

David & Libby Koeh



Don't tread water on super

ANTHONY KEANE

SUPERANNUATION is about much more than saving money, especially if you are over 60.

Pension changes, volatile investment markets and government tinkering with the rules make it vital for seniors to have strategies in place.

Saving on tax and maximising age pension payments are often the big focus, but you want to ensure your nest egg goes the distance.

Here are some strategies for over-60s to think about.

TRANSITION TO RETIREMENT

Once you reach your super-annuation preservation age – which is 55 for people born before July 1960 – you can use some super to start a tax-free account based pension.

Coupled with aggressive salary sacrificing, it's a powerful strategy that saves tax.

"Because the pension is tax exempt, it's a no-brainer and everybody should do it," says Marinis Financial Group managing director Theo Marinis.

SPOUSE SPLITS

There are several strategies for couples who have an age gap approaching retirement.

A retiring older partner can potentially increase their age pension by transferring their super to a younger spouse, effectively hiding it from Centrelink means testing until the younger person reaches age pension age.

"Super is exempt (from Centrelink tests) if you are under age pension age, which going forward is as much as 67 for some people," Marinis says.

Couples also can split their nest eggs and super contributions to even out their balances ahead of likely new rules, which may hit large account-based pensions.

"Engineer strategies based on what the rules are and what you anticipate they will be."

INVESTMENT MIX

Some experts believe older Australians switch their super to conservative, low-return assets too early.

Sticking with safe cash deposits is fine if you can't stomach the volatility of

growth assets such as shares and property, but you may risk running out of money.

"It's not like the glory days of 2007-08 where you got 7.5 per cent from term deposits, risk-free," says RateCity superannuation specialist Jeremy Willink.

"People are living to 80 or 90 now – you need to be thinking longer term and think about what kind of assets will generate enough for you. Speak to a financial planner."

FEES

Cutting the fees you pay to your super fund or pension provider can be as important as other strategies. "You can't control investment markets but you can control the fees and charges you pay," says Willink.

He says average super fund fees for a \$100,000 balance are \$1174 a year – or 1.17 per cent of your nest egg.

For account-based pensions worth \$250,000 the average annual fee is \$3028 (1.21 per

cent) and for a \$500,000 pension it's \$5731 (1.15 per cent).

"If your pension or super fund fees are higher than the industry average, it might be a good idea to shop around."



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