> As I dived into the subject, I discovered devotees of this movement even have a name — freegans.

Before I made my "investment" I read through their annual reports and interviewed the senior managers — were they switched on, did they have a compelling vision and did I honestly believe they had the chops to achieve that vision?

Finally, after making my investment I have continued to monitor their progress, just like I do with my portfolio of shares.

And I can tell you that the kick I get from supporting great people doing amazing things has been just as rewarding as my portfolio.

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

Getting back up again

Lucy asks: Earlier this week I lost my rental house and most of may possessions in the Bunyip State Park fires.

I just wanted to say that reading your book earlier this year has helped me deal with what I'm going through.

I have a more positive attitude having read your own fire story. This book helped on a different level than finances. Thank you.

Barefoot replies: My heart goes out to you. For us it felt that part of our identity was lost in the fires . . . photos, family heirlooms, all our possessions.

What helped us was framing the experience as part of our story — we got knocked down, but we got up again.

That's what life is about — rising from the ashes and saying "I got this".

You got this.

Flexibility, growth, tax favour shares

Noel Whittaker

AT a recent seminar for prospective retirees, I mentioned there were only three practical places to invest — cash, property and shares.

I explained that each option had advantages and disadvantages.

If you leave your money in the bank, there is no risk of a capital loss, but there is no prospect of capital growth, and no chance of getting the tax concessions offered by franking credits.

And if you leave it there a long time, the value of your capital will gradually erode because of the effects of inflation.

If you choose property, you will have a big chunk of capital tied up, and because you can't sell the back bedroom, it may well become necessary to sell the entire property, possibly incurring a big capital gains tax bill if you need money when you retire.

Furthermore, the property is likely to age as you do and increasingly need maintenance.

And, as we all know, it can take months to sell the property and finally see the money in the bank.

I have written extensively about the benefits of shares, and pointed out to my seminar audience that one of the major benefits is the minimal buying and selling costs.

Another is the ability to sell, in part if necessary, and have the money in hand within a week or so. This ability to sell in small parcels will be even more important if Labor gains government and effectively increases capital gains tax by reducing the present 50 per cent discount to 25 per cent.

Think about two retirees.

One has a million-dollar investment property, and one has $1 million in a share portfolio.

If either has a sudden need for, say, $50,000, the property owner has to take out a loan secured against the property — no mean feat when you are retired — or dispose of an entire property and possibly cop a huge capital gains tax bill. The share owner can sell any mix of shares in small parcels and pay minimal or even zero capital gains tax.

One audience member stood up and said he had put $20,000 into a parcel of shares in 1990 and virtually lost the lot.

I told the audience that I believe picking individual shares is too risky for the average individual, and they would do better to use an index fund — a fund that simply tracks a market's index.

I then showed them the calculator section of my website (www.noelwhittaker.com), which enables anybody to pick a starting date after January 1980, invest a theoretical sum, and then find out what the portfolio would be worth on a given date if the portfolio matched the All Ordinaries Accumulation index, which includes income and growth.

Most people were amazed to find that $20,000, if invested in January 1990 in an index fund, would today be worth $246,400, provided all the dividends were reinvested.

That's a capital gain of 9.05 per cent a year.

Now, I appreciate that there is a range of managed funds that invest in shares and some of these do better than the index. But the undeniable fact is that 80 per cent of managed funds do not beat the index.

Investing in the index remains one of the simplest, safest, lowest-fee investments I know.

Just remember, it is normal for the index to have six positive years and four negative ones every decade.

This is why you should always have a timeframe of 7-10 years in mind for any share-based investment.

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 am about to start a full-time job for half the year. During that time I will turn 75. I understand that employers are not obliged to pay compulsory super for staff beyond that age. If they choose to do so, can my super fund, in pension mode, accept these contributions?

A Cosette Woolley, of Superannuation Services, tells me that since July 1, 2013, the age of an employee is not relevant to superannuation guarantee contribution, unless they are excluded for another reason. You can't contribute to an account in pension mode, but an accumulation account can be established for the member to accept the SGC deposits.

When perfection is bad for the greater good

WORKPLACE MATTERS
Gary Martin

EVERY workplace has at least one person who clings to incredibly and unrealistically high standards, and pursues every work task in a flawless fashion.

While the approach of the perfectionist might seem to demonstrate an outstanding work ethic, the reality is that no one is perfect.

And to strive for perfection can be a treacherous move.

There is a huge difference between an appetite to excel and an insatiable need to be perfect.

The workplace perfectionist's voracious need to be faultless often results in excellent work outputs.

But the journey of getting to the final destination can be fraught with twists and turns that can derail performance.

Perfectionists are their own worst enemies because the fear of failure quashes their belief in their own ability to succeed.

They agonise over every detail when completing a task, causing projects to fall behind schedule.

They become defensive and appear crushed when given feedback, which might be of a critical nature, and they become obsessed by their errors and dwell on even the smallest mistakes for hours — if not days.

And it gets worse.

Perfectionists in management positions are capable of becoming the most horrendous micro-managers and refuse to delegate even the most basic of tasks, creating morale problems and frustration within their teams.

And because perfectionists view everything as equally important, they are particularly ineffective at prioritising, which is arguably one of the single-most important tasks of a manager.

If you think you might be a perfectionist, there are number of steps you can take to start to kick your habit into touch.

First, recognise that you might have a problem and ask yourself two basic questions.

Do you have trouble meeting the standards you set for yourself, and do you get anxious or depressed when trying to meet those standards?

If you answered yes to both, this may well be a red flag.

If you are able to identify and accept that you are a perfectionist, it is useful to try to reframe this reality through positive thoughts, such as, "I can only do my best", "making a mistake does not mean I am incompetent", and "nobody is perfect".

Some perfectionists find it useful to practise being imperfect by deliberately choosing in advance those tasks they will complete well, but without their usual level of perfection.

Completing tasks well but in an imperfect way often helps them realise the world will not come to an end if a task is not completed in a flawless manner.

Just remember that if you are able to keep in mind that "what's perfect" and "what's possible" are two different things, you will likely be able to function more effectively in the workplace.

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