Invest in super before boomer turns to bust

GIVE SUPER A BOOMER BOOST

- Understand the tax benefits of super. Low or zero tax is payable on investment earnings, and withdrawals after age 60 are tax free.
- Take advantage of salary sacrifice, where your money is taxed at 15 per cent rather than at your marginal tax rate. Over-50s can deposit $35,000 each year this way.

Pauline Vamos

- Super contributions made on behalf of a low-income spouse can deliver a $540 annual tax offset.
- Low and middle income earners can get a $500 government co- contribution if they make personal deposits into super.

Theo Marinis

- Aim to hold some investments outside the super environment for financial flexibility.
- Compound interest will help grow the value of investments over time, as each year's profits build a bigger asset base. This means any small contributions should grow strongly over time.
- Pre-retirees can enjoy big tax savings using a transition to retirement strategy. Speak to an experienced adviser.

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THE last baby boomers turned 50 this week and many are facing an uncertain retirement on the financial front, but superannuation experts say they still have time to make a big difference.

Planned changes to age pension rules mean most of today's 50-year-olds won't be able to access the pension until 69 or 70, giving them two decades to take advantage of generous tax rules and incentives around super.

But baby boomers, born be-tween 1946 and 1964, will have to overcome several obstacles including their own mindset, financial advisers say.

A couple needs about $510,000 of super and other money to enjoy a comfortable retirement partly funded by the age pension, according to the Association of Superannuation Funds of Australia. To be fully self-funded most would need at least twice that amount.

The latest ASFA data, based on 2012 figures, show the aver-age super balance for Australians aged 50-54 is about $104,000, and the gap between men ($137,000) and women ($72,000) is wide.

However, the median super balance for the age group is just $47,000, meaning half the population has less than that.

Baby boomers have not benefited from a full working life of compulsory employer super payments, which only reached 9 per cent in 2002 and 9.5 per cent last year. They were also hit hard by the global financial crisis because of their larger-than-average super balances and face a tightening of pension rules and payments in coming years.

"If you are a tail-end baby boomer you are probably going to cop the raw end of the pineapple, but you still have plenty of time," financial strategist Theo Marinis said.

He said many baby boomers suffered from "the inertia effect" and put off planning their retirement because they did not think they were in a good financial position.

"Many people think they can't afford to retire but most people can," he said. "You might be surprised to find you are not in as bad a position as you think you are. If you are 20 years from retirement there is plenty of time to make a massive difference.

"Your 50s tend to be your peak earning years. The kids are gone or are not as big a financial hassle."

Mr Marinis said the key was to start making extra deposits into super as soon as possible to benefit from 10 or 20 years of compounding investment returns.

"Review what you are paying in fees. If you are paying too much in fees you don't get to keep as much super, and there are plenty of lower cost options out there. See a good adviser who can help."

ASFA chief executive Pauline Vamos said super offered lower tax rates for money going in, lower tax on earnings in super, and low or zero tax on money coming out.

"The bottom line is that the taxation around superannuation is still the best game in town by far," she said.

Ms Vamos said a late burst of money into super in your 50s would help you get financially fit for retirement.

"Look at how you can salary sacrifice into super," she said. "Check your insurance cover. Once you are over 50 your premiums go up, so do you need that much insurance?"

Rex Whitford, 50, ended a 20-year navy career in 2001 and became a financial planner. "I had some rather bad ad-vice myself when I was in the navy and thought I could have done a better job than that bloke," he said.

Mr Whitford said at 50, retirement was not as far away as he would like to think it was.

"I do want to make hay while I have got the opportunity," he said. "I feel the shadow of inevitable retirement is closing in. I'm confident but I'm also cautious."

He said many baby boomers believed they would have to work for another 20 years.

"I think baby boomers are some of the worst prepared for retirement, sadly," he said. "They have chosen today's life-style over retirement.

"The need for instant gratification is some people's worst enemy."

People should also try to save money outside the super environment to have financial flexibility, and should look at restructuring their personal insurance as death cover became less important but disability cover more important.

"At age 50, now is the time when things can start to go wrong, said Mr Whitford the principal of Wealth For Life Financial Planning.

He said it was important to include spouses in retirement planning.

"Bring them on the journey with you - you have got to have a consensus," he said.

"And don't invest too conservatively. The greatest risk is that they are not aggressive enough."