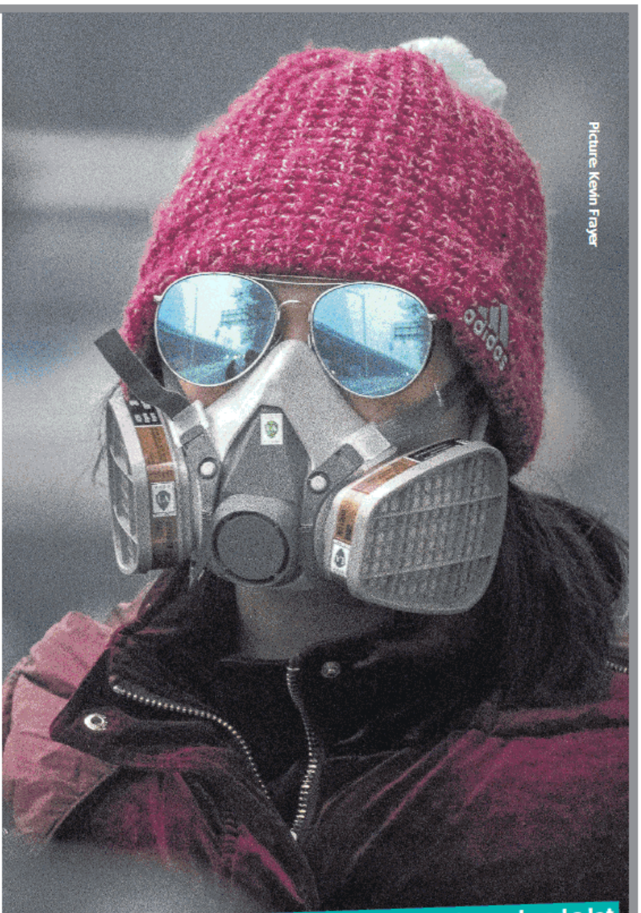

Picture: Kevin Frayer

“Over the past couple of hundred years we've endured a lot of bad things: wars, recessions, depressions, pandemics — and through it all the stock market has never failed to hit new highs.

Barefoot translation — by all means let your old man enjoy himself, just make sure he protects his nuts.

Overwhelming kindness

Emily writes: You were on my list.

You see, since my house in Mallacoota burnt down, I have been shown the most amazing acts of generosity and human kindness, and I have a list of the people I want to thank. So, while I go through the emotional process of figuring out my new life, thanks to your book I am not immediately worried about money. That's huge! My partner and I are even contemplating taking a six-month hiatus and travelling around Australia. Seems like good timing while we don't have any “stuff”.

Barefoot responds: Welcome to the “no stuff” club!

The truth is that, as for all of us, almost everything you buy will end up in a rubbish tip, but in your case you'll receive a cheque for it!

When it happened to my wife and me, we felt an overwhelming sense of freedom, like a weight had been lifted off our shoulders. Which it had — we literally didn't have any clothes.

Seriously, though, over the following 12 months we didn't really buy anything, and it changed the way we thought about “stuff” forever — for the better.

Go travelling, and make some memories!

The Barefoot Investor for Families: The Only Kids' Money Guide You'll Ever Need
HarperCollins
RRP $29.95

Calculating the costs of living longer

NOEL WHITTAKER

A MAJOR challenge for retirees is uncertainty surrounding how long they will live and how long their money will need to last.

Even though there is a wealth of research telling us life expectancies are rising, these are averages and don't apply to the individual.

There are life expectancy calculators on the internet that provide an estimate of how long a person might live and also suggest ways to modify behaviours to improve health and life expectancy. Let's face it, two of the main factors that influence life expectancy are exercise and diet.

But we are wired to be cautious (our ancestors never knew where the next meal was coming from), so retirees tend to spend wisely to make sure there is something in the kitty if they live a long life.

The industry is working on products to solve the longevity dilemma, but they are still in the design stage. However, in the interim, the Institute of Actuaries has developed a simple rule of thumb to help retirees work out how much money they should be able to draw out of their savings in retirement. These take into account their expected rate of age pension.

The concept is that a single retiree should draw down a baseline rate, as a percentage, that is the first digit of their age, and then add 2 per cent if their superannuation balance is between $250,000 and $500,000.

EXAMPLE

A single retiree aged 66 with a $350,000 super balance should consider withdrawing 8 per cent of their superannuation — 6 per cent because the first digit of their age is 6, plus an additional 2 per cent because of their super balance.

For couples, the rule of thumb is slightly different. A homeowner couple both aged at least 65 are recommended to take the first digit of the age of the younger member of the couple as the baseline rate, and add 2 per cent if their assets fall between $450,000 and $850,000.

CASE STUDY

Jack and Jill are aged 70 and 65 respectively, and have $700,000 in financial assets (bank accounts, shares and super). Based on the above figures they decide to draw 8 per cent of those assets a year for their first few years of retirement. The outcome will depend on the earning rate of those assets.

If they can do better than 8 per cent, their financial assets will slowly continue to grow, but if they can only achieve 6 per cent, their assets will slowly diminish. It's enlightening to run those numbers through the Retirement Drawdown Calculator on my website, www.noelwhittaker.com.au.

If you enter $700,000 as the starting balance, with an earning rate of 6 per cent a year and annual drawdowns of $56,000 indexed at 1 per cent a year, the money will be fully expended in 20 years. This coincides with his 90th birthday and her 85th.

So, it's a handy rule of thumb, but a guide only.

How much money a retiree needs depends on many variables. These include their health, the rate of inflation, their age pension entitlement, the performance of world markets and unexpected demands on finances, such as home maintenance, or their children needing assistance.

This is why it's important to take stock of your affairs every 12 months.

You can use the method described above to guide your thinking. My calculator, which enables you to model scenarios using any input you choose, is also a great tool. The finance world is a dynamic one — that's why you need to review things regularly.

Noel Whittaker is the author of *Making Money Made Simple* and 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 Thanks to you I have encouraged my son (now 29) to salary sacrifice to build his super. He is still single and might not be able to do it once he finds a partner and starts a family. His balance is $230,506. He has also saved more than the 20 per cent deposit required to buy his first home. His savings are similar. I have always encouraged him to invest in super in the "aggressive" mix (because of his age). Should he stay with this option or move into a more balanced approach?

A Given it may well be 40 years before your son can access the superannuation, I think your advice is spot on. The balanced option is for people much nearer retirement. Last year I went to a seminar on women and superannuation, and one of the topics discussed was that women tended to have less superannuation than men because they held their superannuation in more conservative options. A unanimous recommendation from the panel was that more aggressive options should become the norm for younger people unless the member opted out.

Grace required in turning down a job offer

WORKPLACE MATTERS
GARY MARTIN

FOR months you have been interviewing for jobs without a glimmer of success.

Then, completely out the blue, your persistence pays off as a job offer comes in.

There is just one problem — while the job was of interest to you when you first applied, you are not convinced the position is for you. And your interview confirmed your reluctance to take the job.

It might be awkward to decline an offer.

However, it is important you recognise up front that an interview process is an opportunity for each party — the prospective employer and employee — to evaluate each other.

Understand also that you are not the first person to have experienced this dilemma. Job seekers regularly decline job offers for a variety of reasons.

Some decline simply because their intuition says “no” and they find themselves struggling to get excited about the job on offer.

Others turn down jobs because they have undertaken further research and discovered very few existing and former employees have anything good to say about the company, which explains the high staff turnover. Then there are those who reject offers because they are not convinced a particular job is aligned with their desired career direction.

Others decline an opportunity because they have realised the values of the organisation clash with their own.

Other reasons for declining a job include a salary that is too low, a lack of workplace flexibility and limited professional learning opportunities.

While weighing up the pros and cons of a job offer is very important, perhaps even more significant is how you communicate to the company that you intend to decline its offer of work.

“Keep the reason for your decision concise, a touch vague and positive and avoid being brutal.

As soon as you have made your decision not to accept the job, avoid leading the company on. Instead, let them know — preferably via a phone call rather than email — before you move on.

Show your appreciation by thanking the employer and others involved in the process for their time and give a reason for your non-acceptance.

Keep the reasons for your decision concise, a touch vague and positive, and avoid being brutal.

For example, consider a response such as “the interview helped me understand that the role was more focused on technical aspects of the business rather than management” instead of “the person I would report to seems like a dreadful manager”. And a word of caution — do not reject a job on the basis you think you will get a better offer elsewhere, because you might end up being disappointed if the other offer does not materialise.

If you act gracefully and follow these basic steps and an employer reacts badly, then you have dodged a bullet. An adverse reaction is a sign of dysfunction on the employer's side, and not a sign you have acted inappropriately.

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