Nasty cut for super savings

ANTHONY KEANE

YOUNG workers are at risk of having their first experience of superannuation be watching their savings disappear.

Super's complex rules and rising insurance costs mean some employees' new nest eggs are being eaten up by fees and insurance premiums.

Parents and grandparents are being urged to take a more active role in encouraging the use of super and in helping to stop it going backwards.

Super funds are legally required to provide default life insurance, and data from research group SuperRatings shows the average cost for a 20-year-old is $160 a year.

Workers are also charged fund membership fees averaging $78 a year, plus investment management costs, and bosses only need to make their compulsory 9.5 per cent superannuation contributions in months that an employee's income is greater than $450.

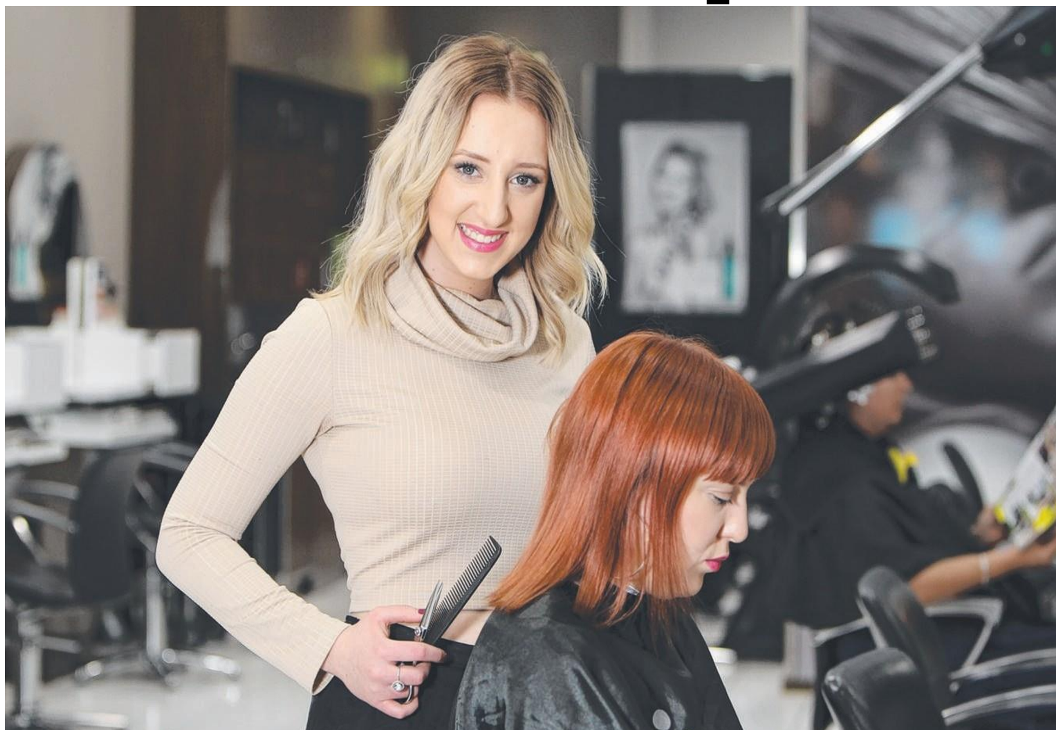
Young part-time workers whose income slips under the $450 threshold in some months are most at risk of having their super wiped out, although even those on regular part-time wages might lose more than half of it.

SuperRatings CEO Adam Gee said insurance costs were "eating away at a reasonable portion of the balance" of super, but did not have to.

"Members, provided they take an interest in their superannuation, do have the ability to opt out of that if they don't want the insurance," he said.

On July 1, several super funds increased insurance premiums by more than 50 per cent following hefty rises in previous years.

Mr Gee said some funds were reviewing their insurance with the potential to introduce age-based default cover. "The average member is pretty disengaged from their super, particularly younger people," he said.



STARTING OUT: Apprentice hairdresser Jess Peake with colleague Grace Smith at Zink Hair in Unley. Picture: EMMA BRASIER

Jess Peake, 17, who started working as an apprentice hairdresser this year, said she believed most young people did not think much about super.

"It's on their payslip and they don't know how important it is. I didn't even know there were fees," she said.

"When you're starting a career you're not going to start thinking about retirement."

Financial strategist Theo Marinis said a teenager's first job was an opportunity for parents and grandparents to help kickstart their super through the $500 government co-contribution for employees earning less than $35,454 a year.

"Super works best when you start as soon as you can," he said.

HOW PARENTS CAN HELP

1. Ask children about their superannuation when they start a job and help them get signed up online so they can keep an eye on their money.

2. Consider depositing $20 of your money every week into their super, which will qualify them for a $500 government co-contribution if they earn less than $35,454 a year.

3. See how their super is invested. Most default funds have a balanced mix of assets, but younger people with 50 years of saving ahead can often be more aggressive.

4. Examine their insurance premiums. Death cover might not be necessary for a teenager, but disability and income protection insurance are important for all ages.

5. Remind them that it's their money, just like a bank account or money box, only with rules that stop them from grabbing it until much later in life.

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