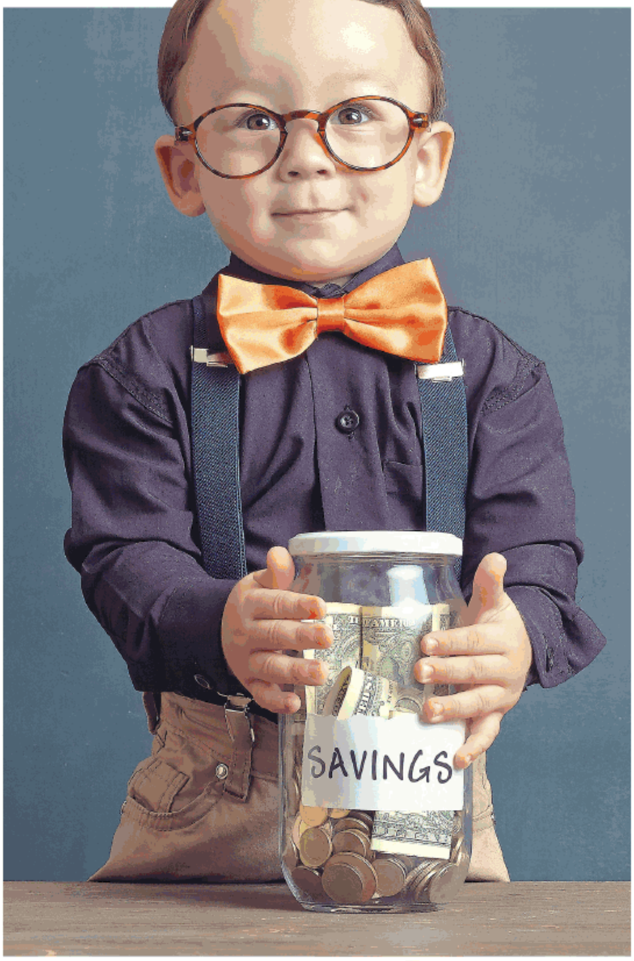

retire and have you buy him out via a multi-year earn-out. It could be a very good opportunity, but only if the investment stacks up. And there's the rub — you need to evaluate this like any other investment you'd make.

So the first thing to ask your boss is, "What price are you looking to sell the business for?"

When he tells you, ask him, "How did you come up with that price?" (Write down his answer.)

A good answer would be, "It's a multiple of the current earnings", or, "Similar businesses are changing hands for roughly the same money", or, "It comes with X worth of property and equipment".

A bad answer would be,

The Barefoot Investor: The Only Money Guide You'll Ever Need (Wiley) RRP $29.95

"Well, that's how much I need to comfortably retire".

Then get the financials — the further back the better. You're looking for the overall financial position of the business, the quality of the assets, and the stability of the profits, plus any opportunities you have to cut costs and boost profits. If figures aren't your thing, go see a good accountant.

Finally, ask yourself the following questions:

"How reliant is the business on my boss staying on and bringing in the bucks?"

"Where do I think this business will be in 10 years' time?"

"Where do I think the industry will be in 10 years' time, and could it be disrupted?"

Then ask yourself the ultimate question:

You'll likely have to work 10 hours a day, six days a week in this business.

\You'll give up your entitlements, but you'll still have to deal with entitled staff (there are always staff issues). And you'll have to invest a lot of capital into it.

So, knowing all of this, how much do you have to earn, over and above your current wage, to make it worthwhile?

Imputation grab a false economy

Noel Whittaker

LABOR'S proposed changes to the imputation system are based on false premises, are discriminatory, and will end up hurting the most vulnerable.

Labor claims that millions of dollars in franking credits are being unfairly claimed by members of big self-managed super funds. Once that was true; but not any more.

Until last July, self-managed superannuation funds could hold all their money in the tax-free pension mode and so get a full refund of all franking credits. But the Turnbull Government axed this, and from July 2017 the most any fund can hold in pension mode is $1.6 million per member.

When the self-managed funds do their tax return for the year ending June 2018 it will become clear that the amount of imputation credits refunded has already been massively reduced.

Members of big retail funds will be unaffected, because these funds invest in a wide range of assets. Only Australian shares carry franking credits so it's a simple matter for the funds to work their asset mix to optimise their after-tax returns.

Big self-managed super funds will do exactly the same thing. They are already making adjustments because of the increase in tax from zero to 15 per cent on a big part of their income, and they will continue making adjustments. After all, it's not difficult to replace a share paying 6.5 per cent plus franking credits of 2 per cent with an investment in non-residential property, which pays an unfranked 9 per cent. Furthermore, they may well raise their exposure to international funds, which favour growth over income.

A big self-managed fund can easily change strategy to avoid Labor's proposed tax hike. Never underestimate the ability of ordinary people, and of course their advisers.

Another option would be to close the SMSF and roll over to a big retail fund. The outcome would be no refund of franking credits for Labor.

Or simply move part of your fund back to accumulation mode. There would be no net tax saving as part of the franking credits would wipe out both contribution tax and earnings tax, but it would stop the mandatory drawdowns in pension phase. Also, you may be able to add the children as fund members and soak up the 15 per cent contributions tax and excess franking credits.

Last Tuesday Labor promised to exempt all pensioners, but anybody not on the pension would lose all their imputation credits.

Think about a couple with bank deposits and personal possessions totalling $120,000 and who have a share portfolio of $800,000 returning dividends of $36,000 plus franking credits of $15,400. They are ineligible for any aged pension, so their total income now including franking credits is $51,400 a year. Under Labor's proposals they would lose $15,400 a year reducing their net income to $36,000 plus interest of $1500.

If Labor's proposals get up, their best strategy would be to spend $100,000 on exempt items like renovations so as to become part pensioners. The cost would be a loss of $4500 in dividends — their return would be a more valuable home thanks to the renovations, an aged pension of $1300 a year, refund of franking credits of $13,500, plus the pensioner concession card.

Welfare is growing at 8 per cent a year. All parties should be focused on encouraging retirees to become self sufficient. Labor's proposals would do the opposite.

*Noel Whittaker is the author of **Making Money Made Simple** and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions.*

ASK THE EXPERT

Send your questions to Noel Whittaker noelwhit@gmail.com or tweet @NoelWhittaker

Q I want to gift all my worldly goods, not cash or my home, to my granddaughter now. This should not interfere with my Centrelink aged pension as the stuff is not listed as assets. I am getting on, and this will prevent family fighting later on. Will this cause a problem?

A The effect on your pension of gifting assets would depend on the value of the items being given away, and your other income and assets. For example, if the items given away had a substantial value, the gifting may affect your pension but only if you are asset tested now. From the information provided I assume you are a single homeowner, which means you can have $253,750 of assessable assets before there is any possibility of you being asset tested. Just keep in mind that gifting rules apply regardless of whether assessable assets or exempt assets, such as a person's principal home, are gifted.

How to tell the boss they're doing it wrong

WORKPLACE MATTERS
Gary Martin

LET'S face it: bosses are not perfect and sometimes they need to be told.

Whether your manager's long-winded explanations of the most basic sales strategy are chewing up precious time for face-to-face selling, or his complete lack of emotional intelligence in working with others is resulting in talented staff leaving your organisation, sometimes you need to share constructive feedback with your boss.

Letting your manager know what you think of them is often referred to as "upwards feedback" — and it can be a tricky manoeuvre.

But the reality is that without feedback from team members, managers will not always have the most accurate view of how their actions are seen by others.

So if you are keen to offer your manager feedback, how do you go about it?

Launching into unsolicited feedback is not wise, even if you have a good relationship with your manager. Always assume that your boss does not want feedback if it is not requested.

And if you are not totally sure that your manager actually wants to hear your feedback on a particular matter, it's almost always better not to speak up. After all, there's little point in putting your relationship with your manager at risk.

Assuming you have the green light, think carefully about how to deliver feedback to your manager.

Prepare what you will say to your manager by writing some notes to help to structure the feedback, and use these notes to help you keep on track when communicating the feedback.

Avoid jumping to the conclusion that feedback is only associated with your manager's shortcomings. Think about actions that your boss takes which have a positive impact on those in the workplace and communicate these also.

And it is very important to relay any feedback from your own perspective, and not from what you would do if you were in the manager's position.

Avoid presenting yourself as being a spokesperson for a bigger group of employees by taking care not to frame your feedback in such a way that suggests it is. Let others offer their feedback to your manager from their own perspective.

Above all, keep it real.

Some employees deliver feedback in such a way as to dump on their manager anything that frustrates them about their performance. Remember, the purpose of upwards feedback is always to identify behaviours that impede performance — think big picture — and with a view towards making positive changes.

And be prepared for your manager to bite back, become defensive or take offence.

Giving upwards feedback can be a sweet-and-sour experience and it requires the giver to weigh up whether the process will end up helping or harming you in the long run.

In utopia, managers appreciate well-articulated, constructive feedback. In the real world, life is not that simple.

But that doesn't mean you shouldn't consider upwards feedback. Just pick your targets first.

Professor Gary Martin is chief executive at the Australian Institute of Management WA