

Dear Friends

How safe is my super?

When recruiting staff, one of the attributes I seek is an enquiring mind. Our paraplanner Thuy-Anne Bui, who joined us just over two years ago, recently received a scam telephone call about superannuation. As a result, Thuy-Anne suggested that we remind our clients about the safety of their superannuation savings, and I was delighted to oblige. The starting point in a number of very important safeguards is the nature of the superannuation trust structure itself. Whether privately run (such as a Self-Managed Super Fund) or a regulated, public offer fund, superannuation trustees have duties and obligations which primarily relate to holding assets for the benefit of superannuation fund members or their beneficiaries. These obligations and responsibilities are not just moral obligations – they are enforceable by law.

The follow-on safeguards of superannuation lie with the parameters within which funds are allowed to invest. The trustees of many public offer superannuation funds provide investment platforms offering a wide range of high-quality investment options, options which are subject not only to their due diligence process, but observance of specific superannuation regulations. For example, direct property is not available in retail or industry super funds, due to the inability to adequately assess the risks associated with this type of investment. And whilst direct property investments can be held via a Self-Managed Superannuation Fund (SMSF), the options here are also limited – to demonstrate this point, you can't put your 'weekender' into your SMSF.

At Marinis, we tailor the asset allocation of your superannuation portfolio to suit your investment risk profile, while also ensuring that it is adequately diversified by asset class. This is done by selecting underlying investments from an investment menu which not only meets trustee standards, but also meet our own due diligence processes. However, the safeguards don't stop there.

The fund trustee's arm's length administration team then purchase the investments (as per our instructions) on your behalf. They are required to follow our directions on where and how much to invest – and check that we are operating within the approved portfolio.

Your money is then held by a second arm's length custodian (rather than directly by the fund managers we select on your behalf) as a further safeguard to ensure that your funds are held securely.

To understand how these multiple layers of protection can work in a doomsday scenario, it is worth revisiting the GFC and the collapse of Lehman Brothers in 2008.

After Lehman Brothers filed for bankruptcy, global markets immediately plummeted. The following day, Barclays Bank announced its agreement to purchase Lehman's North American investment-banking and trading divisions, with the result that there was no change or loss in the underlying investments. Few realise how the trustee and custodial arrangements worked precisely as they are designed to do. Client funds invested with Lehman Brothers investment platforms were not lost as a result of Lehman's demise.

It was only the shareholders of Lehman Brothers who saw those shares become worthless (which is precisely why I always recommend investment diversification). The system worked to protect their investors.

And what about 'identity fraud'?

This is a big concern in Australia; identity theft has become very sophisticated. The benefit of the 'Know Your Client' rule is that all financial product providers and financial advisers are required to be certain about who we are dealing with. At Marinis, we have actually reinstated some old-fashioned paper-based systems designed to ensure that the person making the request is actually the owner of the money.

For example, if an email is received by your super fund purporting to be from a client requesting funds to be transferred to a new bank account, the fund trustee will contact us and ask us to verify that the request is legitimate. Our process is then to contact you, and if the change of bank details is verified, arrange for completion of a signed paper-based change of bank account form with the new details (plus a signature check). This slows down the process a little, but it makes it certain the right person receives the cash.

These and similar processes form part of our obligations to you, with a further safety net provided by our Professional Indemnity Insurance – a requirement of our Australian Financial Services Licence designed to protect you in the event of a mistake which causes harm to your financial position.

Bear in mind also that Marinis Financial Group does not 'hold' your superannuation contributions or invested funds, or manage your money 'in house'. Your investments (as explained above) are directed to an arm's length superannuation account which is held in trust for you, as a superannuation fund member.

All of the above measures represent a complex series of safeguards that make it very difficult for your superannuation to be stolen or misdirected. Nevertheless, the ultimate protector is you. Keep an eye on your finances, and if you see anything odd, or receive any unsolicited approaches, be cautious. Let us know ASAP so that we too, can be on the alert.

We recognise the importance of support for all of our clients, and we want everyone to know their super is safe.

And one more thing:

As you would expect, I am writing this October edition of eGrow in September; and already I'm aware of the collapse of the iron ore price and the 'wobbles' in China based on the potential default of Evergrande, which reportedly owes \$400 billion.

As a result of these uncertainties, global share markets are stalling, and potentially falling. This may (or may not) lead to a 'Spooky October' – the month where traditionally the markets 'tank'. So, what should you do if this happens? Nothing.

Be patient, stick to your strategy, and enjoy the panic selling by the inexperienced and ill-advised. As I like to remind my clients, the stock market is the most efficient way to transfer wealth between the impatient to the patient that humankind has invented.

Of course, if you do become concerned, don't hesitate to contact us for reassurance.

Media:

If you would like to read any of my recent contributions to the media on the topic of long-term savings, please click [here](#).

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

Yours sincerely

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