

Mastering panic pays dividends

Alex Tilbury

FEAR and greed is driving global equity markets as panic takes hold from New York to Brisbane and everywhere in between.

But as billionaire US investor Warren Buffett once said until you can manage your emotions, you can never expect to manage money.

Wealthy people know when everyone else is buying, it's time to sell.

And when everybody is selling, like right now, it's the time to buy, that's the contrarian model.

People lose money because they let their emotions dictate their behaviour, according to US author and international speaker Dr John Demartini.

Demartini, pictured, author of *How to Make one Hell of a Profit and still get to Heaven*, is in Brisbane next Monday speaking about mastering your emotions, before mastering money.

"When you become infatuated, you become blind to the upside. So when the market's going up, you think 'wow I'm making money' and you get greedy and become blind to the downside," he says.

"It's just like gambling, which gives punters a dopamine fix in their brain and it's called gambling versus investing.

"Investing is where you know the risk ratios, but when you gamble you become infatuated and blind to market movements up and down.

"Right now, with the crash, there's an incredible amount of upside if people are investing wisely, and people are going to be raking it in over the next few years.

"I am very grateful for the crash right now as there's lots of buying opportunities."

Demartini recommends "dollar cost averaging", where you invest the same amount in to the market every month, no matter what the market is doing.

"So when the market goes down, if you are putting \$1000 in every month, you are able to buy a lot of stock very cheap and when the market goes up, you buy less stock, so it averages your costs," he says.

"Now's the time to buy, even if it falls further, it will regress to a mean over the next two years. It's just a matter of time. You will always be rewarded by patience."

He says the panic phase needs to be over, just as the manic phase ran on too long.

"People who trade like gamblers often have addictive personalities, and they are addicted to drugs, fast cars, sex, relationships that go nowhere.

"The person who is timing the market is usually gambling as its best — to be in it over time.

"Emotions impair judgment, so emo-

tional people buy when they're elated and sell when they're fearful or depressed, and then pay the price."

Based on the bestselling book, Demartini will address the emotional and psychological aspects of money and wealth building, including topics such as turning fear into fortune plus love and money, where relationships meet.

"Those who plan, organise and appreciate their assets, no matter how little they have, do far better financially than those who don't. If you've never figured out your net worth, this is your opportunity," he says.

Demartini has written more than 40 books, does 1000 interviews and speaks at 400 events each year.

October 20, Mercure Hotel, North Quay.
Registration 6.30pm for 7pm start
www.johndemartini.com



Q I HAVE two properties, an investment unit in Queensland and vacant land in Western Australia. I paid \$200,000 for the unit, which has been rented out since I bought it in May 2005. Its market value is \$310,000. I bought the land in April 2007 for \$179,000 and its market value now is \$285,000. I wish to sell both of these properties to buy a home to live in, but am worried about the capital gains tax as I believe it is different in both states. Can you please tell me how much I will have to pay?

A Capital gains tax is a federal tax so the state in which the property is situated is not relevant. Your accountant will be able to work it out but you will be entitled to the 50 per cent discount, which will substantially reduce it and also all costs associated with the land.

Q Are you able to shed some more light on salary sacrificing mortgage repayments? This concept is rather appealing, but I presume only a select few would be eligible.

A Most employees of non-profit organisations are allowed to salary sacrifice for usually non-deductible items such as home

Q&A
Noel Whittaker



loan repayments and school fees. There is a limit on the amount that can be treated in this way and the Government allows it in recognition of the fact wages in the non-profit sector are usually lower. Most employees do not have this flexibility and salary sacrifice for superannuation is the only sizeable amount of deduction available to them.

Q My husband and I are both 31 and have paid off our home loan. He earns \$65,000 a year and I'm on maternity leave but intend to go back part-time next year. Our home is valued at \$300,000 and we want to start investing in property. We're not sure whether this is our best option. Should we look at other investments such as shares, managed funds or superannuation instead?

A Only you can decide whether property or shares will give you the best return, but as all your assets are in the residential property basket now it may be sensible to diversify into shares. A major benefit of shares is that you can borrow to a level that fits your comfort zone, whereas if you

borrow for property you will need to outlay at least \$300,000. In view of your young age I prefer borrowing for investment into managed funds rather than contributing to superannuation.

Q Could you please advise me on the following – assuming gross wages are \$800 a week and salary sacrifice is \$60 a week, is the employer contribution of 9 per cent superannuation calculated on the gross amount of \$800 or is it 9 per cent of \$740?

A If your gross wages are \$800 a week the employer should continue to pay the 9 per cent contribution on the full \$800. Unfortunately, there is no legal requirement for them to do so, and there are unscrupulous employers who use the employee's salary sacrifice as an opportunity to reduce their compulsory contribution. This is why it is important to get the position confirmed in writing before you enter into a salary sacrifice arrangement.

Noel Whittaker is a director of Whittaker Macnaught, a division of HBOS Australia. This advice is general and readers should seek their own expert opinion before making financial decisions. Email: noelwhit@gmail.com

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