

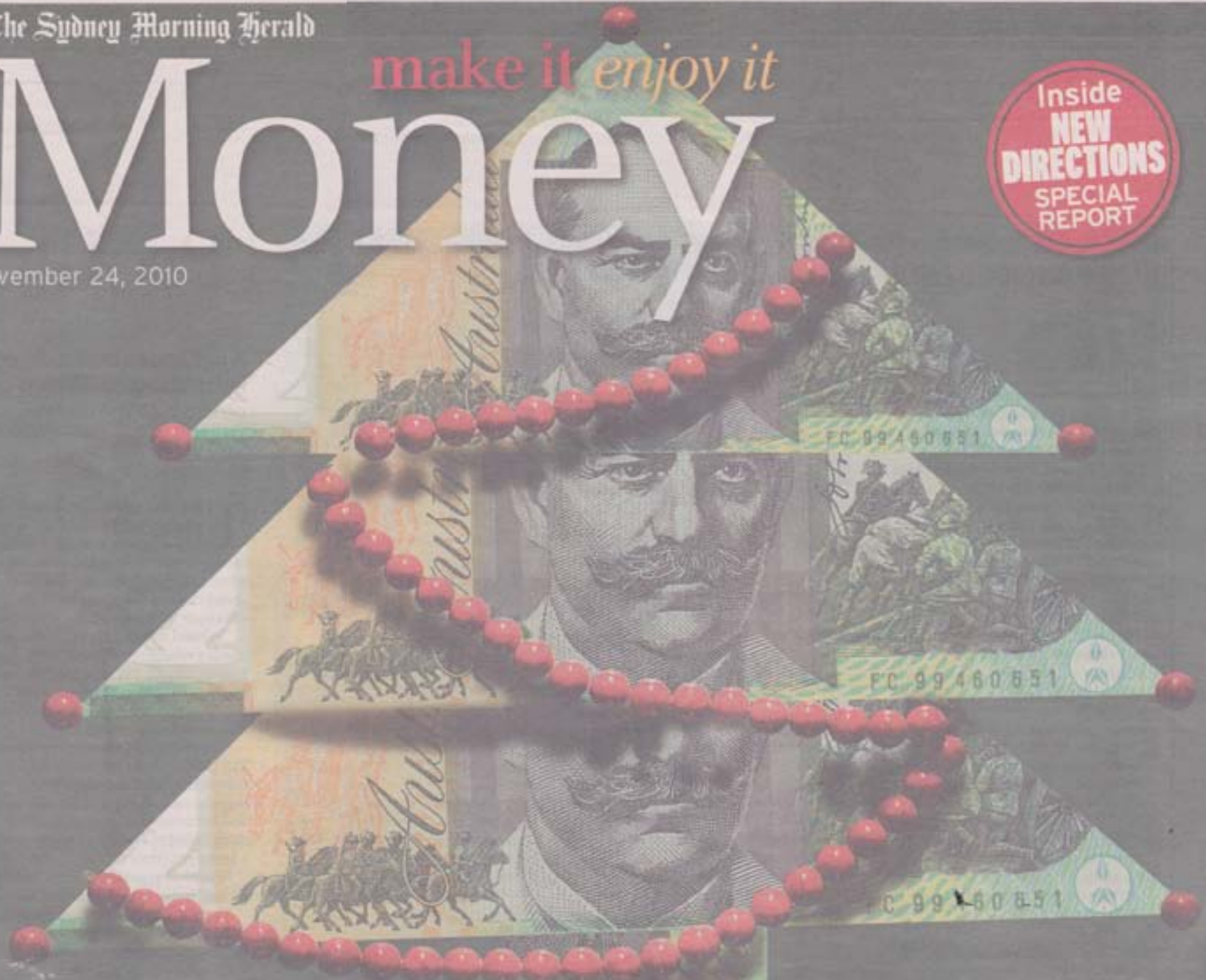
The Sydney Morning Herald

make it *enjoy it*

Money

Inside
**NEW
DIRECTIONS**
SPECIAL
REPORT

November 24, 2010



**Gifts that
prosper
and grow**

Heaven sent

Barbara Drury goes shopping for gifts that will keep on giving.

Sackful of ideas ... there are many ways to give money that will keep on paying dividends to the recipient well after yuletide.

Photo: Joe Castro

Christmas is just around the corner and it's time to stack the halls with festive decorations, fill the fridge with food and drink too much at the office party.

Time, too, for the often-fruitless quest for the right gifts. Instead of spending a small fortune on last-minute presents destined to be returned or exchanged, why not make this the year the one when every purchase is an investment that keeps on giving?

It could be as simple as opening a term deposit or paying off someone's credit card.

GOLD

As the gold price hovers near record highs, a gift of precious metal is sure to add lustre to Christmas celebrations. Not only is gold a sound investment in uncertain times but you can hold it and gaze on it at your leisure.

While gold jewellery is a traditional gift, it is not necessarily the best gold investment. This year, the Perth Mint launched an online bullion trading site (www.perthmintbullion.com.au), which allows individuals to buy and sell 99.9 per cent pure gold or silver bars and coins at market prices plus a margin for production costs.

Early last week, when gold was selling at \$11410 an ounce, a one-ounce bar of gold was selling online for \$11445. The margin on coins is a little higher to

reflect the cost of design and the rarity of limited editions.

With coins and bars from as little as one-20th of an ounce of pure gold, a precious gift need not break the bank.

The 2011 Australian Lunar Series Year of the Rabbit gold coins are the latest in the mint's Chinese New Year animal series. You can also buy limited-edition kangaroo, koala or kookaburra coins.

All gold comes with a WA government guarantee of purity and weight. You can arrange next-day

A gift of precious metal is sure to add lustre to Christmas celebrations.

delivery online or have your gold stored at the Perth Mint.

Gold is typically held as a long-term investment but you don't have to lock it away for years to reap the rewards when gold is booming.

LIFE EXPERIENCE

The Australian dollar is finishing the year not just near parity with the US dollar but ahead of the global currency pack. There is unlikely to be a better time to help someone special fund a gap year after completing high school, or time out from work exploring the world.

Why not buy your intrepid explorer a

travel card, such as the Travelex Cash Passport, or similar offerings by the Commonwealth Bank and ANZ, which can be bought and loaded with foreign currency before leaving home. When on the road, the card can be used at most ATMs for a small withdrawal fee.

The cards typically allow you to load a maximum of \$25,000 upfront for a small issue fee and can be reloaded online or via SMS. The cards are PIN-protected and have an expiry date of up to three years. Or you could simply stuff their stocking with some greenbacks.

SHARES

For a gift that literally pays dividends for years to come, you can't go past shares. A festive parcel of shares is a great way to give a financial boost to teenagers and young adults and hopefully teach them about the benefits of long-term investing at the same time.

The best way to pique their interest is to buy shares in a company with which they are familiar. You could start with where they shop and look at companies such as Woolworths and JB Hi Fi. Banks are not the most popular companies at the moment but a gift of bank shares is a good way to demonstrate that long-term returns from bank shares are generally superior to the return you get from putting your money in the bank.

The ASX head of investor education, Tony Hunter, says the exchange sets no



minimum limit on the number of shares you can purchase but stockbrokers often stipulate a minimum order - \$500 is common, plus you need to allow for brokerage. Even if you use a discount online broker transaction, fees start at about \$10-\$20 a pop.

If the recipient is a child, then most

Help the less fortunate

"We were having one of those Christmases where everyone tries to be sensible, so a limit was placed on the amount spent on gifts," Emma Mactaggart says. She had no idea what to give her brother-in-law, John Mactaggart (pictured), until she walked past a poster urging people to "Give a goat for Christmas".

More precisely, it was a poster for Karma Currency (karmacurrency.com.au), a website that directs donations to hundreds of charities and charitable projects. You simply select how much you want to donate

on someone's behalf and download or email a card to them with the gift amount. You pay a processing fee of \$4.95 so the full amount of your gift goes to charity. The fun part is that the person who receives the gift gets to go online and choose the charity.

So Emma, who says she loves shopping for Christmas gifts and finds the idea of a pre-determined limit on gifts challenging, "gave a goat" for Christmas.

"I loved the idea of give-give instead of give-take," she says. "John felt fantastic, too, so that's the magic



Photo: Paul Harris

of it. He said if he was asked to name a gift he'd been given in recent history, then Karma Currency is the only one he can remember."

John says: "No one remembers what they got for Christmas gifts but I do remember I got Karma Currency. "It sat there for a while till I jumped in and had a look. There was a pretty good list to choose from."

Emma says: "When you're not sure what to give, rather than giving something obligatory that will end up in the back of a cupboard, it's much nicer than a gift card."

COVER STORY



people hold the shares in their own name in trust. This will have an impact on your own tax position because income from dividends, franking credits and capital gains or losses must be accounted for in your tax return.

The simplest way to buy the shares is to set up a separate online trading account under the child's name with you named as trustee. If anything happens to you, the shares will automatically pass to the child when he or she turns 18. No capital gains tax is payable until the shares are sold.

If recipients are over the age of 18, they need to set up an account with their tax file number and you can transfer money into their account to purchase shares.

With any luck, your Christmas gift might plant the seed for a life-long interest in investing.

INVESTOR EDUCATION

If you know someone serious about investing and would like to learn more in the company of like-minded people, then the gift of membership of the

Australian Investors' Association (investors.asx.au) delivers both education and a social network.

The AIA is a national, non-profit organisation run by volunteers, which currently has about 2400 members. For an annual fee of \$130 in the first year and \$110 a year thereafter, you gain access to seminars, a regular newsletter, online forums and investment research.

With a bit of luck, your Christmas gift might plant the seed for a life-long interest in investing.

You generally pay an extra fee to attend seminars the organisation runs for members in mainland capitals but the line-up of speakers is impressive and events are well-attended. The AIA also provides a service linking members wanting to start, or join, an existing local discussion group.

A spokeswoman for AIA, Silvana Eccles, says the organisation has put together an educational DVD by Bill Dodd, an AIA director, ex-academic

and self-directed investor, which costs \$197, or \$297 with annual membership included.

"It's the perfect nuts-and-bolts tool to learn how to get into the sharemarket, covering fundamental analysis and charts to help time entry and exits," Eccles says. "He also stresses risk management and the importance of a management plan."

The ASX has a wide range of free online investment education tools and runs free lunch-hour talks in all capital cities (see asx.com.au for details).

If you think dad or your Auntie Margaret would like to listen to these free talks and other investment talks at their leisure, then a gift of an iPod or other hand-held device gives them access to free podcasts and thousands of apps (applications that can be purchased and downloaded from the

internet). What's more, you can help explain how the device works, which guarantees hours of quality time spent together – a gift they might appreciate more than the technology itself.

You can also give apps by going to the iTunes store (itunes.com.au), choosing an app and selecting the "gift the app" option. Costs vary from as little as \$1 to \$100 or more.

Hunter says the ASX Investor Hour podcasts are regularly the first- or second-most-popular iTunes investment-related podcast. However, he stresses that you don't have to have an iPod; you can listen to the podcasts on your computer.

BOOKS

A well-chosen book is a gift of knowledge that has the potential to kick-start a friend or relative's successful investment career. Whether you are shopping for an experienced investor or someone who is just starting out, there is a range of investment classics and new releases to suit.

Two of Australia's best-known followers of Warren Buffett's value style of share investing have recently released books that distil their approach to share analysis and selection.

John Price is a former academic who developed share analysis software based on Buffett's methods. *The Conscious Investor: Profiting from the Timeless Value Approach* (Wiley \$67.95).

Price discusses how to measure the intrinsic value of a company's shares, what sort of return you can expect and how to go about selecting quality stocks.

Roger Montgomery is a share analyst, fund manager and commentator who believes in getting rich slowly by investing in quality businesses at the right price. He gives the lowdown on his method of stock selection and valuation in *Value.able* (self-published, \$49.95 including postage), which is only available at rogermontgomery.com.

Janene Murdoch, of Melbourne's Educated Investor bookshop, says books by Benjamin Graham, who inspired and mentored the young Warren Buffett, are classics and still in demand. *The Intelligent Investor* (HarperCollins) sells in paperback (\$45), a hardback reproduction of the original (\$55) or as a Kindle eBook (\$US9.99).

Among more recent titles, Murdoch says, *Creating Real Wealth* by Michael Kemp (Major Street, \$39.95) is a readable, practical introduction to the sharemarket for those unsure of how to go about it. She also recommends *Understanding Investments* by Charles Beelaerts with Kevin Forde (Wrightbooks, \$32.95), which covers super to margin lending and collectables.