How to grow super faster

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THERE ARE SEVERAL WAYS YOU CAN MAKE A BIG DIFFERENCE TO YOUR SAVINGS IN THE LONG TERM

Superannuation savers shouldn't rely on the Federal Government pumping up their compulsory employer payments next year, but there's plenty they can do themselves.

Last month's 638-page Retirement Income Review final report gave the Morrison government a path to hold the superannuation guarantee (SG) at 9.5 per cent of wages rather than lift it to 10 per cent in July as planned, some super specialists say.

There are mixed views as to whether the government will halt legislated changes that see the SG rising to 12 per cent by 2025.

The review says Australia's current retirement saving system works well and warns increasing the SG will affect take home wages.

Financial strategist Theo Marinis says the review gives the government an opportunity to say 9.5 per cent super delivers a good outcome – "you just have to dip into the equity of your home".

Marinis says compulsory super since 1991 has hugely improved Australians' savings: "We have $3 trillion in super which we wouldn't have had if it wasn't for compulsion."

"If the government won't increase it, you should do it," he says.

"Salary sacrifice that half a per cent into super, and if you can afford to do more, aim to do more."

Small extra contributions aren't noticed much now but will reward you later, Marinis says.

"The secret of super is compound interest, and you pay less tax in super than you would externally," he says.

Alex Hughes and husband Duane, both 45, work in their family business GE Hughes Construction Co and are maximising the concessional contributions they put into super each year, which also delivers them tax deductions. "I always think long term," she says. "Having that flexibility later in life to do what you want is a great thing. We are hoping to give a good start to our children as well."

QSuper chief of member experience Jason Murray says the rise to 12 per cent requires legislative changes to halt it, and "there is currently no legislation on the table to stop the increase".

Murray says it's important to first understand what you want from your retirement.

“There are plenty of free, online tools such as the government’s MoneySmart retirement planner calculator that can help you work out what you need and whether you are on track to achieve it,” he says.

Regular extra contributions make a big difference in the long term, Murray says. “For example, contributing just $20 per week from your take home pay over 30 years can add more than $85,000 to your income in retirement,” he says.

“Finding lost and unclaimed super and consolidating your accounts to take advantage of the compound interest on a larger balance and fewer fees will also give your retirement savings a boost.”

Retirement coach and founder of 64PLUS Dr Jon Glass does not expect compulsory super to rise to 12 per cent “any time soon” and says people 10-15 years out from retirement should do a two-step analysis: “What kind of lifestyle do you want to have? For example, do you wish to go travelling often, occasionally overseas?” he says.

“Then, estimate the annual spend that will be required to support that lifestyle, and match it to your actual superannuation savings.”

Glass says super savers should be flexible, work to change bad habits around savings and consumption, and research compound interest.

Six ways to boost

1. Make extra tax-deductible contributions through salary sacrifice or other personal injections.
2. Use government incentives and tax breaks to boost your spouse's super.
3. Lower income workers can access the $500 government co contribution annually.
4. Check that your mix of assets in super will give you the strongest long-term growth.
5. Don't chop and change investments when financial markets get volatile.
6. Find lost super and combine multiple accounts to save money on fees.

Alex and Duane Hughes maximise their super so they can enjoy a better future for themselves and their children, Hayden, 7, Harrison, 2, and Hudson, 1. Picture: Dean Martin