The road to future wealth starts here

IT'S important to re-evaluate your position regularly when you are travelling the road to financial success. And what better time to do it than at the start of a new financial year?

It has been an interesting year — the first full year of the reign of President Trump.

In general, his policies have been good for share markets all over the world, at least in the short to medium term — mainly due to tax cuts and spending increases. The Australian share market produced a total return of 13 per cent if you include dividends, which is much better than leaving your money in the bank.

But that's history. Your job now is to look at your personal balance sheet and put strategies in place to ensure you finish the new financial year in a better position than you started it.

Interest rates are at historic lows, but don't think these rates will continue forever.

Rates are already rising in most developed countries, and while an imminent rise in Australia is unlikely, the only way is up, so it must happen. The big question is when.

Obviously, it is far better to prepare for a rate rise in advance than to find yourself in a financial bind when it happens. This is why I suggest you try to maintain home loan repayments of at least

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$8.50 per thousand a month — that's $2550 a month on a $300,000 loan. Repayments at this rate will have your loan out of the way in 15 years if interest rates are 6 per cent. If they don't reach this level, your loan will be paid off much faster and you will have given yourself a valuable safety buffer.

But if that's too much of a stretch for your budget, start to pay fortnightly. Here's why.

CASE STUDY

You have a home loan of $300,000 and you are paying it back over 30 years at 6 per cent a year with monthly repayments of $1800. If you maintained your repayments at that level you would end up paying nearly $350,000 in interest. Moving from $1800 a month to $900 a fortnight would slash the term of the loan by six years and save you $60,000 in interest.

Because there are 26 fortnights but only 12 calendar months, moving to fortnightly payments enables you to make the equivalent of an extra monthly payment without feeling it.

If you are over 55 you should be pouring as much money as you can into superannuation. Yes, you need cash for emergencies, but there is no point leaving money in the bank where the interest is fully taxable when you can move it to superannuation where it is taxed at just 15 per cent.

If you are nearing 60, contributing spare funds to super is a no-brainer, because you have few worries about lack of access. Remember, a major benefit of placing money in super is that Centrelink does not count it until you reach pension age. For example, if the male partner is 65 and the female 60, moving a large amount of super from his name to her's could maximise his age pension benefits.

Don't switch your super to an allocated pension too early if you are looking for Newstart benefits; if you do the money will cease to be exempt. A better strategy is to make lump-sum withdrawals from your super as needed.

Most of my articles have a common theme: help yourself so you can have a more secure financial future. The steps you take today will make the difference in the long term.

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 I've just qualified for a minimum age pension after being cut off in January 2017. The problem is, asset test changes from July 1 have increased the qualification for a part pension to $844,000 for someone in my situation. With the taper rate remaining the same, how does this translate into an increased pension payment over time?

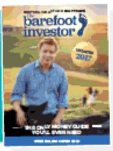
A In time, the cut-off point for a part pension should gradually increase, and you may find your assets will gradually reduce if your expenditure exceeds your total income. Therefore, your pension may increase as your assets fall. The big worry for anybody who is receiving a pension is what would happen if pension rules tighten further. But, under the existing rules, more people should begin to qualify for a minimum pension as cut-off points are increased.

And if it can get away with paying out $309,000 instead of $500,000, that's what it'll do. You'll need to read your policy carefully.

Remember, your policy was written by the insurance company lawyers, with the aim of giving them maximum wriggle room. But that doesn't mean you shouldn't challenge them. You have nothing to lose and everything to gain.

Let your insurer know that if don't get a satisfactory outcome, you'll register your complaint with the Financial Ombudsman Service (1800 367 287). After that your insurer has 45 days to resolve your complaint.

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



Girlfriend's debts

Matt asks: I am 24 and earn a good income. My partner and I are getting serious, but she owes $12,000 ($10,000 car loan, $2000 credit card) and this is annoying me as I have no debt.

I am looking to use $10,000 from my savings ($70,000 in total) plus $2000 from her next pay to pay off the debt. I see this as the best option so we are able to save her income and increase our savings for our first home.

But I am also worried that, even though she says she has learnt her lesson, she will not lose those bad habits. What would you do?

Barefoot responds: You're certainly getting serious . . . 12 grand of serious!

Look, there's absolutely no way I would pay off her debt.

What happens if you guys break up? That'd just be awkward. Second, it would rob her of the opportunity to prove how serious she is about paying off her debts herself. If she makes a go of it, that's good. And if she doesn't . . . good luck!

How bullies can steer business into toxic turns

WORKPLACE MATTERS

Gary Martin

WHEN we think of bullying we are often taken back to our school days, when students were preyed upon by what appeared to be lawless social predators.

Those who experienced bullying were often glad to see the end of their school days, wrongly assuming it meant the end of being bullied.

But unfortunately, that assumption has proven to be wrong for many. They entered the workforce and found a new type of problem — the workplace bully.

At a simplistic level, noting that the concept is often complicated, workplace bullying refers to any ongoing workplace behaviour that is threatening or harmful to the extent that it creates a risk to an employee's health and safety. Such behaviours can be directed towards an individual or a group of colleagues.

Key workplace bullying behaviours can include ongoing and repeated abusive behaviour (including offensive language and yelling), belittling, victimisation and spreading malicious rumours.

More subtle bullying includes withholding information that is needed for effective work performance, denying access to required information or tools to perform duties and, in the case of a manager, setting tasks that are unreasonable or beyond an employee's skill level.

Not all behaviour that makes an employee feel upset is necessarily workplace bullying. Managers and supervisors in the workplace have a responsibility to provide feedback, particularly when an individual's performance is involved, but this should be carried out in a constructive way and not a demeaning or intimidating manner.

It is important to note the workplace bully's behaviour is frequently not linked to how the bully feels about a particular victim.

Quite often, bullying occurs because of how bullies feel about themselves. The typical workplace bully often feels inferior to colleagues, and bullying behaviours are frequently a result of a lack of social and emotional maturity.

While employees often assume a prospective workplace bullying victim will be someone who appears to be vulnerable, this is not necessarily the case. Those employees, for example, who are exceptionally good at what they do or popular with their colleagues are also frequently targeted by bullies.

Bullying in the workplace has a range of consequences for both the victim and the organisation. It can result in stress, anxiety and other medical conditions for victims.

For organisations, the consequences can be just as severe. A bullying workplace culture often results in reduced productivity, increased absenteeism and costly legal issues.

Victims of bullying should seek advice from a trusted individual in their organisation, for example a manager, or an HR professional.

Only if the victim feels comfortable should they approach the workplace bully and ask that the behaviour stops.

Workplace bullying is a scourge of the modern workplace.

All employees should play a key role to prevent it occurring.

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