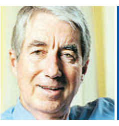
Take a leaf out of other folk's ideas



Noel Whittaker

Books make great presents – if you know which ones to choose.

CHRISTMAS is fast approaching, and with it, the usual challenge of finding a gift that will not break your budget, but will be of 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.

I have been a fan of Michael Lewis ever since I read *Liar's Poker* and can highly recommend his latest book *Boomerang*, which is particularly timely given the present troubles in Europe. In his usual unique and humorous style he gives readers a guided tour through places like Greece, Iceland and Ireland and explains how they came to be mixed up in the global financial crisis. There are characters as diverse as a cod fisherman, who with three days of training became a currency trader for an Icelandic bank, and an Irish real estate developer that attacked the Irish Parliament with his earthmoving equipment when his business failed.

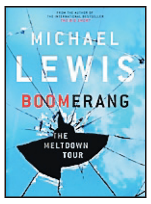
Life gets more complex by the day which is why we need to keep our brains and our bodies in good shape. I particularly enjoyed *Brain Rules: 12 principles for surviving and thriving at work, home and school* by John Medina. He covers how our brain works and gives us a range of ideas to improve performance in everything from memory retrieval to getting better sleep.

He believes that we all have the ability to learn new things for our entire life – surely a welcome message for all the baby boomers out there and their parents.

When Warren Buffett says "this is that rarity, a useful book," it's time to take notice, and his recommended book, *The Most Important Thing* by Howard Marks, does not disappoint.

The author is the chairman and co-founder of Oaktree Capital Management and is an expert on market opportunity and risk. He distils 40 years of experience into just 180 pages.

Every chapter starts with the phrase "the most important thing is . . ." and this leads to a discussion of 20 fundamental investment principles such as understanding risk and the relationship between price and value.



> "A good book chosen carefully can change a life."

He doesn't have the humorous style of Michael Lewis but it is a thoughtful book and would be welcomed by anyone who is seriously into investment.

Thinking, Fast and Slow by Daniel Kahneman received the Amazon Book of the Month award for November.

He is regarded as the most influential psychologist since Sigmund Freud and the book provides a detailed description of the psychological mechanisms involved in making decisions. It is particularly relevant to investors because he highlights common flaws in our thinking that lead us to make bad investment choices. Steven Levitt, author of *Freakonomics*, calls the book "a must read for anybody with a curious mind" – Michael Lewis described it as "rich and fascinating".

Good to Great by Jim Collins sold more than 4 million copies and now, 10 years later, his new book *Great by Choice* has hit the bestseller lists.

The new book distinguishes itself from the previous one by its focus not just on performance, but also on the type of unstable environments faced by leaders today. His aim is to explain why some companies thrive in uncertainty, even chaos, and why others do not. It would be a great gift for a business executive or anyone trying to build a business.

If these are unavailable, don't forget the old favourites *The Richest Man in Babylon* by Clason, *Aging Well* by Vaillant, and my own, *Making Money Made Simple*. They have all been in the bestseller list for years.

When you are browsing, remember the famous words of speaker Charlie Tremendous Jones: "Where you will be in the next five years will depend on the books you read and the people you meet in that time."

A good book chosen carefully can change a life.

Noel Whittaker is a co-founder of Whittaker Macnaught Pty Ltd. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. His email is noelwhit@gmail.com.

NAVIGATING: Reading can determine where your life will be in the near future.

Q I am 58, earn $55,000 per annum and live with my partner. He owns the house we are living in. I sold mine and put most into super in 2003. I have $327,000 in super and contribute 5 per cent by salary sacrifice every fortnight. My defined benefit superannuation fund is currently worth $154,000. I have a share portfolio worth $47,500. I am hooked on following the stock market and love to do my own research on companies before buying shares. Am I doing the right thing? At this stage I have no plans to retire.

A It is my firm belief that shares will give the best return over the long haul, so I heartily endorse the course of action you have embarked upon. A growing share portfolio will provide growing tax advantaged dividends when you retire and your interest in the share market should become a most enjoyable hobby. Just bear in mind that you need to take a 10-year view when you buy shares. Don't panic and bail out when the market has one of its inevitable downturns.

Q My father owns a rural-zoned property that is 18 hectares in size. He has owner-occupied the property for 20 years now. When selling, is there any capital gains tax applicable, bearing in mind the length of time he has lived on the property?

A If the property was acquired prior to September, 1985 when capital gains tax was introduced, there will be no capital gains tax on sale. However if it was acquired after September, 1985 the house and up to two hectares of adjacent land will be exempt, but there could be capital gains tax on the balance of the land. If he has been using the land for incoming producing purposes there may be other concessions. This is a complex area and he should seek advice from his accountant before he contemplates a sale.

Send your questions to noelwhit@gmail.com

The little guys are narrowing the gap on big banks

By **LESLEY PARKER**

MUTUALS are trumpeting official statistics that show they are growing faster than the big four banks.

The industry association for customer-owned banking institutions, Abacus, says Australian Prudential Regulation Authority data shows total assets for credit unions, building societies and mutual banks grew 8.7 per cent in the year to September 30, compared with 7.9 per cent for the big banks.

Loan growth of 8.4 per cent and deposit growth of 9.6 per cent also exceeded the big banks (7 per cent and 8 per cent respectively), Abacus says.

The chief executive of the association, Louise Petschler, says mutuals have the advantage of not being "distracted by justifying enormous bonuses or by spin-doctoring billion-dollar quarterly profits".

Asked whether mutuals were justified in claiming their ownership structure means they offer "great value", financial product researcher RateCity compared home-loan products by way of example.

It found that as of November 30, mutuals were offering the best available variable interest rate, at 6.57 per cent, compared with the best rate among the big four, of 6.75 per cent.

However, this was before any "package" discount, which can shave 0.5 to 1 percentage points off a rate.

Nearly 70 per cent of mutuals' variable loans came with no ongoing fees, compared with just 13 per cent of big four variable loans, though the average ongoing fee, when one applied, was much higher for mutuals: about $160 versus $90.

In fixed-rate loans, the best advertised rate was 5.99 per cent from CUA and the Queensland Credit Union, compared with the best advertised big four rate of 6.34 per cent from ANZ and NAB.

"From a product perspective, mutuals more than hold their own against the banks," the chief executive of RateCity, Damian Smith, says. "In some areas they outdo the banks but in others the banks are more competitive."

"As a general rule, we see customer service as the big differentiator.

"With a smaller customer base and often a regional or industry focus, mutuals can often develop much deeper relationships," Mr Smith says of the shift from the big banks.

The big challenge for mutuals is scale, Mr Smith says. For example, it's difficult for smaller mutuals to make the investments in online and mobile banking that the big four can, meaning there may be trade-offs in flexibility and convenience.

And they may not be able to offer the same breadth and depth of products as the leading banks.

Why don't more people use mutuals? Banks control the bulk of the home-loan market, for instance.

Mr Smith suspects there's a lack of awareness of how much mutuals have to offer these days and how open they are.

"In the past, most mutuals were 'bonded' credit unions that were only open to certain groups...these days most are open to anyone," he says.

And while people might not like banks, "there's a general perception that they're 'safe', which is a big factor on deciding where to put your money". But mutuals are also very safe, he says, and are covered by the same post-global financial crisis deposit guarantee.

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