

Investing super dills

Most Aussies giving away money

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MORE than nine in 10 Australians may be costing themselves thousands of dollars a year by failing to put extra money into superannuation.

A new study of more than a million super fund accounts has found that 92 per cent of savers have only the compulsory 9.5 per cent employer contributions paid in. Experts say this is not enough to assure a comfortable retirement.

Global investment group Vanguard's research shows that some free money incentives — such as \$500 for cocontributions and \$540 for spouse contributions — are used by only 1 per cent, or less, of super fund members.

"You wouldn't walk past \$500 if it was in an envelope on the footpath," said Vanguard head of market strategy Robin Bowerman. "The inertia factor is pretty strong."

Vanguard's How Australia Saves 2017 report — in partnership with Sunsuper — found about 4 per cent of people used salary sacrifice last financial year, bumping up their average contribution from 9.5 per cent to 16 per cent.

Only 0.5 per cent made contributions to their spouse's super to potentially qualify for a \$540 tax offset, and just 1 per cent took advantage of the government's co-contribution scheme for low- and middleincome earners, which deposits \$500 if a member injects \$1000 of their own money.

Financial strategist Theo Marinis said many people did not trust super because the rules kept changing.

"People use that as an excuse, but are giving away guaranteed money," he said.

"If someone said, 'Give me \$1000 and I will give you \$1500', you wouldn't hesitate. It's a good deal."

Mr Marinis said salary sacrifice could deliver an Australian earning \$80,000 a year up to \$3370 in annual net tax savings, and any extra contributions would benefit from years of compounding interest.

"If your fund gets a 7 per cent annual return, every 10 years your money doubles in value," he said.

"As human beings, we know what we should do, but we look for the easy way out. If we didn't have compulsory super, 90 per cent of us would have nothing when we retire. It's human nature — the more you earn, the more you spend. If your salary doubles, you are still spending 101 per cent of it."

Vanguard's report says member inertia and super fund default settings are key drivers of the super system. Mr Bowerman said almost 85 per cent of Australians had their money in their super fund default option.