Superannuation

Smart financial strategies for women

Secure, Build, Succeed.

WPP Licensee Services Pty Ltd
Suite 110, Level 1 Eastside
232 Robina Town Centre Drive
Robina Q 4226 Australia
AFSL No. 530393 ABN 76 649 079 998

Wealth Planning PARTNERS

Superannuation

Superannuation is something that a lot of people don't think about enough. As you can't access it till you retire, it's easy to put it low on the list of financial concerns.

However, your superannuation may be the most important source of retirement income, so even though your retirement seems a long way off, around 90% of women will retire with inadequate savings to fund a comfortable retirement.1

When you consider the fact that many women will take time out of the workforce to raise a family and some only return on a part-time basis or not at all, your superannuation savings will be greatly affected by those years out of the workforce.

Additionally, women's salaries are usually lower than their male counterpart and they tend to contribute more of it towards their household and children.

Having a lower superannuation balance becomes even more problematic as women generally retire before men do and they tend to have a longer life expectancy – 89 years for women and 86 years for men.2 This means women's financial security in retirement is at risk and they are more likely to outlive their retirement savings.

With the added effects of inflation on the cost of living in the future, the need for Australian women take control of their superannuation becomes paramount.

Here are the basics of superannuation and a few strategies to help you boost your retirement savings.

Investing in super for a comfortable retirement

Most Australians fund their retirement from their superannuation. It is a great tax-effective vehicle to build wealth, so it may be worthwhile to invest as much as you can in your pre-retirement years. Most superannuation funds offer a range of different investment options under the key asset classes (shares, property, fixed interest and cash), or a combination of these asset classes.

The overall tax paid on your superannuation investment is generally a maximum of 15% which is very generous when compared to other traditional forms of investing, such as personally held assets which could be taxed as much as 49% (including Medicare levy and Temporary Budget Repair levy). And once you reach age 60, the benefits become more compelling, as you'll generally be able to access your super tax free – a benefit that is hard to surpass!

Choose the fund that is right for you

Most Australians have a choice of where to put their superannuation, so it's worth reviewing your particular options instead of going with the default superannuation fund of your employer.

Before you choose a superannuation fund that will work best for you, investigate what your superannuation is invested in (shares, property, fixed interest, cash) and what your attitude to risk is (conservative, balanced or high growth).

Also consider the fund's investment performance, investment choice and insurance – these elements affect the growth of your superannuation. When you are switching superannuation funds, check the insurance cover available in the new fund and that you qualify for the required level of cover.

Your financial adviser can help you make a decision that is right for you.

Consolidating your superannuation (rolling over)

If you have held different jobs over the years, you may have multiple superannuation accounts. This could cost you money if you're being charged multiple fees, so consider consolidating all your superannuation accounts into one.

Simply visit OnePath.com.au/lostsuper to search for lost superannuation for free. Type in 'lost superannuation' in the search box, click on the 'Go' button, then select 'OnePath can help you ?nd your unclaimed super'.

Consolidating your superannuation means that your money works harder to increase your retirement savings. When your superannuation is in one place, you can keep better track of it. It also means you may only be paying one set of fees.

But remember, before rolling over money from other funds, check you are comfortable with the exit and withdrawal fees and other charges that may apply. Also check if any benefits, such as insurance, will be lost if you leave that fund. When you are ready to rollover your superannuation contact your main superannuation fund and they should instruct you on how to complete the necessary transfer forms.

How much superannuation will be enough?

Generally, Australian employers are required to contribute at least 9.5% of your ordinary time earnings to superannuation, but will this be enough for you to live comfortably in retirement? Current research suggests around 90% of Australian women won't have enough savings to fund a comfortable retirement.3

The amount of superannuation you may need depends on your personal circumstances, such as age, income, desired retirement age, desired retirement income and superannuation balance. However, you should consider the following as well:

- How much time you have to accumulate your superannuation, especially if you plan to take time out of the workforce
- The cost of living and effects of inflation in the future
- The increase in life expectancies meaning a longer retirement period
- Your attitude to risk and return
- How much you have already saved for your retirement
- If you have dependants to consider
- Any other investments you may have
- The type of lifestyle you wish to have in retirement.

[1]The Association of Superannuation Funds of Australia, 2015: Help ASFA close the $92,000 superannuation gender gap this Women's Day

[2]2015 Intergenerational Report, 'Australia in 2055'. Page 5. Source: The Commonwealth of Australia.

[3]The Association of Superannuation Funds of Australia, 2015

Superannuation boosting strategies

Salary sacrifice
Salary sacrificing is a powerful way to grow your superannuation balance. When you salary sacrifice, you contribute part of your pre-tax income into your superannuation fund.

There are potential benefits to this strategy as it may reduce the income tax you pay and exponentially boost your retirement savings. Working out whether salary sacrifice is right for you will depend on how much you earn and your personal circumstances.

If you decide that this might be the right strategy for you, make the necessary arrangements with your employer (if available) on the percentage you want to sacrifice.

The sooner you act the better, as you cannot salary sacrifice any salary already received.

Salary sacrifice is an important strategy to consider regardless of whether you are having a family or taking a career break.

Case study

Meet Lisa
Lisa is 35 years of age and is a marketing executive earning $75,000 p.a. In addition, her employer contributes $7,125 into Lisa's superannuation (9.5% of $75,000) irrespective of her salary sacrifice amount.

Lisa is considering making a $10,000 salary sacrifice contribution to her superannuation in the 2015/16 financial year.

The below table shows the difference salary sacrificing $10,000 into superannuation will make for Lisa:

	No salary sacrifice	Salary sacrificing $10,000 to superannuation
Salary before income tax	$75,000	$65,000
Income tax payable* (Marginal tax rate and Medicare levy 34.5%)	$17,422	$13,947
Lisa's take home salary (after income tax is taken out)	$57,578	$51,053
Total employer contributions including salary sacrifice)	$7,125 (subject to 15% superannuation contributions tax)	$17,125** (subject to 15% superannuation contributions tax)

Lisa's $10,000 salary sacrifice superannuation contribution has only reduced her take-home salary by $6,525 and increased her superannuation balance by $8,500.
* Based on 34.5% Income tax rate.
** Assumes Lisa's employer doesn't reduce SG contributions in line with her reduced salary.

Government superannuation co-contribution scheme

If you are eligible for Government co-contributions, this is another smart way to boost your superannuation balance.

Under the scheme, if you earn a total income of $35,454 or less, and meet the eligibility criteria, the Government will contribute $0.50 for each after-tax dollar you contribute, up to a maximum co-contribution of $500.

The Government co-contribution amount reduces if you earn more than $35,454 and cuts off for those earning a total income of $50,454 or more. This is a great incentive for you to put extra money towards your superannuation.

The co-contribution amount depends on how much you contribute and your total income for the financial year. The below table shows the Government co-contribution amounts payable in 2015/16 over a range of incomes:

Total income	Amount of minimum personal after-tax contribution required	Maximum government co-contribution received
$35,454 or less	$1,000	$500
$38,454	$800	$400
$41,454	$600	$300
$44,454	$400	$200
$47,454	$200	$100
$50,454 or more	n/a	Nil

If you are just starting out in the workforce or working part-time and may be earning a low income, this scheme is especially advantageous for you to boost your superannuation balance.

Spouse contributions

A spouse can make contributions into the other spouse's account, regardless of income. When a spouse makes contributions into your superannuation account, they may be eligible for a tax offset of 18% on up to the first $3,000 of spouse contributions, a maximum tax offset of $540. This tax offset reduces once the second spouse's income reaches $10,800 and cuts out once income reaches $13,800. Spouse contributions are suitable for those who are low income earners but have a higher income spouse. If you plan to take time out of work, you can still build a superannuation nest egg with the help of your spouse's contributions into your superannuation account.

Contributions splitting

Couples who are eligible for superannuation splitting may be able to split their superannuation contributions. This means couples can transfer certain contributions from one spouse's account to the other's account.

Some of the main benefits of contributions splitting are you may be able to have earlier access to these benefits and they are concessionally taxed. In addition, it can be a tax effective way of funding life insurance. Superannuation splitting may be used to increase the superannuation savings of one member of a couple – it can even-up the distribution of superannuation savings between each member so that both members may be able to access tax free lumps sums, if they retire after preservation age, but before age 60.

Case study

Meet Tracey

Tracey is 40 years of age and is a part-time administration assistant earning $35,000 p.a. Given her total income is less than $35,454, she qualifies for the government co-contribution scheme. If she makes a personal after-tax superannuation contribution of $1,000, she will receive a government co-contribution of $500 – for no additional effort!

Would you like more information? To find out how you can boost your superannuation balance or calculate how much superannuation you will need for your future, speak to your financial adviser. Your financial adviser can tailor solutions for your individual needs and circumstances.

Wealth Planning Partners
T (07) 5593 0855
E amanda@wealthplanningpartners.com.au
www.wealthplanningpartners.com.au