Other than that, your daughter is an absolute bloody legend.

Let me paint you a picture:

Let's say she invests that $250 a month into the share market, from age 20 to 30 (starting from zero and assuming an 8 per cent return) could grow to $43,460.

Then, at age 30, she stops saving, leaves the investments to grow, and never has to put in another dollar.

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

By the time she's 65, that $43,460 will have grown to $642,571.

Noice ... but let's not stop there — let's make her a millionaire!

I'd suggest your daughter meets with her financial adviser — who has done a terrific job setting her up — and get her to have an awkward conversation with the adviser.

Play him Bette Midler if you want, and assure him "you'll always be the wind beneath my wings . . . but I ain't paying you a monthly retainer any more".

Then, she adds the $190 a month she's paying to the adviser, and adds it to her low-cost index fund.

If she does, her end balance will be boosted to $1,001,130.

Where there's a will there's death, taxes

Noel Whittaker

Most people now hold the bulk of their life insurance through their superannuation fund. It's a highly cost-effective way to buy life insurance but it requires careful estate planning to be put in place at the same time.

The problem is the tax on the proceeds of the insurance policy if it is left to a non-dependent.

A good example is a young single home-owner with $300,000 of death cover through their work super fund to pay out their home loan. They have no tax dependants, so if they were killed in an accident the tax office would take nearly $100,000, leaving just $200,000 for the estate. Life insurance proceeds held within superannuation suffer a much higher tax than ordinary superannuation benefits because they are treated as "untaxed" and are subject to 30 per cent tax when paid to a non-dependent.

Like many people, Janette chose $300,000 as the sum to insure based on her debts, so her estate is left short.

Tax treatment can have other major ramifications. Think about Jim, a single father aged 50 with three adult children who all work — his youngest lives at home with him. Jim's house was worth $380,000 in 2008 when his will was drafted. He has $300,000 in super fund A, and just $15,000 in super fund B.

There is also a $300,000 insurance policy in super fund B — this is the fund that is paying the premiums, because it has the smallest balance.

Jim wanted his will to treat his children equally. Therefore, it was drafted to give the first child the proceeds of Fund A, the second child the proceeds of Fund B and the residue of his estate to the third child, who was living at home. Jim figured that would be the house and contents.

The children knew that their father had left them equal shares of his estate. But when Jim died, they got a terrible shock when they discovered they were not going to receive equal inheritances at all. Jim had thought that his first child would receive around $255,000, as the proceeds from Fund A would be taxed at 15 per cent, while the proceeds of the insurance policy held by Fund B would yield approximately $215,000 for his middle child, after the tax of approximately $100,000 was deducted.

But super funds do not deduct the death tax and send the balance to the estate. Rather, they send the entire amount to the estate — it is the estate that has the obligation to send the death tax to the tax office. Because the will specifically gave "the proceeds of Fund A" to the first child and "the proceeds of Fund B" to the second child, they are entitled to the whole of $300,000 and $315,000 respectively. The tax still has to be paid — but it doesn't come out of the proceeds received from either super fund. The executor of the estate is responsible for paying around $145,000 to the tax office ($45,000 on Fund A and $100,000 on Fund B).

Because children one and two have received specific bequests, the tax can only be paid out of the residue of the estate. Using a concept known as "marshalling", the executor will probably have to sell the home to pay the $145,000 tax bill. Not only has the third child borne the cost of the tax payable on both of the superannuation payouts, but also the family home has been lost to pay the tax bill.

It is critical that anyone drafting a will understands that all assets are not treated equally for tax purposes. As the above example shows, failing to take death taxes properly into account can have consequences.

Noel Whittaker is the author of *Making Money Made Simple* and numerous 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 coming into some money. I wish to lend this to my SMSF. What interest rate must my SMSF pay?

A Tread carefully, this is an extremely dangerous area. To overcome the general prohibition on superannuation funds borrowing it usually requires the creation of limited recourse borrowing arrangement. And such an arrangement is really about the super fund acquiring an asset. If you wish to contribute to super, a better arrangement may be to make a contribution as long as you are eligible to do so and don't exceed the caps.

When boss plays favourites and it's not you

WORKPLACE MATTERS
Gary Martin

You see it in so many workplaces: the boss has a favourite employee or a colleague who seems to "walk on water".

This favourite is given all of the really great assignments (and avoids the less desirable ones), is allowed to attend training programs of their choice, and seems to get a good swag of other perks and incentives.

To many in the workplace, your boss and their favourite seem more like long-time buddies than employer and employee.

When you are in a work situation that seems immensely unfair it can eat away at you like sharks in a feeding frenzy, causing you to want to mount a counter-offensive.

But reacting in a way that is not in your best interest can damage your career, so it is worth thinking about ways to deal with this unfair situation constructively.

The last thing you want to do is to take out your ill feeling on your boss' pet. So if you need to vent then find a sounding board, preferably outside the workplace. Simply talking about your feelings might help to relieve some of your negativity.

Remember that while you might long to be more chummy with the boss, it is not a precondition for you to excel in what you do. So instead of whingeing and complaining to your colleagues, focus on what is really important — the work that you do.

Attempt to be more visible, demonstrating your value to the workplace, and make sure that your boss is aware that you are doing a great job by keeping them regularly apprised of your accomplishments.

> Being the boss' favourite is not necessarily all that it is cracked up to be.

A dose of reverse thinking might also be a useful strategy in dealing with your angst.

Think of the negatives associated with being the boss's pet, not least that your colleagues might trust you less. So being the boss' favourite is not necessarily all that it is cracked up to be.

And if you are getting passed over for some of the best assignments and you feel comfortable with your position and workplace status, have a conversation — not a confrontation — with your boss and pitch your case for taking on that piece of work.

A little office politics often proves to be a useful tactic so you might want to think about recruiting a few advocates who have influence in your workplace, so that they can "talk up" your strengths and put you more firmly in your boss' sights.

If someone really appreciates the work that you do, they won't have an issue if you ask them to share their thoughts with your boss — but choose wisely.

At the end of the day though, if you remain frustrated because all of the challenging and rewarding work goes to the boss' pet, it might be time to think about moving on.

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