How to double your super

IT IS IMPORTANT TO CHOOSE THE RIGHT INVESTMENT STRATEGY FOR YOUR AGE

Super fund member Queenie Tan takes a strong interest in her superannuation.

COST OF LIVING

ANTHONY KEANE

The good news is that age is not a barrier to doubling your superannuation.

Whether you're in your 20s or recently retired in your 60s, there are government incentives and strategies to grow super faster and enjoy a tax-free retirement.

Millions of Australians withdrew super during the pandemic through the Federal Government's early release scheme. Building it back up can deliver massive long-term gains flowing from compound interest.

For example, $10,000 earning a 6 per cent annual return compounds to $18,000 over 10 years and $33,000 over 20 years, before the multiplier effect really kicks in to deliver $60,000 after 30 years and $110,000 after 40 years.

Finance educator Vanessa Stoykov says many Australians underestimate the power and potential of superannuation. "In a nutshell, your super will become the house of the future," Stoykov says.

So how do you double your super before retirement? Here's the expert guide:

START SMALL

Making extra contributions as soon as you can is a key step, Stoykov says.

"Even if you only contribute an extra $20 a month, the growth that this will have long term is significant," she says.

The super co-contribution delivers an effective 50 per cent investment return for lower-income earners who pump $1000 into super because the government then adds $500.

Stoykov says younger people can accept riskier, higher-growth super fund investment options.

Stockspot founder and CEO Chris Brycki says people should choose the right investment strategy for their age. "Essentially, if you're in your 20s and 30s your strategy should be a growth or high growth-oriented strategy, with the majority of your assets weighted towards riskier assets like shares and property," he says.

"If you're in your 40s and 50s, you should still have most of your assets weighted towards riskier assets, but a larger portion should be in low-risk assets like bonds."

BE FORENSIC ON FEES

Brycki says fees are a huge factor affecting differences in super fund returns. "If you make the change to a low-cost super fund when you're young, you could earn yourself massive returns in the future."

Fees are also vital closer to retirement as portfolios become more conservative and returns lower – so the fee impact can be greater.

LOOK FOR AGE-APPROPRIATE INCENTIVES

Australians approaching retirement can use government incentives to grow super quickly if they have other non-super assets.

Retirees generally switch their super to tax-free account-based pensions, whereas investments held outside super attract tax.

Financial strategist Theo Marinis says it can be harder for older people with bigger nest eggs to double super "but in other ways it's easier if you have assets somewhere else".

"If aged 60 you have six or seven years to gradually sell down your non-super assets and contribute over time," Marinis says.

Tax-deductible contributions up to $25,000 and other contributions up to $100,000 each year are allowed.

There's also downsizer contributions, introduced in 2018. "If selling a home, a couple can put in up to $300,000 each after age 65."

Similarly, if you're older and have $200,000 in super, it's possible to get that to $400,000 using strategies and incentives.

THE CASE OF QUEENIE TAN

Super fund member Tan, 24, who works in marketing, sees super as part of her overall investment strategy and switched funds to save on fees. "I also consolidated my super so that it's all in the one place and I'm not paying unnecessary management fees by having multiple super funds open," she says.

Tan regularly checks online to see how her fund is performing, and also plans to look into salary sacrifice later in life to save on tax.

More ways to top up your nest egg

- Extra concessional contributions, such as salary sacrifice, deliver tax deductions.
- Non-concessional contributions of up to $100,000 a year are also allowed.
- The government co-contribution for lower income earners can total $500 annually.
- Spouse contributions deliver tax breaks and help grow a partner's nest egg.
- Downsizer contributions of $300,000 per person aged over 65 are allowed from selling.

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