

Newsletter article

Superannuation can supersize the quality of your retirement

Australians are increasingly becoming aware of the merits of saving for retirement. An ageing population will put pressure on age pension funding. Improved life expectancy means we can expect to spend more time in retirement than ever before.

Our expectations for retirement are changing too. Many of us plan to indulge in hobbies, travel and the finer things in life, with concerns about meeting the mortgage or raising kids behind us.

But to achieve all this we need a decent retirement income. Investing in your superannuation is the single best strategy to help you achieve just that.

Let's look at why.

The power of long term returns

To begin with, your super is a very long term asset. We can't normally access money tied up in superannuation while we're still in the workforce. That's a good thing. It's a guarantee your money will be there when you need it most - in retirement.

And because super is an extremely long term investment, it supersizes the effect of compounding returns. Adding just a small amount extra to your super today will mean having a substantially larger pool of funds to retire on.

Consider this. Let's say a worker aged 30 earning \$50,000 annually and with a current super balance of \$20,000 relies solely on his employer's super contributions. By the time he is aged 65, the fund balance will have grown to around \$593,000.

But if that same worker adds just \$30 extra to his super each week, by the time he is 65 his super savings could grow to \$833,000. It's an effortless way to turn \$30 a week into \$240,000.

Valuable tax savings

Part of the reason for super's extraordinary compounding gains is the tax savings super provides.

Fund returns are taxed at just 15%. By contrast, you could lose almost half the returns made on investments outside super to tax. That's because the gains are taxed at your personal tax rate, and for most Australians that's a lot higher than 15%.

The tax savings don't stop there. There are a number of ways to add to your super which can see you trim your current tax bill. You may even be eligible for a government co-contribution to your fund.

Then, at age 60, you can withdraw money from your super fund tax free.

When you add up the pluses, superannuation is a very exciting investment. It will become even more exciting when you're ready to hang up your work boots.

Let's talk about how you can supersize your super. A little more today will add up to a lot more tomorrow.

DISCLAIMER

All figures based on retirement at age 65, 9% employer contributions, earnings of 6% per year, net of fees and taxes in today's dollars. All other fees and charges ignored except contributions tax of 15%. \$30 post tax contribution per week equals \$1560 per year, and attracts government co-contribution. You should consider your personal objectives, financial situation and needs before acting on this information. Past returns are no guarantee of future performance.