

Super Ideas for a Super Retirement

How you spend your retirement years is completely up to you. However, for many, the freedom to choose their retirement lifestyle isn't an option, due to insufficient funds. If you want to call the shots when you retire, take a look at these simple, but effective strategies, to help you super-charge your super. You'll find it takes very little time to organise – especially with AXIS on hand to help you.

Getting it right from the start

Getting your super affairs in order isn't as overwhelming as you might think. In fact, it only involves three steps:

1. Ensure you're in the **right super fund**. A good super fund will offer you a range of features including investment choice, insurance, competitive fees, financial advice and education, at no additional cost.
2. Ensure you **select an investment strategy and option** that suits your needs.
3. Implement some of our **super smart strategies** to help boost your account balance.

So, don't delay. The sooner you get started, the sooner you'll be on your way to financial freedom.

And please call us if you need help with your super fund decision-making. We continually assess thousands of funds, so we can advise you quickly and accurately about whether your needs are being met.

Now, on to the finer details of getting your super on track.

1. Setting financial goals

As a guide, your account balance on retirement should be about six times your final salary. However, most people will retire on significantly less than this. That's why it's essential to identify your retirement goals – so you can work towards achieving your financial objective.

Goal setting includes deciding when you'd (roughly) like to retire, the things you'd like to do in your retirement and ensuring you have the cash flow to do it.

The easiest way to identify your goals is to complete a projection. We can work with you to do this or you can visit our website at www.axisfg.com.au Simply click on Online Services, then Superannuation Projection Questionnaire.

2. Choosing the best strategy

Selecting a strategy that matches your personal circumstances and risk profile is the next important step to helping you achieve your goals. Implementing the wrong strategy, could actually end up losing you money.

Generally, if you have 10 or more years until retirement, you can afford to invest more aggressively. Conversely, if your timeframe is short, you may need to invest more conservatively.

AXIS assesses the risk profile of every member before we recommend one of the five portfolios available for investment. And, as your profile plays an important part in selecting your investment strategy, why not give us a call to help you with this process?

3. Stick to your strategy

It's human nature to become emotionally tied to the daily ups and downs of the share market. Especially when the media provides a running commentary on market events.

However, focusing on daily movements is a bit like rearranging the deck chairs on the Titanic – a waste of time. It can also lead to panic selling.

Remember, short term losses are always smoothed out over the long term. And, switching strategies or super funds on the back of short term falls is likely to end up losing you money.

Why? Because you've usually sold out of one option at the lowest price and bought into another at the highest price.

So, once you've selected your investment strategy, stick to it. The only time you should change your strategy is if your personal circumstances change.

4. Super consolidation

Merging all your super funds goes hand-in-hand with getting your investment strategy right. So, unless you've received specific advice to maintain more than one super fund, it's best to consolidate all your money.

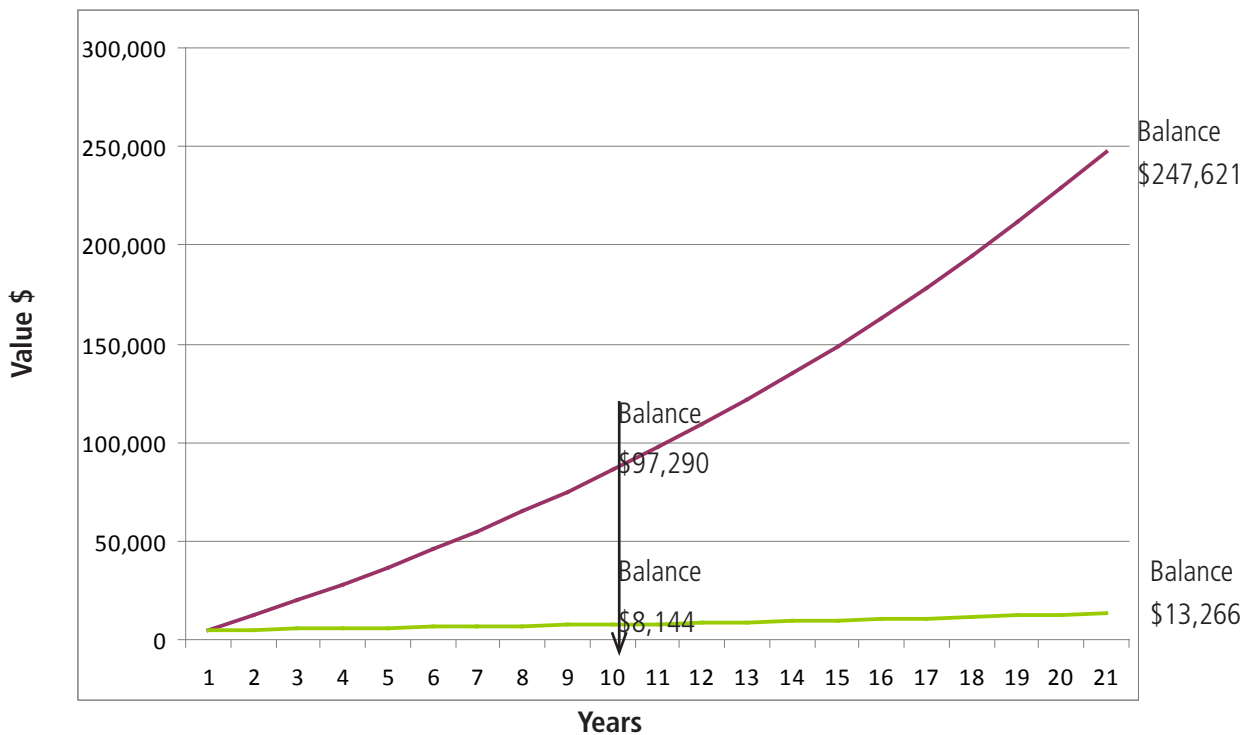
5. The power of compound interest

Over time, the effects of compound interest can really boost the size of your account balance – **even if you're not making any additional contributions**. Here's what we mean:

Consolidation offers three big positives. First, it **saves you money**, as you're not paying multiple account fees.

Second, it ensures your **investment strategy is focused** and aligned with your personal objectives and risk profile. If you're invested in other funds, there's a chance your investment strategy is different to that recommended for you by AXIS.

Third, you **benefit from compound interest**, which is simply interest earned on interest accumulating. Take a look at our next point to find out why compound interest is so significant.



Source: www.fido.gov.au Investment and Savings Calculator

The green line assumes an initial investment of \$5,000, no personal or employer contributions and a conservative rate of return of 5% pa over a 20 year period. After 20 years, the interest alone is \$8,266, with your final balance totalling \$13,266.

The red line assumes an initial investment of \$5,000, an annual salary of \$75,000 and the addition of your employer's SG contributions of 9% pa. As you can see, your final balance would be \$247,621, consisting of \$135,000 in contributions and compound interest of \$107,621! Astoundingly, the compound interest is only \$28,000 less than the contributions invested. Not bad for doing nothing.

The other interesting point to note is that while it takes about 10 years to reach a balance of \$100,000, it only takes another eight years to more than double that amount. All thanks to compound interest.

6. Make a sacrifice for your super

Sacrificing some of your salary to invest into your super can save you money and grow your account balance.

Salary sacrificed contributions are only taxed at 15% and come from your pre-tax salary. However, since you forego some of your salary to invest it into super, your overall salary reduces, which can also lower your annual tax liability.

You can salary sacrifice up to \$25,000 pa. All you need to do is arrange this with your employer. If you'd like more information about the benefits of salary sacrificing visit the member area of our website at www.axisfg.com.au

7. Benefit from the co-contribution

If you earn between \$31,920* and \$61,920* a year and you make after-tax contributions, you may qualify for the Government co-contribution.

The way it works is that for every \$1.00 of after-tax money you add to your super, the Government also contributes \$1.00, up to a maximum of \$1,000 a year, provided your annual assessable income is \$31,920* or less.

Even better is the fact that this money isn't subject to tax and you don't have to apply to receive it. The ATO works it all out for you.

Call us to find out more about the level of co-contribution you'd receive based on different amounts of contribution. To find out more about the co-contribution visit the member area of our website at www.axisfg.com.au

If you believe you're eligible for the co-contribution and have not yet received your payment for the 2008/09 financial year, don't panic. The ATO has experienced system problems and will issue your payment, including interest, as soon as possible.

* As at 1 July 2009.

8. Boost your spouse's super

If your spouse has little or no super, there are two ways you can help them build up their savings and benefit from other hidden advantages!

If your spouse earns \$10,800 pa or less, you may want to consider making **spouse contributions**. These are after-tax contributions made on behalf of your spouse, which can attract a tax offset.

To be eligible to claim the maximum 18% (ie \$540) offset, you need to contribute \$3,000 pa into your spouse's account. The offset gradually reduces to zero once your spouse's annual income hits \$13,800.

You can further grow your spouse's super by using a **contribution splitting** strategy in conjunction with making spouse contributions.

Contribution splitting 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.

The benefit of this strategy becomes obvious if you're thinking of opening an income stream account before age 60. That's because it can reduce your overall tax liability by lowering your account balance.

Eligibility criteria apply for both options, so give us a call to find out whether you qualify.

9. Transition to Retirement strategy

The Transition to Retirement (TTR) strategy has become enormously popular since its introduction two years ago. And for good reason!

TTR allows you to continue working full time or reduce to part time, while accessing your super.

The obvious benefits of this are that you can:

- continue to grow your super as you're still employed;
- maintain your current lifestyle as you're still earning;
- draw down on your super if you need to supplement your income; and
- obtain great tax savings at the same time, as all investment earnings and income payments are tax-free.

If you add a salary sacrificing and/or after-tax contributions strategy to the mix, you can reduce your tax liability further and perhaps also benefit from the co-contribution.

The only criteria for TTR is that you must be 55 or over and convert some or all of your super into an income stream product.

10. Nominate a beneficiary

An important – but often overlooked – aspect of getting your super in order is nominating a beneficiary.

The reason being, if you die while you're a member of your fund, the Trustee will pay your super and any insurance to the person(s) nominated by you.

If you don't provide a beneficiary nomination, it cannot only delay the payment of your benefits, it may also be paid to persons you no longer wish to receive the money.

It's therefore also important to always update your beneficiary details when your personal circumstances change, such as marriage, divorce or the birth of children.

Your beneficiary details are included on your Member Statements and we encourage you to take a moment to confirm the details are still appropriate.

11. Annual super health check

It's always a good idea to sit down with your AXIS financial adviser once a year, to ensure your super arrangements remain in line with your goals and personal circumstances.

You're welcome to come to our Perth office for a personal meeting or attend one of the regular onsite visits we conduct. It's entirely up to you and doesn't cost you any extra.

Ask AXIS Financial Group

Now that you've read some of the many options available to you, why not give us a call to get the ball rolling?

You can speak with our friendly Advisory Group or Technical Services team on **(08) 9426 5800** or **1800 111 299**.

Alternatively, email us at: mail@axisfg.com.au

References used in compiling this document:

- www.fido.gov.au Investment and Savings calculator

www.axisfg.com.au

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

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