> Scammers fishing on Facebook may bait their hooks with $100, but their real aim is to reel in thousands of dollars from their victims.

Tough love works

Juliet writes: You recently wrote about a father who was having problems with his son's attitude.

Sounds familiar.

My youngest did average at school, played at uni for one semester, then sat back on his 10-hour-a-week checkout job. Despite lectures on my part, nothing changed — and I kept bailing him out.

My husband and I wanted a different life, so we sold the big acreage house and bought a beautiful penthouse by the sea.

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

We love it. My son had to move out and he was livid for quite a while. But, guess what? He is now 21, has a full-time job, rents a room in a share house, pays his own bills, is paying me back the money he "borrowed", and has plans for his future. Now he shouts me lunch.

Barefoot responds: I actually had a lot of parents share similar stories this week.

It taught me a few things.

First, most kids learn more by fending for themselves than they do from well-meaning lectures.

Second, tough love may not feel good at the time (my parents threatened to change the locks after I moved out), but 20 years on they'll thank you for it.

Finally, as a parent, you're only ever as happy as your unhappiest kid.

Super way to pay loans on investments

BORROWING to invest in quality assets has always been one of the key ways to speed up the journey to wealth.

But there is almost certainly going to come a time in your life when you want to be free of debt, and this presents the obvious challenge of what strategy you should adopt to pay off your loans. One strategy is to use a principal and interest (P&I) loan, and structure your payments so the loan will be paid off at the end of the loan term.

But a much better strategy for many people is to create a sinking fund. Superannuation can be a powerful tool when used for this purpose. But first, let's recap the difference between pre-tax and after-tax dollars, because if you don't understand that, you won't appreciate why this strategy is so powerful.

Items of a personal nature, such as holidays or interest on your home loan, are paid with after-tax dollars — you can't claim a tax deduction for them. Therefore, if you are a high-income earner, you have to earn $189 in gross salary to spend $100 net. So a bill for $1000 for rates on your home could cost you $1890 in pre-tax dollars.

But deductible items, such as interest and rates on your investment properties, are paid from pre-tax dollars. A bill for $1000 for rates on your

NOEL WHITTAKER

investment property really does cost you $1000. This is why you should always prioritise paying back non-deductible home loans over deductible investment loans.

CASE STUDY

John and Julie are both aged 55 and have a $200,000 investment loan at 4.5 per cent on an interest-only (IO) basis.

Their goal is to have it paid off by retirement in 10 years.

They have been considering converting it to a 10-year P&I loan, on which the payments would be $2073 a month. They are both in the upper-middle tax bracket, which means the cost of a $2073 monthly payment on their P&I loan would be $3400 in pre-tax dollars.

An alternative would be to stick with the IO loan, which costs them only $750 a month in pre-tax dollars, and salary sacrifice $2650 a month into superannuation.

Contributions tax would take 15 per cent (or $397) but they would still be making a net contribution of $2253 a month. If their super fund achieved 8 per cent a year, they would have $392,000 in 10 years. They could then withdraw $200,000 tax-free to pay off the loan and still have $192,000 extra in their super.

The P&I strategy just pays their loan off, but the combination of an IO loan and salary sacrifice into a superannuation sinking fund both pays their loan off and gives them an extra $192,000 for the same initial cost.

A better strategy again may be to leave the super intact and, from the age of 65, simply withdraw $9000 tax-free each year to pay the interest. After a further five years of 8 per cent returns, the super may be worth $520,000, even after the withdrawals of $14,000 a year have been taken into account.

Remember, there is now no limit on what you can accumulate in super, and all withdrawals are tax-free after age 60.

John and Julie would need to take into account that deductible contributions, including the employer contribution, are limited to $25,000 a year each.

Therefore, they would both need to make sure their individual contributions did not take them over $25,000 a year when the employer contribution is taken into account.

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 My wife and I are in our late 80s and are self-funded part pensioners with a share portfolio of $600,000, from which we derive our income. Should we sell all the shares, deposit the funds into three bank accounts and draw down $40,000 a year to live on? The funds would run out after 15 years, which is far longer than we will be around.

A With a starting balance of $600,000, an earning rate of 1 per cent and indexation of .5 per cent, your money would be expended in just over 15 years. If we change the rate to 3 per cent, if dividends continue to be slashed, the term becomes 19 years — just four years longer. You would need to take into account capital gains tax if you do decide to cash the shares in, but if this was an issue they can be sold progressively over time.

Exposing the myth of doing more with less

WORKPLACE MATTERS

GARY MARTIN

WHEN you eventually make your way back into the office, chances are your boss will greet you with words along the lines of, "We are all going to have to do more with less".

Glad to have a job, you simply go along with the much-maligned mantra, despite knowing full well you will end up marinating in complete misery.

A recession, months of flagging consumer confidence and ambiguity around exactly what will happen when JobKeeker grinds to a halt in September have pushed many bosses to tighten their belts.

Some staff have been let go, others have taken hits to the hip pocket, and another cohort has had its hours reduced. That leaves just a few hands on deck to get the job done.

For many bosses, the euphemism "doing more with less" means producing the same results with fewer people and resources. It is a much softer way of saying you will have to work harder, suffer higher stress levels and survive without much support.

The problem is we know that we actually do less with less and more with more.

We don't do more with less sleep. We end up doing much less. We do not meet more new people with less networking.

We meet fewer. And we certainly will not end up getting fitter with less exercise. Rather, we will most likely stay the same or grow fatter.

If employees are already working hard, are skilled up and have effective leadership, there is simply no way in the world they are going to be able to do more with less. Bosses who push for more with less end up being rewarded with exhausted team members, damaged morale and a decline in productivity.

Even if some benefits appear to accrue, the gain will be short-term and fail to last the distance.

If you push your people to the brink, there will be nothing left to give.

What we really need post-COVID-19 is for our bosses to show us how to do "less with less".

Doing less with less involves prioritising better and playing to strengths rather than fragmenting workers across too many projects and priorities.

It requires bosses to step up and divest their employees of

> Bosses who push for more with less end up being rewarded with exhausted team members

"fake work" — think long, purposeless meetings, never-ending distribution lists on emails that make it unclear as to who really needs or uses the information, networking without purpose, off-site meetings that distract rather than add value, and changing processes when the current ones work perfectly well.

Bosses must realise that we are not able to do more with less. We do less with less and more with more.

Next time your boss says "we need to do more with less", perhaps suggest that what is really needed is for everyone to work smarter rather than harder.

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