

Take a bow, Mr Keating – Super Balances will Boom Thanks to the GFC

Working Australians were forced to contribute 9% of their salary to superannuation during the Global Financial Crisis (GFC) which at the time caused many grumbles, but thanks to this “forced buying” their super funds will benefit significantly, says Adelaide based financial strategist Theo Marinis.

“The father of Australia’s superannuation scheme, former Federal Treasurer and Prime Minister, Mr Paul Keating should take a bow!

“Put simply, from earnings of \$2,000 per week (under the compulsory superannuation guarantee legislation introduced by Mr Keating) an amount of 9% or \$180 dollars per week would have been contributed to super. If this amount of \$180 was used to buy good quality shares during the GFC, then it is quite possible that they may have been obtained at a discount of up to 50% on their price in the previous two years, or effectively ‘two for the price of one’.

“Shares bought in super funds during the depths of the GFC have the potential to add a huge growth multiplier to the end outcome for working Australians.

For example, if a benefit of \$2,000 per annum was gained as a result of buying shares at fire sale prices via a superannuation fund (and this may not be unreasonable given that a contribution of \$180 per week is \$9,360 per annum) then the boost to the retirement account of an individual wage earner aged 45 could amount to as much as \$70,000 at age 67. [This additional benefit assumes that an amount of \\$2,000 per annum accumulates for 22 years at a very conservative compound rate of *4.00% per annum.](#)

Many working people who noted during the GFC their super balances had fallen are likely to have been pleasantly surprised when they received their December 2009 statements. According to the highly respected Chant West Super Ratings, funds have grown by a median of 12.6% in the first six months of the current financial year.

“Many economists have argued that the robust Australian superannuation system was a major factor in our country performing far better than its peers.

There are many areas of complexity and perhaps unintended effects within the superannuation and tax systems, some of which are being addressed by the Federal Government’s Cooper and Henry reviews, but overall the system has meant that most baby boomers and all Generation X and Y members who have contributed diligently to superannuation will be able to secure themselves dignity in retirement.

“The recent intergenerational report released by Wayne Swan has only stressed once again what the then Federal Treasurer Paul Keating (whether you loved or hated him as Prime Minister) recognised that the demographics of Australia meant that we are an ageing population and therefore cannot rely on the younger generations to fund our retirement and health treatment. We need to take this responsibility ourselves.

“The great thing for those who study the superannuation system and are prepared to contribute to it regularly (subject to maximum allowable limits) is that there is a huge opportunity to provide dignity in retirement at levels never seen before in this country.

“Superannuation is the most tax efficient way for Australians to look after themselves and to fund the enjoyment and celebration of life that retirement offers.”

*** assumed net compound growth rate after super fund tax and fund administration charges**

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For further information please contact:

Theo Marinis B.A., B.Ec., CPA., CFP®
Financial Strategies (SA) Pty Ltd
Trading as Marinis Financial Group

T 08 8130 5130

F 08 8331 9161

M 0412 400 725

E admin@marinigroup.com.au

A 67 Kensington Road
NORWOOD SA 5067

W marinigroup.com.au

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