

Maximising your super wealth



INFORMER

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Maximising your super wealth

For most Australians, the biggest financial concern is ensuring they have enough money on which to retire¹. Super is one of the simplest and most tax-effective ways of saving for retirement. It's a great investment that can put you in control of your financial freedom – provided you've accumulated enough along the way. This Informer highlights how you can maximise your existing super to provide more financial security for your twilight years.

Going the distance

If you think about it, retirement is like a really long holiday. When most people plan a holiday, they usually ensure they have enough spending money to enjoy it. Unfortunately, the same cannot be said for retirement planning.

Retirement adequacy and longevity risk are major issues in Australia. Not only are people not saving enough for their retirement, but they're outliving the savings they've accumulated.

To ensure you don't fall into this category, you need to work out how much you'll need to support yourself financially during retirement.

So, how much super will you need?

Latest figures show that the average 65 year old will live for another 18 years (males) and 21 years (females)² in retirement.

If we use industry figures and assume a comfortable retirement for a 20 year period, the amount of super you'll roughly need is:

Years	Couple \$54,954pa	Single \$40,121pa
20	\$560,000	\$780,000

Source: ASFA Retirement Standard. Assumptions: Prudent portfolio 6.0% pa returns after fees and taxes, 3.0% pa inflation, invested in an indexed account based pension.

As you can see, both amounts are quite significant. So, how do you ensure your super will grow enough to give you this annual income throughout your retirement?

Employer contributions won't be enough

Most employers pay the minimum 9% pa of your salary into your super. However, industry research suggests that saving between 12% - 15% pa over 30 years is the level we should be aiming for, to provide a more comfortable retirement lifestyle.

So, if your employer isn't chipping in any more than 9% pa to your super, your only choice is to add extra yourself.

Making additional contributions

You can make additional concessional (pre-tax) and/or non-concessional (after-tax) contributions. And, in many instances, a combination of both can be beneficial. So, if you're interested, please call our Corporate Advisers to find out how this works.

The only difference between the two types of contributions is the tax you pay.

Concessional contributions come straight from your salary before it's been taxed and before you've been paid. Therefore, you only pay 15% contributions tax when your contribution goes into your super. Concessional contributions include your employer's 9% pa contributions plus any salary sacrifice contributions.

Non-concessional contributions come out of your salary after you've been paid. Therefore, you've already paid tax at your marginal tax rate.

There are annual limits for both types of contributions, as follows:

Annual contribution limits until 30 June 2012

Age	Annual Limit Concessional
Under 50	\$25,000 per person
50 and over	\$50,000 per person

Age	Annual Limit Non-Concessional
Under 65	\$150,000 per person or \$450,000 over a 3 year period
65 – 74*	\$150,000 per person

*Must satisfy the work test.

Excess contributions tax

It's up to you to know how much you contribute each year, as you'll be taxed heavily on all amounts over the annual limits for both types of contributions.

Making a combination of both concessional and non-concessional contributions can be beneficial.

How much should you contribute?

The following table gives you an idea of how much you may need to contribute each week to reach a target amount of super at age 65.

Current Age	To reach \$560,000	To reach \$780,000
40	\$180	\$335
45	\$295	\$500
50	\$485	\$775
55	\$875	\$1,325

Assumptions: \$50,000 opening balance, \$90,000 pa salary, 9% pa employer contributions, concessional contributions only, 6.0% pa investment earnings after fees and taxes.

What other contributions can you make?

Since making extra contributions is one of the easiest ways to increase your account balance, the Government also offers you a number of other options:

• Government co-contribution

If your annual assessable income is between \$31,920 pa and \$61,920 pa and you make after-tax contributions, you may qualify for the Government co-contribution. This is an easy way to double your contributions as, for every dollar you contribute, the Government also contributes a dollar, up to a maximum of \$1,000 pa.

Give us a call to find out more about the level of co-contribution you could potentially receive.

• Spouse contributions

You can make after-tax contributions into your spouse's super, to help them grow their balance. If your spouse earns less than \$10,800 pa and you contribute up to \$3,000 pa, you may also receive a tax offset of up to 18% (ie \$540).

• Contribution Splitting

This strategy allows you to split a certain amount of your concessional contributions with your spouse and invest it into their super.

The maximum amount you can split is the lesser of 85% of your concessional contributions or the concessional contributions cap for that financial year.

Contribution splitting can be advantageous where one spouse is closer to their preservation age than the other and, therefore, able to access their super account earlier.

Is your investment strategy right?

In addition to making additional contributions, you also need to get your investment strategy right. This is because choosing the right investment options can lend a helping hand in growing your super.

Weighing up risk and return

All investments involve some risk (ie the chance of losing money). So, when you invest, you must weigh up how much risk you're prepared to take for the return you'll potentially gain. Investments can be divided into two types of asset classes - growth assets (ie shares and property) and defensive assets (ie cash and bonds). Growth assets are generally more risky (ie volatile) but have the potential to provide a higher return. On the other hand, defensive assets are less risky, but the trade-off is a lower expected return.

Most Australians invest their super very conservatively – particularly when nearing retirement, due to concerns about losing money. However, this strategy can actually lose you money, because you're invested in asset classes that don't rise much in value over the longer term. While they also don't tend to fall that much either, the loss in terms of reduced returns over the long term can be significant. The end result is usually a smaller account balance on retirement.

Don't risk life or limb!

Strangely, most Australians insure their household contents and their car. However, when it comes to life and disablement insurance, the majority of Australians have no insurance at all or are extremely underinsured.

Every day, 18 Australian families lose half or more of their income due to the illness, injury or death of the major income provider³. And, very few have enough personal savings to get them through these financially difficult times. This is why insurance should be an essential component of your financial affairs.

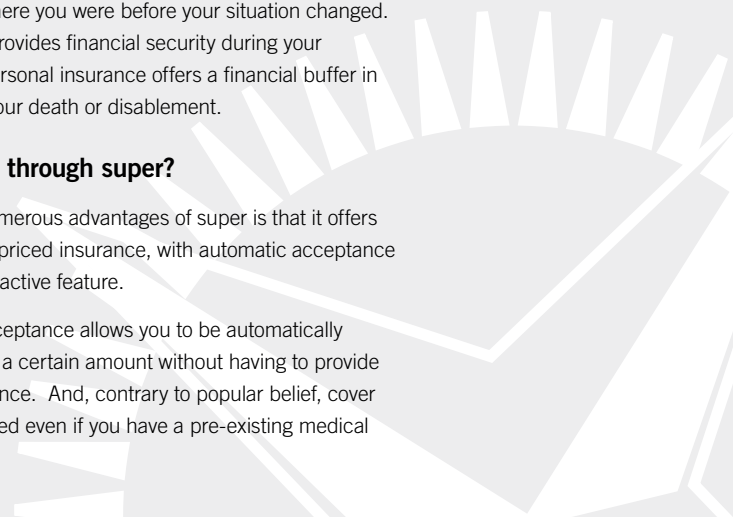
The point of insurance is to get you as close as financially possible to where you were before your situation changed. While super provides financial security during your retirement, personal insurance offers a financial buffer in the event of your death or disablement.

Why insure through super?

One of the numerous advantages of super is that it offers competitively priced insurance, with automatic acceptance usually an attractive feature.

Automatic acceptance allows you to be automatically covered up to a certain amount without having to provide medical evidence. And, contrary to popular belief, cover can be provided even if you have a pre-existing medical condition.

Remember, when you retire, you're probably still going to need an income for at least another 25 years.



With binding nominations, some super funds also allow you to nominate how the death benefit is paid to your dependants.

Dedicated Claims Management

In the unfortunate event that you need to make a claim, AXIS Financial Group is able to manage the entire process on your behalf.

Our dedicated Claims Management team will liaise with the insurer on your behalf and help with form completion. You'll also be dealing with the same person throughout your claim, which ensures an efficient conclusion of the process and minimum stress for you.

The importance of nominating a beneficiary

Ensuring that your super and any insurance are paid to the appropriate people in the event of your death is extremely important.

Nominating your preferred beneficiary to receive this money greatly assists your super fund to distribute the payment in accordance with your wishes.

Binding and non-binding nominations

Beneficiary nominations can be binding or non-binding and depend on the rules of your super fund.

Binding nominations instruct the Trustee of your super fund to pay the benefit to the person(s) you nominate.

With binding nominations, some super funds also allow you to nominate how the death benefit is paid to your dependants. For example, you can nominate whether you want the benefit paid as a lump sum or as a pension. This part of the nomination may be binding or non-binding on the Trustee. AXIS Financial Group can provide you with assistance on this if you're uncertain.

Non-binding nominations provide guidance to the Trustee in deciding who receives your benefit. If you don't nominate a beneficiary, any death benefit payable is left to the discretion of the Trustee. Where the Trustee decides to pay the estate, the benefit is distributed to the beneficiaries in accordance with the Will.

How can AXIS Financial Group help?

If you'd like to make sure you're on the right track to maximising your super wealth, AXIS Financial Group can help.

Our Corporate Advisers can provide independent, quality advice on everything super:

- the right contribution strategy;
- an appropriate investment strategy;
- suitable insurance arrangements; and
- nominating a beneficiary.

And, it's up to you, as to how you'd like to receive this advice. We can either come to your workplace or you can visit our Perth office.

Alternatively, feel free to contact us on

Freecall 1800 111 299 or at **super@axisfg.com.au**

¹ *Community attitudes to superannuation, retirement income adequacy and Government policies on superannuation, ASFA Research and Resource Centre, January 2010.*

² *Australian Life Tables 2005 – 2007, Australian Government Actuary.*

³ *Lifewise / NATSEM Underinsurance Report, February 2010.*



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