Sort Super or Suffer

Super is complex, but complacency will hurt in the long term. The time to act is now, writes **Anthony Keane**

MANY of us have heard of the three Rs in education, but if you want to avoid falling short in your retirement it's a good idea to focus on the five Cs.

Galaxy statistics show that Australians expect their super balances to be around $200,000 short when they retire, but super specialists say boosting your balance can be simple, despite the constantly changing and complex rules.

"There are really only five things that people need to do to get their super in shape," said AustralianSuper group executive Paul Schroder. Here are his five Cs.

1 CHOOSE WISELY

Mr Schroder said an extra 1 per cent of annual returns would deliver a 25-year-old an extra $97,000 at age 65, with a similar result for people who cut 1 per cent from fund fees.

"Finding both gives you about $200,000 extra in your super, which generates about $12,000 a year of income in retirement."

2 CONSOLIDATE

Many people waste money holding lots of low-balance super funds that they never got around to combining. It's never been easier to find and switch super funds through sites such as **ato.gov.au** and **my.gov.au**.

"If somebody said there was $300 down the back of the couch, you would reach your hand down and get it. At the moment, with your iPad, you can click and find your lost super while sitting on the couch," Mr Schroder said.

3 CONTRIBUTE

Extra contributions make a big difference to the final balance. With the money locked away, income gets a chance to build on itself – or compound – every year. Contributing via salary sacrifice saves you money because it's taxed at 15 per cent rather than up to 49 per cent.

4 CHECK INSURANCE

"Nearly every super fund has insurance in it," Mr Schroder said.

"It's a tax effective, cost effective way to buy insurance but it's not good if you are paying too much, or have multiple insurances and might be paying premiums you are not aware of."

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5 CONTINUE

Don't switch super funds whenever you switch jobs. Most employers allow you to choose your fund, so if you're on a good thing, stick to it, even in retirement.

"Keep your super working when you have stopped working," Mr Schroder said.

Financial strategist Theo Marinis has a simple motto for building a big super balance: “start as soon as you can, with as much as you can, for as long as you can”.

Mr Marinis said constant rule changes by federal governments made super complex but the rules driving it were time, tax-effectiveness and compound interest.

Compound interest had been described by both billionaire Warren Buffett and genius Albert Einstein as the eighth wonder of the world, he said: “The sooner you start and the longer you do it, the more compound interest you will accumulate.”