The gift of financial insight

NOEL WHITTAKER

Giving a book about money matters is an investment for the future.

CHRISTMAS is fast approaching and with it, the usual challenge of finding a gift that will be of lasting value to the recipient. As usual, I've done the rounds of the bookstores and found some titles that would be welcome in any Christmas stocking.

Financial success is much easier if you start earlier rather than later. This is why my first choice is *A Gift to My Children*, by Jim Rogers, published by Random House. It's a small book, 85 pages, so it's not an intimidating introduction to the world of finance, but it's full of simple wisdom that will stand anybody in good stead for life. You can pick it up in hard cover for around $20.

The challenge for young people is to build enough wealth to look after them when they retire.

The challenge for older people is to stay healthy and happy long enough to enjoy the wealth they have worked so hard to accumulate. This is why I'm recommending *Live Happier Live Longer* by Dr Timothy Sharp, published by Allen & Unwin. I shared the stage with Tim at a conference recently, and he was a breath of fresh air.

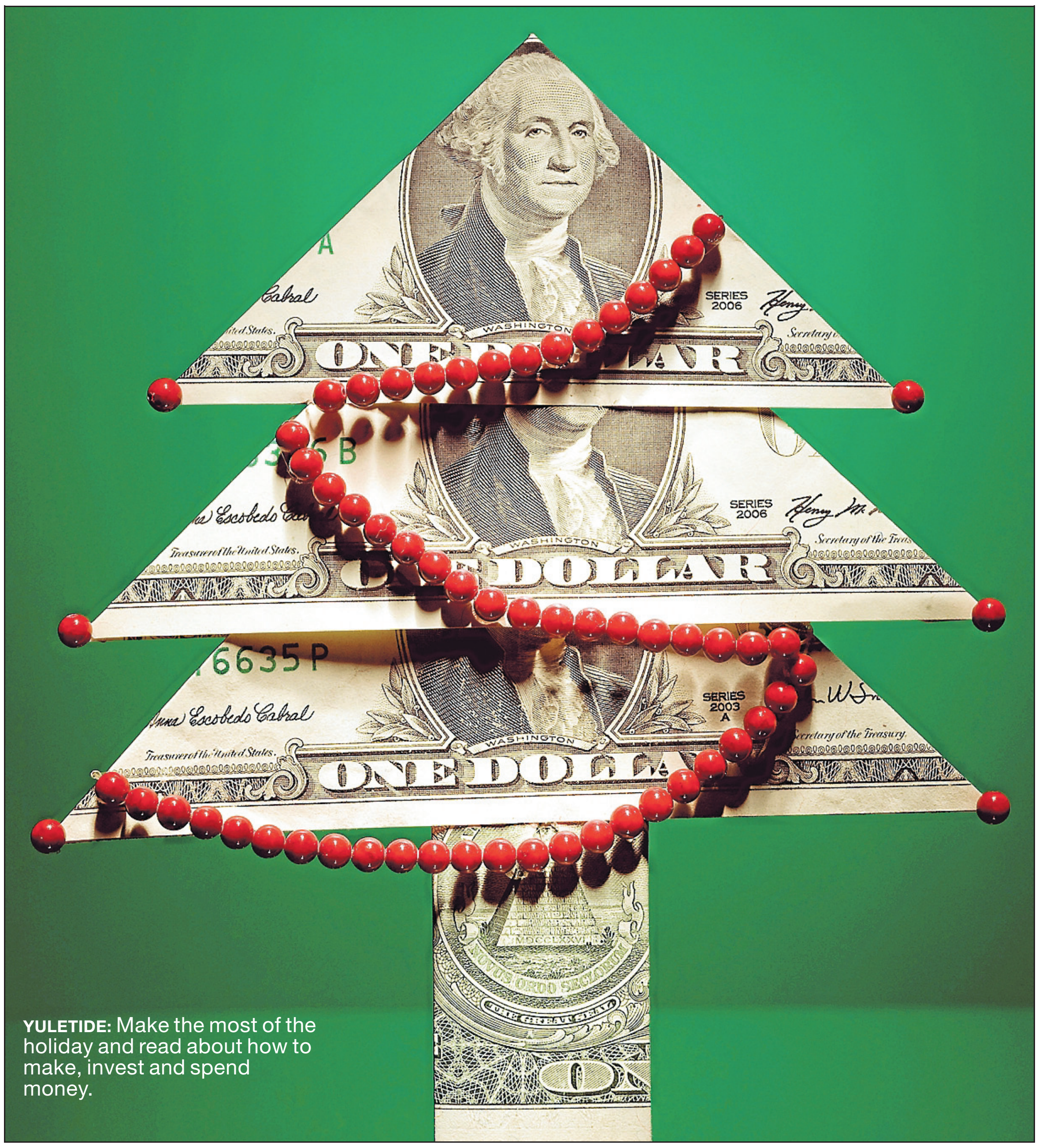
In *Live Happier Live Longer*, Dr Sharp focuses on the key things people can do to increase their happiness and well-being as they get older, from emphasising the importance of positive thinking and the benefits of physical activity, sleep and relaxation to the practical benefits of continuing to strive towards motivating goals. With loneliness a major issue among the elderly, he also provides tips on keeping in contact with family and friends, as well as making new friendships. This is the perfect gift for anyone over 50 who wants to live a long and happy life.

There are many people who don't have the time to read, which is why I've just launched an audio edition of my book, *Making Money Made Simple*. It is narrated by Australian Logie-winning actor Carol Burns. Everybody involved in the production has done a superb job and we've even managed to fit the entire 10 hours on just two CDs, with a separate track for each chapter. This makes it easy to listen to any track of your choice and go back and revise if necessary.

It's available from my website at just $29.95. For those who think CDs are yesterday's technology, there are also MP3 versions available for download. This is the perfect introduction to finance.

Navigating the Dark Side of Wealth may be a scary title, but it's a fascinating read. I first heard about it when reading an article about philanthropy, in which one of Australia's wealthiest men told how the book had changed his life. Written by clinical psychologist Thayer Willis, and published by New Concord Press, it sets out the challenges faced by people who inherit substantial wealth.

You may well think the only challenge in receiving a huge windfall would be finding enough hours in the day to spend it all, but as this book points out, there can be just as many downsides as upsides. It's a brilliant work on the role of money in society and the potential negative impact large sums can have on people who have not worked to accumulate them. It's a steal at $20 in hardcover, and may well encourage many of you baby boomers out there to spend it, rather than leaving it.



YULETIDE: Make the most of the holiday and read about how to make, invest and spend money.

Q Do you think borrowing for blue chip shares is a worthwhile tax minimisation strategy, or is it better to pay off our mortgage first?

A I think borrowing for investment can be a great strategy for accumulating wealth, but any tax benefit should be seen as the cream on the cake. In any case, with interest rates at 6 per cent and yields at 4 per cent, little tax would be saved. For example, if you borrowed $100,000 to invest in shares returning $4000 a year, and the interest was $6000 a year, the taxable loss would be $2000 and the tax saved would be just $930 if you were in the highest tax bracket. Remember, too, that a good investment will see the income rise over time and the negatively geared position will eventually become a positive one.

Q I am 30, living with a partner, and our combined income is $150,000. We are interested in building our wealth and are looking at property, either to live in or as an investment. What are the pros and cons of buying your own home and paying it off as quickly as possible, compared to buying one or more investment properties as we can afford them? Are there better ways to build wealth than buying residential property?

A The secret of becoming wealthy is to start early, and focus your energies on building a diversified portfolio. It's great that you've decided to do this now, and I have found that the easiest path for most young people is to start off by buying a property to live in and get the mortgage under control as soon as possible. Once they have achieved this, they can borrow against that property for investment in shares.

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. Email: noelwhit@gmail.com.

Christmas wish of lower dollar and interest rates

By **DAVID POTTS**

THE new year might not be so happy considering economic growth more than halved to an annualised 1.6 per cent over the past two quarters. That's not enough to generate jobs.

Yet oddly enough, the sharemarket, and so your super, should do better than this year, which wouldn't be hard. The reason is we can expect a lower dollar or interest rates and perhaps both.

Whether either puts some zip back into the property market – where prices are rising in Sydney and Melbourne only and then at a slowing rate – is debatable considering they're so high to begin with.

A stronger sharemarket and lower dollar would be the ideal combo for your super so long as you can hang on to your job or find one, as the case may be.

Thank goodness the GDP figures are several months old. National income fell even though we produced more, which sounds awfully like running on the spot.

But more recently, things seem to have improved with the notable exception of commodity prices.

The Reserve Bank is done and dusted for 2014 as its board takes an extended holiday until February. All right for some, I suppose.

When it met to discuss interest rates before the GDP figures came out, it knew commodity prices had slumped.

Still, by waiting it will have two more months of data on unemployment, beginning with this week's publication, though these could be as much hindrance as help since the ABS is lately having some trouble finding those who've lost jobs. Can't imagine where they're hiding.

Anyway, this gives the market smarties a two-month head start to sell the dollar before the Reserve can cut rates.

The lower the currency, the bigger the boost to profits and jobs, and the less need there is to drop rates which, to have any impact, would need to be more than the customary 0.25 per cent.

The Reserve has good reason to hesitate. A lower dollar is one thing, a run on it quite another. The subsequent inflation, especially when it's falling everywhere else, would undo years of central bank work. Besides, while mining investment is falling, more recent surveys suggest that everywhere else it is slowly improving.

Nor does there seem to be any problem with building houses and units, a mainstay of economic growth if not a necessity to make housing more affordable.

It's not as if profits are flagging even if outside mining they're due more to low real-wage growth and cost cutting than rising sales.

Still, either the lower dollar or rates, depending which goes first, should do wonders.

And don't forget the flipside of weak investment is more cash for dividends or that yield-starved investors appear to be getting wary of the cost of property with low returns after tax and inflation.

However, best of all is a surging Wall Street responding to a heady mix of stronger growth in the United States, ultra-low energy costs and cheap debt-funded share buybacks.

FORECAST: Next year could bring improvements for the sharemarket and super but it isn't clear if the zip will return to the property market.