



# INFORMER

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## Maximising your Super Wealth

Super is your gateway to financial freedom upon retirement. So it's important to ensure it's working as hard as possible for you, for as long as possible. As super only became compulsory in 1992, many people believe they've missed out on the opportunity to grow their super during the earlier years of their working lives. However, there are effective ways you can boost your super from your thirties up until pre-retirement. This Informer highlights how you can maximise your existing super wealth to provide more financial security for your retirement.

### Making additional contributions

One of the easiest ways to grow your super is by making concessional and/or non-concessional contributions.

Concessional contributions include your employer's compulsory 9% pa contributions and any salary sacrificed contributions. In total, you can invest up to \$25,000 pa in any given financial year (or up to \$50,000 pa if you're 50 or over). Salary sacrificing can also reduce your personal income tax liability, as it lowers your annual income.

Non-concessional contributions are those made from your after-tax salary. The annual limit in any given financial year is up to \$150,000. However, if you wish to invest more, you can contribute up to \$450,000 in one financial year, provided you don't make any further non-concessional contributions in the following two financial years.

Regardless of which type of contribution you make, it's important to keep a tally of how much you've contributed each year, as any amounts in excess of the limits incur heavy tax penalties.

In many instances, making a combination of both concessional and non-concessional contributions can be beneficial. So, give us a call if you need advice in this area.

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### Government co-contributions

If your annual assessable income is between \$31,920\* and \$61,920\* and you make after-tax contributions, you may qualify for the Government co-contribution.

These contributions are not taxed on the way in or on the way out and you don't even have to apply to receive it.

The way it works is that for every \$1.00 of after-tax money you add to your super, the Government contributes \$1.00, up to a maximum of \$1,000 a year, provided your annual assessable income is \$31,920\* or less. The co-contribution reduces on a sliding scale down to nil, once your annual income reaches \$61,920\*. Call us to find out more about the level of co-contribution you'd receive based on different amounts of contribution.

*\* As at 1 July 2009.*

### Who is eligible for the co-contribution?

To be eligible, you must meet all the following criteria. You must:

- be under age 71 at 30 June each year;
- not have held a temporary resident visa;
- have gross assessable income and reportable fringe benefits of less than \$61,920\* pa;
- have made after-tax (ie non-concessional) contributions into your super;
- have lodged a tax return for the year of income; and
- have been employed or self-employed and 10% or more of your income for the year must be earned from eligible employment or carrying on a business.

*\* As at 1 July 2009.*

## Spouse contributions

You can make after-tax contributions for your spouse to help them grow their super. This is particularly beneficial if your spouse has a low account balance and/or if you'd like to try to reduce your tax liability. And, if your spouse earns less than \$10,800 pa, you may also receive a tax offset of 18% on contributions up to \$3,000 pa.

## Super splitting with your spouse

This strategy allows you to split a certain amount of your concessional contributions with your spouse and re-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. Again, for spouses with little or no retirement savings, this strategy helps to grow their account balance.

From a tax point of view, this strategy is most attractive if you're considering opening an income stream account prior to age 60. This is because it can reduce your overall tax liability by lowering your account balance. Naturally, once you've turned 60, all super is tax-free.

## Is your investment strategy right?

Most Australians invest their super very conservatively – particularly when they're 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.

During your working years, it's important to try and build up your super as much as possible. Any employer and personal contributions assist in this process. However, investing in growth assets is another strategy to achieve your financial goals. Remember, when you retire, you're probably still going to need an income for at least

another 25 years. Growth assets offer you more chance of achieving the income you'll need than investing conservatively.

## Managing personal risk

While super provides financial security during your retirement, personal insurance offers a financial buffer in the event of your death or disablement.

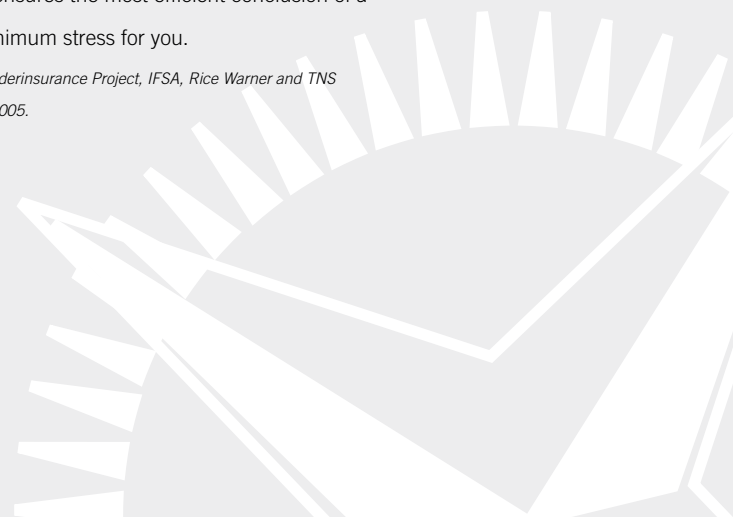
As a nation, Australians are extremely underinsured in terms of death and disablement insurance. Alarmingly, only 4% of Australia's 2.5 million families have adequate life insurance to take care of their dependants in the event of death<sup>1</sup>. Remember, the point of insurance is to get you as close as possible financially to where you were before your situation changed.

One of the numerous advantages of super is that it offers competitively priced insurance, with automatic acceptance usually an attractive feature of the cover. Automatic acceptance allows you to be automatically covered up to a certain amount without having to provide medical evidence. And, contrary to the widely held belief about insurance, cover can still be granted even if you have a pre-existing medical condition.

In the unfortunate event that you need to make a claim, AXIS Financial Group is able to manage the entire process on your behalf. You'll always be liaising with the same person throughout the claim process and we can assist you with form completion and communication with the insurer. This ensures the most efficient conclusion of a claim and minimum stress for you.

<sup>1</sup> *The Costs of Underinsurance Project, IFSA, Rice Warner and TNS Consulting, May 2005.*

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### Nominating a beneficiary

Ensuring that your super and any insurance is paid to the appropriate people in the event of your death is extremely important. Nominating your preferred beneficiary to receive this benefit is essential in assisting the Trustee of your super fund to distribute the payment correctly.

Remember that your nomination can be binding or non-binding and depends on the rules of your super fund.

Binding nominations mean that the Trustee of the fund must pay your benefit to the person(s) you nominate.

Non-binding nominations provide a guide for 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.

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 and AXIS Financial Group can provide assistance with this if you're uncertain.

### How can AXIS Financial Group help?

If you're uncertain as to whether you're on the right track to maximising your existing wealth, AXIS Financial Group is able to assist you in all aspects. Whether it's advising on the type or amount of contribution, investment, insurance or beneficiary nomination, we can offer independent, quality advice.

We have over 10 years' experience in corporate and personal super and pride ourselves on personal service.

If you'd like to know more, call the Advisory Group or Technical Services team on **(08) 9426 5800** or **1800 111 299** or email us at: [mail@axisfg.com.au](mailto:mail@axisfg.com.au)



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