



FINANCIAL UNCOUPLING: David & Libby Koch on the parting of wealth

# Home truths on a super strategy

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IT'S the great retirement trade-off – super or the mortgage. As retirement nears, should you pay off your home loan faster or feather your nest egg?

Experts say a case can be made for either option.

Westpac Private Bank adviser David Simon says the Australian love affair with property usually takes priority. But if you use your head instead of your heart, the tax savings from super are hard to resist.

“Most people put the mortgage ahead of their super and typically focus solely on reducing or eliminating it, before building up their superannuation,” Simon says.

“Nevertheless, contributing money into super is very tax effective, as it generally attracts a 15 per cent contribution tax rate. This is a contrast to mortgage repayments, which are funded by after-tax income which could be taxed up to three times higher.

“The strategy of putting pre-tax money into super and then taking it out after age 60 tax-free can be a very attractive outcome for mortgage holders.”

For example, a 50-year-old

on an income of \$85,000 would be roughly \$16,000 better off by age 65 if they put \$500 a month extra in to super than if they

paid it off their mortgage, Simon

says. Then at retirement,

they still have the option of withdrawing the money

tax-free and making a lump sum mortgage repayment.

However, he says, people are wary of the risks created by governments when it comes to trusting super. Rule changes are a risk that has to be

factored into any decision, along with other risks such as market fluctuations and losses within super funds.

“Putting as much money as possible into the mortgage is also a sound strategy,” Simon says. “A combined approach might be the (right) decision”.

**Marinis Financial Group managing director Theo Marinis says, for pre-retirees, it's hard to beat the tax break within super.**

“Super is not a hard idea. It's the Government giving you a huge tax break. And once you retire, you can do anything you want, including paying off your mortgage,” he says.

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