teach everyone else in our extended family about the consequences of buying a car with credit. Thank you for the work you do.

Barefoot responds: As the question above shows, cars are very seductive!

And that's why I love the fact that you're taking your daughters through this lesson.

It is kind of frightening to add up all the costs of owning a car that is parked 95 per cent of the time.

That's why cars are going the way of Netflix — being offered for a monthly subscription.

In the US last week Hertz launched a car subscription service: for $US1000 a month you get a new car, full maintenance, roadside assistance and insurance (and there's no ongoing commitment, so you can take it up in December, ditch it in January, and not have any of the ongoing costs).

And it's not just car rental companies: Volvo launched a subscription service at $600 a month that went berserk, and Mercedes-Benz, BMW, Audi, Porsche are all planning something similar.

Will this be a good deal for drivers? Time will tell. Then again, if Uber has its way, no one will drive at all.

The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need
HarperCollins
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Double-edge sword of rate reductions

Noel Whittaker

Interest rates are down, with strong hints of more cuts to come. While this has been welcomed by some commentators, I feel it's taking Australia down a very dangerous path. With rates already at historic lows, a cut from 1.5 per cent to 1.25 per cent will do nothing to stimulate the economy. If a buyer finds a property that's an absolute bargain, does anybody seriously think that 25 basis points will make a difference to their buying decision?

Controlling the economy by manipulation of interest rates is a tool that has passed its use-by date. Monetary policy is like a strong drug: highly effective in big doses in the early stages, but as the doses become more extreme the effect wears off.

But what the cuts will do is lure homebuyers into what may be a nightmare journey. It begins as they stretch themselves to achieve the dream of a first home at a time when rates are at historic lows. But eventually rates must start to rise again. To make matters worse, before the election the Government announced plans to let first-homebuyers into the market with just 5 per cent deposit. And to add fuel to the fire, last month APRA instructed lenders to ease up on eligibility criteria.

Let's have some straight talk. The global financial crisis was born when President Bill Clinton instructed mortgage lenders in America to reduce lending standards so that poorer people had a chance of home ownership. Consequently, hundreds of thousands of Americans were lured into buying homes they couldn't afford, and most of them lost what little they had. During the slump the median price of a home in Detroit, Michigan, fell to just $7500. Is this the example Australia wants to follow?

Relaxing lending standards will start a chain reaction. The number of first-homebuyers jumps, the extra demand pushes up house prices and it becomes even harder for young couples to get a foothold in the housing market. As prices rise, and affordability worsens, other potential buyers who are saving for a deposit panic and rush into the market, creating a boom.

Now the dream has turned to nightmare. The final step in the cycle is interest rates rising, homes being foreclosed and housing prices falling, or at least staying flat.

It will be mixed news for retirees. Australian shares are sure to rise as they become relatively more attractive than term deposits, especially now that the threat to franking credits is over. And any drop in interest rates will put further downward pressure on the Australian dollar, which will make international investments worth more, at the same time as it puts up the cost of imports.

But the people who will suffer most will be age pensioners, many of whom are scared of growth investments, and who are subject to the deeming rates, which assess income-tested pensioners on the assumption they are earning a specified return on their investments.

The deeming rates for a couple are 1.75 per cent on the first $85,000 of financial assets and 3.25 per cent on the remainder. These rates are unobtainable for bank deposits.

Treasurer Josh Frydenberg has already warned the banks that they will be in serious trouble if they don't pass on the rate cuts in full to borrowers. Obviously, most of the banks will obey, but the quid pro quo is that they will extend the rate cuts to the deposits as well. So the Government should reassess the deeming rates as a matter of urgency. The Catch 22 is that any cut in the deeming rates will give a pay rise to income-tested pensioners.

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 You recently advised a pensioner couple about the relative merits of gifting versus loaning money to a child. My wife and I are both drawing a pension from our super funds, and we have promised our 30-something son that we'll give him $100,000 to help him jump on the housing ladder. Now seems about the right time to give him the money. We do not draw a government pension and even after giving the money we'd still not satisfy the asset test. What would you advise?

A There is no gift duty in Australia – the only adverse consequences of making a gift could be if you are thinking about eligibility for the age pension. I agree it's better to help your children sooner rather than later, provided they have proved themselves to be good money managers. But you need to decide if this is to be a gift or a loan, and have documentation prepared by a solicitor. If the money is a gift, and he has a relationship or business breakdown in the future, his partner could end up with a share of it. The simplest method is an interest-free loan – you could forgive all or part of it in future.

Anonymity eases pressure of workplace gifts

WORKPLACE MATTERS
Gary Martin

It is happening more and more often — the string of emails, now almost weekly, asking you to contribute cash so that your organisation can purchase a gift for a colleague, maybe even your boss.

The week before last it was for a gift for a colleague who was retiring, this week it's for a co-worker celebrating a 21st birthday, and next week you expect to be hit up for your supervisor's baby shower.

You are starting to feel pestered by the weekly emails asking you to make a contribution towards purchasing a colleague's gift, with added pressure arising when your boss is the messenger.

To make matters worse, for various reasons you are not always particularly fond of some of your gift-receiving colleagues. And you barely know some of the other intended recipients, making the whole situation even more vexatious.

Who would have thought that the whole practice of "gift giving" in the workplace could cause such angst?

The fact is that more often than not a higher level of thought is needed when considering how workplace gift fundraising is handled.

A common alternative method used to raise funds for workplace gifts is to pass an envelope around the workplace in such a way that contributions remain anonymous and voluntary by nature.

This approach leads to people feeling less pressured or anxious about contributing.

And while this method of securing funding might mean less cash to splash, it is the thought that counts, right?

If this does not describe your current workplace situation then there are some steps you can take.

You might suggest to your supervisor or manager that your organisation adopts an approach which retains anonymity given the often tight financial constraints faced by many colleagues these days.

Alternatively, you could suggest that your organisation budgets for gifts associated with significant employee milestones to take some of the pressure off individual workers.

But at the end of the day, if a method remains in place where you are asked to contribute to a purchase and your colleagues know full well whether you have contributed, you can always stick to the view that you are within your rights to forgo pitching in.

Adopting this approach might affect your social standing in the office. To offset that, try to explain that your restraint does not reflect your feelings towards a particular individual but rather is part of your personal approach to strict budgeting.

Or it could be that while you decline to contribute to gifts, you make it known that you are always open to supporting your colleagues in other ways such as through their charitable endeavours — like buying a raffle ticket or two or sponsoring a bike ride.

Such an approach confirms that you are a team player.

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