

Don't Forget to Give the Grandkids a Super Start

With only a month to go before the end of the Financial Year grandparents, parents and even spouses of low paid workers should be rushing to contribute up to \$1,000 to their family member's super account to take advantage of the very generous federal government superannuation co-contribution, said Adelaide based financial strategist Theo Marinis.

“If you, or a family member (or even a friend for that matter) put up to an extra \$1,000 in your superannuation account before 30 June 2008 – and you earn less than \$58,000 pa, the federal government will make a co-contribution of up to \$1,500, which will super-charge your retirement savings.

“This is a great way for grandparents to give a really significant financial hand to their working grandchildren.

“For an 19 year old who has been working in retail since February earning say \$27,000 pa and whose grandmother contributes an extra \$1,000 to their super fund account and the government adds \$1,500 in co-contribution, the grandchild's super will immediately jump to around \$3,300 (which includes what is compulsorily put in by their employer over and above their wages).

If a 19 year old contributions \$20 per week or \$1,040 pa into their super fund each year to age 65, this annual saving would grow to approximately \$250,000*.

Taking the above \$20 per week example further, if that 19 year old (contributing this amount from 19 to 65 years of age) also qualified for this full government co-contribution of \$1,500 pa, as a result of this savings plan and the government's co contribution, this portion of their super would grow to approximately \$612,000*.

“And it is very important to get your contribution in this year. A little discussed effect of a 2008 budget announcement means the co-contribution rate will be squeezed in certain circumstances from 1 July 2009, making it not nearly as widely available as it is now.

“Of course, Superannuation is a long term investment hence the old adage is true, the longer you have money in the fund earning compound interest, the more it will be worth when it comes time to take it out – this is because you earn interest on your interest over the years.

“The co-contribution is a great way to effectively help out your grandchildren or other low paid loved ones for not much cost to yourself.

“To make this happen, all you need to do is to send a cheque to your loved ones current super fund, along with their name and super account details. The federal government will automatically credit the co-contribution once their tax return has been submitted.” said Theo

*** Assuming 6% net earning rate**

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