – and the fund keeps growing. That's the kind of magic pudding retirement we would all love.

And one more thing:

Generally speaking, (apart from some of the more recent 'horror headlines') the news about returns for super funds over the last ten years has been exciting.

Clients invested in Marinis' balanced portfolio (defined by a 65% Growth /35 Defensive, index fund asset allocation/ exposure) have enjoyed a return of 9.5%# pa, representing growth by $9,500 pa for every $100,000 invested – or an average portfolio increase of $95,000 in this period, ignoring compound interest. Of this increase, I would recommend taking $50,000 as income and reinvesting the rest.

Note that if your money was in a term deposit with a bank it would earn perhaps 2.25%, or $2,250 for every $100,000 [again ignoring compound interest] – or an average portfolio return of $20,250...).

The market return is great news. ***However, let me be clear, the market has generated that return, not Marinis.*** What we have done is reduced your cost of investing so you have more money to grow, and ensured that your portfolio is diversified to protect you. If you are retired, we've put in place a 'Marinis Buffer' as a shock absorber against inevitable downturns, and made sure you are getting every tax and Centrelink benefit available to you.

My role is to maximise the effectiveness of your investment and to help you protect what you have. The market is separate, it goes through cycles of good and bad times. I want people to get rich slowly – and stay rich in the downturns.

As always, if you have any questions for me or any of the team, please do not hesitate to contact us on (08) 8130 5130.

Kind Regards,

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

Authorised Representative

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From: Grow | Marinis Group
Sent: Friday, 29 August 2014 1:08 PM
To: Grow | Marinis Group
Subject: An Important Question from a Client
Attachments: 2014 08 29 - Important Question from a Client Letter.pdf

Dear friends

I recently took a call from my favourite client – he wanted to challenge my comment in eGrow that most of my clients pay between 0.4% pa and 0.7% pa (http://www.marinisgroup.com.au/assets/2014_07_18_-_eGrow_-_Happy_New_Financial_Year!.pdf) in fees to the fund's managers and administrators. When he looked at his statement he found that he was paying more than 0.4% pa. In fact, he pays overall 0.53% pa, bearing in mind that most Industry super funds charge around double that figure.

That call prompted me to put together the attached letter for 'Billy the Goose from Ceduna' (as he wanted to be known) when I asked and received permission to reprint our correspondence, with of course, identification details changed.

The reason 'Bill' is one of my favourite clients is because he challenges me. He likes to keep me on my toes and give me a 'jolt' sometimes – and this causes me to revisit and review our strategies, to ensure that our advice is still appropriate, and that we are 'doing the right thing'.

As you will read from the following, we are most certainly doing the right thing for 'Bill' and his family, and by extension it reassures me that we are doing the best for all our clients.

As always, please feel free to contact me or any of the team if you would like to discuss any aspect of this edition of eGrow or your personal circumstances.

Sincerely

Theo Marinis B.A, B.Ec, CPA, CFP®
Financial Strategist
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13th August 2014

Mr B & Mrs G Goose
PO Box 000
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Dear Bill,

INVESTMENT PLATFORM FEES

Thank you for your call regarding the administration and investment fees currently applied to your investments. I really appreciate my clients asking these types of questions as it ensures that the key drivers of fees (ie: investment risk profiles and the strategies we have put in place for them) continue to be appropriate.

As a result, I am pleased to provide you with a summary of the outcome of my review and a response to the queries you raised:

- In 2009 your investment balance was approximately $3 million, with the administration and investment fees applicable at the time varying between 1.2% pa – 1.4% pa.

- By April 2014, with your investment balance standing at approximately $4.5 million (as per our Statement of Advice at that time) your average portfolio fees had reduced to 0.53% pa. It is important also to note that some of those fees are tax deductible to your trust and company.

- I am also delighted to confirm (per your suggestion that we approach BT for a reduction in fees) that in 2012 we successfully negotiated a significantly discounted fee structure on behalf of our clients. As a result, Marinis Financial Group is one of only 100 firms Australia wide with access to an effective 50% or more fee discount from BT. This discount forms a major part of the fee reduction outlined above.

- In terms of your concern that one of your accounts was at the higher end of the fee scale (based on the attached eGrow of 18 July, 2014) I can confirm that is indeed correct.

- The reason, relates to the strategic management of your **entire** portfolio. The highest fee paying account is your 'taxable' Account Based Pension; it is the account which is most actively managed. By that I mean that the actively managed investment exposure for your entire portfolio is concentrated in that particular tax structure to take advantage of the internal tax and fee benefits to be gained by setting up your portfolio in this way.

- When these fees are viewed in the context of your entire portfolio (given that most industry super funds charge around 1.0 % pa plus) it is my belief the **average fee which currently applies to all of your investments, at 0.53% pa** still represents the lower end of the range.

In my opening comments to you, I mentioned the fact that the influence on fees relates both to strategy considerations and investment risk profile, and it is therefore appropriate that I comment now on this latter issue.

.../2

Bill, the recommendations we have provided to you in terms of investments is based on the investment risk profile we have mutually identified. This has meant buying the most appropriate investment options for your personal situation, within the most appropriate tax structures i.e., Super, Account Based pensions, Trust and Company.

By way of additional explanation, as a general rule, the more funds an investor holds will dictate the level of active management and diversification required. I would also point out that most of our clients who pay the 0.4% pa fee mentioned in eGrow are clients who hold investment balances under $500,000; they are generally risk averse.

If you would like to alter your investment portfolio to a simpler, less diversified and less active structure (which would involve essentially 'buying the market') then we can arrange to do this. It would effectively achieve a platform fee structure of around 0.40% pa, or reduction of 0.13% pa.

My concern is that it would be quite a departure from your previous instructions and our professional advice. Nor do I believe at this point that it would be in your best interest to alter your arrangements, unless there has been a significant change in either your circumstances, or the attitude to investing which you have described to us in the past.

If this is the case, I would be happy to organise a mutually convenient time so that we can discuss what a move to this lower cost approach would mean to your strategy and portfolio.

Bear in mind that the fees in question are administration and investment fees, charged by the investment platform provider; they are not directed to Marinis Financial Group which is remunerated on a strictly flat dollar, fee-for-service basis. These fees are fully tax deductible in your case.

Bill, I trust that this explanation goes some way to clarifying the rationale behind the fee structure which applies to your investments and the trade-off between an appropriate and a 'one size fits all' strategy.

Ideally, I propose that we should spend some more time at our review meetings so we can revisit and perhaps drill more deeply into the layered strategy we have tailored for you.

For example, I am particularly pleased that one of our strategies will in time, save your children at least $150,000 in what I call "Death Taxes" – the 17 % tax levied on non-dependents who inherit taxable component superannuation.

In the meantime however, and as always, I look forward to receiving your feedback. I will be happy to discuss these issues further when and as it suits.

Yours sincerely

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