Seven steps to security

A little change now can mean big bucks in retirement, writes **Anthony Keane**

MILLIONS of clocks are ticking for every Australian aged under 60 who wants to enjoy a comfortable lifestyle in their later years.

While thinking about the year ahead, take a few minutes to plan beyond that, and understand how small financial changes today can pay huge benefits over time.

Superannuation is the longest-term asset most people have and usually their biggest or second-biggest investment depending on the size of their home.

Club Plus Super chief executive Paul Cahill says January is the perfect time to take control.

"The difference for many between a comfortable and a challenging retirement might be as simple as developing motivation as early in life as possible to place the financial success of their retirement in their own hands," he says.

Most older Australians will agree that retirement sneaks up on people quickly, so here are seven steps to make the most of super this year.

1. SET TARGETS

Goals give you something to aim for, and an enjoyable retirement free of money worries is a worthwhile destination on any money map. Think about the age you would like to retire, but don't worry too much about the lump sum needed, which is often a large and scary number.

Instead, think about the level of income you would like to live on, taking into account both age pension and super, and work out how to reach it.

2. SAVE SOME MORE

Every extra dollar counts, and there are several ways to pour more money into super, which if untouched over several years or decades can multiply several times.

Cahill says salary-sacrificing part of your wage is the most popular way, and your money is taxed at just 15 per cent as it goes in rather than the average 30-35 per cent that wage earners get taxed.

"Most employers around Australia will allow you to do that," he says.

3. CHECK YOUR INSURANCE

Too much or too little life insurance can be costly. Cahill says as a minimum you should have enough to cover your family's debts if you die or become disabled.

"We find that Australians are chronically underinsured, and the people that miss out the most are the families. Make sure you have the right amount of cover so your loved ones don't get left with the bill," he says.

Having too much insurance can also be a negative. Older savers who have repaid their mortgage and finished putting the kids through school may be wasting money if their life insurance cover is too high.

"High premiums mean less money going into super," says financial strategist Theo Marinis. "It works both ways."

4. FEE CHECK

Investment returns have been reasonably low lately, and paying an extra 1 per cent on fund fees will do some serious damage to your final retirement balance.

"Make sure your fees are as low as possible without losing functionality," Marinis says.

Online comparison sites such as Morningstar, Chant West and even moneysaverhq.com.au help you compare fund fees, while financial advisers also can crunch the numbers.

5. GET THE ASSETS RIGHT

Super is not an investment – it's a tax structure that holds your investments, so review how your money is allocated and change it if needed. Younger investors can usually target mostly higher-risk, higher-growth assets such as shares and property, while the risk should start to be dialed down when you pass age 50.

Check out the online retirement calculator at moneysmart.gov.au.

"The most important thing is to take an active interest in your super," Marinis says.

6. LET'S GET TOGETHER

Cahill says consolidating lost or small super accounts is like making an extra contribution, saves on fees, and stops the Federal Government from "hoovering" your money into consolidated revenue while it waits for you to claim it back.

The my.gov.au website has made it faster and easier than ever to combine super funds.

7. TALK TO A PROFESSIONAL

There are plenty of online calculators and information to help you work out what you need and what you have to do, but good personal advice can be invaluable.

"People who get the closest to their retirement goals are the ones who sit down with a planner," Cahill says.

It's like going to the doctor - you get a lot more if you sit down in front of them rather than Google it.

David and Libby Koch's columns return to moneysaverHQ next week

Tipping buildsup balance

SOPHIE ELSWORTH

TIPPING extra money into your superannuation fund should be on your "to-do" list this month to ensure your savings fatten faster.

For a 30-year-old throwing an extra $20 a week into their fund, the benefits could increase retirement savings by $90,000 in future dollars when they reach 67.

Contacting your employer or super fund to set up automatic direct debits is a simple way to get the ball rolling to a healthier retirement, experts say.

AustralianSuper general manager for membership Paul Schroder says its "easy to do" and people shouldn't put it off.

"All the members that I met that have good balances and are going to have a good retirement started early," he says. "We have 12,500 people under 30 making extra contributions into their accounts – they will have a much better retirement because of extra contributions and by starting early."

The Australian Institute of Superannuation Trustees' chief executive officer, Tom Garcia, says complacency about super can be costly.

"Most funds accept contributions in a number of ways, including direct debits from your bank account, BPAY or electronic funds transfer," he says. But Garcia also warns that limits apply. "If you're under 50, you are allowed to put in up to $30,000 concessional (before tax) and up to $180,000 non- concessional (after tax) each financial year," he says.

"Any super your employer pays you is included as concessional contributions, so counts towards your $30,000 cap."

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
T 08 8130 5130 | F 08 8331 9161 | A 67 Kensington Road, NORWOOD SA 5067
E admin@marinisgroup.com.au | W marinisgroup.com.au
ABN 54 083 005 930 5067 | AFSL No: 326403

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