complying with . . . all the laws they've broken!

Industry funds argue that a source of their superior investment returns are their big holdings in unlisted investments, such as toll roads and ports, and complex private equity and high-tech start-up investments. Yet who says they're any better at picking investments than other professional fund managers — 90 per cent of whom fail to beat the market average over time?

So here's how it *really* works. The ultimate incentive for a chief executive at an Aussie super fund is their million-dollar pay packet.

It's hard to justify being paid a million bucks if you're investing in simple index funds. So they spend millions more on an army of underlings, advertising, and overseas travel (business class) visiting all those complex investments.

Their incentive is to build an empire . . . using your money.

"Look, if everyone thought like this — with a hardline focus on fees — it's true the industry would be a lot more efficient, and consumers would have much bigger retirement balances . . . but I don't think it will ever happen", says Dunnin.

I fear he's right.

The reason Costello didn't drive down fees when he was in power is the same reason things will never change: too many highly-paid pigs with snouts in the trough.

So, given the industry is unlikely to change, it's time we kept the bastards honest by highlighting the cheapest super funds (see table, left).

Bottom line? Always question the incentives of the people managing your money.

After all, there's no interest like self-interest!

Tread Your Own Path!

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

Getting more to retire on all about timing

Noel **Whittaker**

I'VE extolled the virtues of the change in superannuation rules that allow you to claim a tax deduction for personal concessional contributions, even if your employer is contributing for you.

But make sure you take advice before you make the contribution. It's a minefield of paperwork and getting it wrong could mean loss of all or part of the tax deduction.

You have to submit a valid notice of intent to claim a deduction to the super fund trustee in the required time.

You then need to get acknowledgement from the trustee that it's been received before you can claim a tax deduction. The timing of these actions in relation to your contribution and what you do next is important.

CASE STUDY 1: Allen makes a personal contribution to his fund in April 2018, intending to claim it as a deduction. He doesn't submit a notice of intent at the time. In September, he rolls his three super funds into a new fund that offers investment options more suited to his goals.

In early October, Allen is ready to do his tax and lodges a notice of intent to claim a deduction for personal super contributions with the fund that now holds the rollovers.

But the notice is invalid as he has not made any personal contributions to the new fund. The notice would also be invalid if he sent it to the old fund (where he made the contribution) for two reasons: first, when he gives the notice in early October, he is no longer a member of the fund and second, the fund no longer holds his contributions.

Allen has lost his entire tax deduction for the contribution.

CASE STUDY 2: Jo's $50,000 super fund consists of a tax-free component of $27,500 and a taxable component of $22,500. She makes a $25,000 personal contribution in February 2018, bringing the balance to $75,000. The fund records this against the contributions segment. To this end, that amount would be counted against the tax-free component of a super benefit paid to her.

In June 2018, she rolls over $50,000, leaving $25,000. The $50,000 rollover is comprised of a $35,000 tax-free component and a $15,000 taxable component. The tax-free component of the remaining superannuation interest is $17,500.

As the super fund no longer holds the entire $25,000 contribution, the maximum she can claim as a deduction is $8333.

CASE STUDY 3: Harry's super balance is $175,000. He makes a $25,000 contribution in March 2018, taking the balance to $200,000. Before lodging a notice of intent, he started a pension using $150,000 of his fund. Because his fund has started to pay a super income stream based in part on the contribution recently made, any notice he gives to the fund will be invalid. He'll be unable to claim a tax deduction for the $25,000 contribution. But if he had submitted the notice of intent before starting the pension, he would have been eligible to claim a $25,000 tax deduction.

CASE STUDY 4: Beck makes a $15,000 contribution to super in June 2018 to save for a house deposit. The following September she starts house-hunting and applies for release of the $15,000 under the First Home Super Saver Scheme. She accidentally declares she does not plan to claim a tax deduction on the $15,000 contribution.

In March 2019 she buys her first home using the FHSS-released amount towards the purchase. In June 2019, when catching up on her tax, she submits a notice of intent in order to claim a tax deduction. The notice is invalid because the fund no longer holds her contributions. The tax deduction is denied.

This is complex, but as you have just read, the cost of getting it wrong can be the loss of all or part of your tax deduction. Tread carefully.

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 Re: Labor's proposed limit on low taxable income earners to get franking credit tax refunds, what would the effect be on dividends taken as part of a dividend reinvestment plan? Would new shares be limited to the franked amount only, or include the franking credit?

A The fact a dividend is reinvested in additional shares instead of deposited to a bank account does not affect the tax treatment. The amount of the dividend, plus franking credits, is added to your taxable income. Under Labor's proposal, franking credits could still be used to reduce tax payable, but if no tax is payable, excess franking credits won't be refunded.

A toxic employee can leech a workplace dry

WORKPLACE MATTERS

Gary Martin

JUST like a leech loves nothing more than to suck the blood out of you, a toxic employee can sap the energy right out of your company.

The employee can poison the atmosphere where you work and make it difficult, if not impossible, to manage effectively. The toxicity is insidious and can drag you and your colleagues into an abyss of low morale and decreased productivity.

No organisation worth its salt ever wants to label any of its employees as "toxic" or "poisonous".

However, a single toxic employee in a team or an organisation can cause a constructive culture to turn into destruction, headlined by aggression and reduced productivity.

A toxic employee might do their job well, as measured against personal performance targets. However, it is work behaviours outside this domain that contribute to a poisonous culture.

Toxic employees come in all shapes and sizes. They can show one or more of a range of poisonous behaviours.

For example, the "pot stirrer" attempts to pit one person against another through creating rumours, innuendos and malicious gossip, while the "blame gamer" attributes fault to everyone else for any workplace issue.

Like the leech, the "protectionist" latches on to others to make themselves indispensable and difficult to remove. They build a group of supporters who remain loyal to them and will help defend them should questions be asked.

And the "illusionist" spends considerable time and energy on pretending to be hard at work or meaningfully engaged while frequently complaining they are overworked.

But by far the most challenging toxic employee is the "underminer".

This employee will make every effort to sabotage management and colleagues alike.

While face-to-face with managers they will agree to adopt a course of action, but when left to their own devices will systematically undermine that direction if they believe their own interests will not be served well.

Many leaders and managers avoid confronting toxic employees because they fear that difficult conservations might make things worse.

After all, the temptation to avoid or delay addressing the issue is almost irresistible given the expected tension, conflict and angst.

There are, however, techniques that can make the process easier by focusing on the issue rather than the person and by carefully structuring a conversation with a toxic employee.

Of course, we need to give the toxic employee a fair go.

But if failure to remedy the situation through coaching or regular intervention does not work, then termination must be considered.

While termination should always be a last resort, removing a toxic employee from the workplace can help to restore an organisation's constructive culture.

And as anyone who has found themselves hosting a leech knows only too well, the longer you endure the leeching, the worse the outcome for you.

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