

Why Super is just so...Super!

When you're in your early twenties, super probably isn't top of your "must do" list. But, if you want to cash out big when you retire, giving your super some TLC when you're young is when it's going to count the most. Take five to find out why.

Crack that whip!

Aside from the Age Pension, super remains the main source for retirement income for most Australians. However, the average final payout is alarmingly low and won't afford most people a good standard of living in retirement.

According to recent research¹, the average final account balance for males is only \$155,000 and less than half that for females at \$73,000.

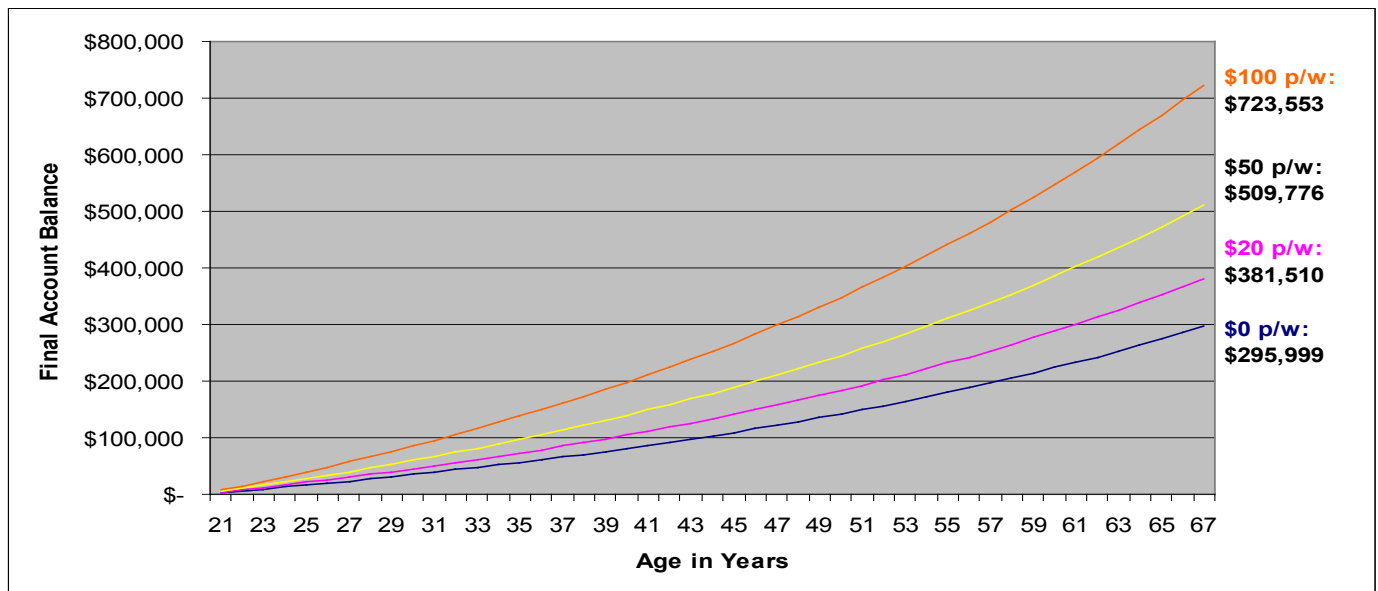
In practical terms, these amounts will provide an annual income for about four years for the average male and two years for the average female². It's a confronting thought to realise that you're likely to outlast your savings.

Fortunately, there's a simple solution to ensure you reach your financial goals for retirement. All it takes is a few minutes of your time – while you're young – and you'll be set for life! Here's how.

Hitting the jackpot

The easiest way to achieve the retirement lifestyle you want is to make pre-tax personal contributions (ie salary sacrifice) on top of your employer's compulsory 9% pa contributions. And, as you can see by the following graph, it doesn't take much to make a huge difference to your end balance. The graph projects your final account balance assuming no additional contributions, \$20, \$50 and \$100 extra per week.

Super Growth - Concessional Contributions (ie your employer contribution and salary sacrifice)



Source: AXIS Financial Group. Assumptions: Contributions from age 20, salary remains at \$40,000 pa, employer contributions at 9% pa, Contributions Tax of 15%, Marginal Tax Rate of 31.5%, investment returns of 7% pa, inflation at 3% pa, concessional contributions cap of \$25,000 pa and all figures in today's dollars.

As you can see, contributing a mere \$20 extra per week (ie \$1,040 pa) increases your final account balance by nearly 30%. You can also see why it's important to start as early as possible. If you bypassed the first 20 years and started contributing \$20 per week at age 40, you would forfeit about 40% of your wealth! This is the reason why so many retirees are forced to play catch-up as they near retirement and/or continue working longer than anticipated – the reality of insufficient funds.

Which contribution option is best for me?

In most cases, it's best to make concessional contributions up to the annual limit, as you're taxed lower with this option. The contributions are automatically deducted from your pre-tax salary and taxed at only 15% instead of your Marginal Tax Rate.

Until 30 June 2009, the annual cap for concessional contributions for anyone under 50 years, is \$50,000. However, this is likely to reduce to \$25,000 pa from 1 July 2009, due to Federal Budget proposals.

And remember, making personal contributions is optional. You can stop and start again at any time, by speaking with your employer or an AXIS adviser.

Steps to success

Most of us want to be able to enjoy our retirement – a lot of which boils down to having sufficient money.

In summary, you can easily obtain your financial retirement goals, if you consider these simple guidelines:

1. Seek advice

With AXIS, you have access to professional advice about your super and your overall financial affairs. This advice is part and parcel of our member servicing and doesn't cost you any extra.

Our experienced and friendly team can review your current financial situation, help identify your retirement goals and advise on the right investment strategy for you.

Ensuring your investment strategy is right is extremely important. Many people remain invested in the default fund, which is generally a "balanced" option. While this option provides diversification and minimises risk, it may not be the right investment mix or offer the appropriate returns for your circumstances.

Generally, you should stick with your chosen strategy and only review it when your personal circumstances change such as changing jobs or nearing retirement. Again, AXIS would be pleased to help you with your decision-making.

If you're changing jobs, AXIS can also assist you with transferring your super.

2. Start early

Don't leave it to the last minute to think about your retirement. The great thing about being young is that time is on your side. So, the sooner you start, the sooner you'll be on your way to financial security. And, because you have so many years until retirement, if you spend a bit of time upfront, that's all you'll usually need to do until your circumstances change.

3. Contribute more to your super

As our graph on the previous page shows, adding a little extra each week.

You may also want to merge other super money into your super with AXIS. This can help you streamline your investment strategy, reduce fees, boost your account balance and generate more money.

4. Review your super statements

It's important to review your annual and half-yearly member statements. This allows you to monitor performance, your account balance, contribution levels, insurance and your investment strategy. It also ensures that all personal information is correct, such as your contact details and nomination of beneficiary.

Ask AXIS Financial Group

If you have any queries about this Informer, please contact our friendly Advisory Group or Technical Services team on **(08) 9426 5800** or **1800 111 299** or email us at: mail@axisfg.com.au

If you'd like to receive our recent Informers on changes to concessional contributions or the co-contribution, due to the Budget 2009 proposals, please email us at the above address.

¹Retirement Savings Update, ASFA Research and Resource Centre, February 2008.

²Westpac ASFA Retirement Standard, April 2009. Figures assume home ownership.

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Feel free to contact your adviser with
any questions about this bulletin

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