



Funding your retirement: Making the most of your superannuation

What is superannuation?

Superannuation is simply an investment structure that is specifically designed for your retirement savings. Through superannuation you can invest in a wide range of asset classes including shares, property, managed funds and cash. In fact, you can access almost all of the same investments that are available outside super – however, super has two key advantages over other types of investments:

Tax advantages

Super is one of the most tax advantaged investment vehicles, as income earned in your super fund is taxed at a **maximum rate of 15%**, whereas the income you earn from other (non-super) investments is taxed at your marginal tax rate (up to 46.5%, including Medicare Levy).

Compounding interest

Because access to your super is generally restricted until later in life, your super savings will be preserved for their intended purpose, plus they will gain the powerful effect of compounding interest. Your contributions and overall nest egg will keep earning interest over time, which will then be reinvested.

How much do I need for retirement?

A good rule of thumb in determining your retirement needs is 60-70% of your pre-retirement income.

The table below shows the level of capital required for certain income levels, assuming retirement at age 65 years and that an account based pension will be paid for an average life expectancy (17.7 years for a male).

Desired annual income*	Capital required if earning 6% per annum	Capital required if earning 8% per annum
\$60,000	\$860,000	\$740,000
\$50,000	\$720,000	\$610,000
\$40,000	\$580,000	\$490,000
\$30,000	\$430,000	\$370,000

*Figures are indexed at 3% pa to reflect the effects of inflation. Centrelink entitlements are excluded from the calculations.



How can I build up my super?

Think you might fall short of funding for retirement? Then it's essential to start building up your super now so that it has time to compound. Here we outline a few options available to you:

Salary sacrifice

Employers are required by law to contribute 9% of your salary into your super fund (called Super Guarantee); however, you may be able to swap some of your salary for increased employer super contributions to build up your nest egg faster. This is called a salary sacrifice agreement.

When you enter into a salary sacrifice arrangement, you forgo some of your take-home pay (which would be taxed at your marginal tax rate) and divert it into super where it is taxed at a maximum of 15%. Salary sacrificing can also reduce your overall taxable income, pushing you into a lower income tax bracket.

This type of super contribution is known as a **concessional contribution**, as it is made with pre-tax dollars.

Make non-concessional contributions (post-tax)

Because this money has already been taxed, it does not incur the 15% contributions tax that concessional contributions (such as salary sacrifice) incur.

If you make a non-concessional contribution, you may be eligible to receive a co-contribution from the Government, whereby the Government will match your non-concessional contributions by up to 100%, with a maximum co-contribution of \$1,000. See our information flyer titled 'The Government Co-contribution' for more details.

Important Changes

You can choose when to take a super pension once you have reached your preservation age. Previously when someone reached 65 and wasn't working, they had to start their pension. You can also choose whether you want to:

- **Take a single lump sum,**
- **Withdraw amounts as lump sums when the need arises,**
- **Convert accumulated entitlements into a pension that meets the minimum standards, or**
- **Leave the benefits in accumulation phase indefinitely.**



Case Study – Investment outcomes

Investing in super vs. non-super

Susan wants to save as much as possible for her retirement over the next 10 years.

Assessable income: \$40,000pa

Living expenses: \$20,000pa

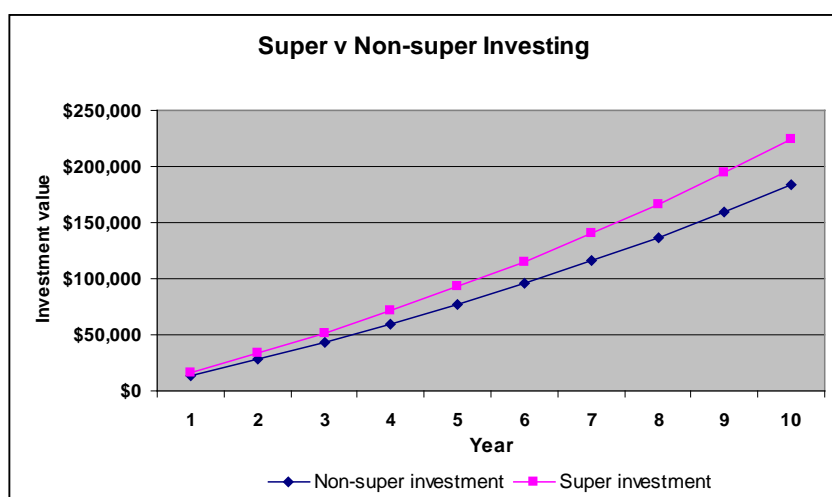
Her two options are to either save through super or invest outside of super. If she chooses non-super, she can invest her surplus after-tax income of \$12,800. If she invests this each year into a portfolio of managed funds, her final balance could be around \$183,607 in 10 years time.

However, if she invests in super by salary sacrificing, the situation is different. She is able to make pre-tax superannuation contributions of \$15,871 as well as an after tax contribution of \$731 to attract the Government co-contribution. This allows her to make a net contribution of \$14,221. After 10 years, her super balance could be around \$224,947. This is \$41,340 more after ten years investing into super rather than non-super.

What's next?

Superannuation can be complex and planning your retirement is not always straightforward. If you want more information or simply want to take advantage of the options available speak to your Count adviser. They can recommend a suitable strategy, which will take into account your personal circumstances and ensure you maximise your retirement income and enjoy the lifestyle you deserve.

The sooner you start planning and saving, the more secure lifestyle you can achieve later.



Assumptions: Income of 5.44%; Growth of 2.74%; no indexation; all results in future dollars