Why a younger eye on super is salient

With more being locked out of home ownership, superannuation is becoming the best asset, writes Anthony Keane

SUPERANNUATION'S days of being ignored by millions of Aussies aged under 50 need to stop now. Rule changes for the nation's $2.3 trillion super system have made it much harder to quickly grow a nest egg later in life once the kids have left home.

And the growing numbers of young people being locked out of the real estate market are being urged to realise their super is likely to be the largest asset they will ever own.

The federal government last July lowered the maximum level of tax deductible super contributions allowed each year to $25,000.

Financial strategist Theo Marinis said this was a long way from historical annual limits of $50,000 and $100,000, so people could no longer ramp up retirement savings in the decade before they stopped working.

"The longer you leave it, the worse it is," he said. "The secrets to superannuation are tax efficiency and compound interest."

Compound interest, once described by Albert Einstein as the eighth wonder of the world, means earning interest on your interest on your interest and so on. Super is perfect for this because your money can't be accessed until retirement, meaning all the income it generates gets reinvested into more assets, which generate more income. There are several ways to boost your super balance faster: › Salary sacrificing part of your wage, which gets taxed at just 15 per cent instead of your marginal tax rate;

- Taking advantage of incentives such as the government's super contribution or spouse contribution;

- Consolidating multiple super funds into one to save on fees; ›
- Checking the insurance you have within super to ensure it's not costing you unnecessary premiums; and
- Changing your mix of investments in super to focus on more growth assets such as property and shares if you have decades before retirement.

Other changes that came into force last July do not hurt most workers, but NDA Law managing director Andrea Michaels said the constant tweaking of rules was damaging people's confidence. "Even if you are not affected by the contribution caps, you may not understand the system because they keep playing with it, and that's a danger," she said, adding that super fund members needed to pay attention sooner in life and not bank on a future healthy government pension.

"It's going to be tough for the government to continue the age pension at the (current) level.

"If you make small contributions in your 30s, the compounding effect of that money is going to mount up."

The Australian Securities and Investments Commission's moneysmart.gov.au website has a range of calculators that help you forecast your nest egg and retirement income, work out how extra contributions can boost your savings, and check how long you can expect your super savings to last.

"People are generally healthier and living longer," it says. "Retired men can expect to live to 86, retired women to 90. This means if you stop working at 60, you are likely to need retirement income for 26-30 years."

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