GROWING YOUR SUPER FOR A BETTER RETIREMENT

Your superannuation balance is likely to have a big influence on the kind of retirement lifestyle you'll be able to afford. So, it's important to know how to maximise your nest egg.

According to the Federal Government's 2021 Intergenerational Report, Australians will continue to have one of the longest life expectancies in the world. Despite many Australians retiring later, the number of years spent in retirement is expected to increase.

Consequently, we are likely to require more funds to sustain our living standards throughout retirement.

One of our main sources of retirement income, of course, is our superannuation.

There are some complexities of keeping within the allowable limits that apply to different types of superannuation contributions, therefore, we recommend speaking with a Financial planner before deciding which of the options are best for you.

Here are some possible options:

Salary sacrifice into super

You can choose to have some of your before-tax salary income paid into your super fund by your employer. This is in addition to your employer's compulsory contribution, or 'superannuation guarantee contribution' (SGC), which is a minimum 10.5% of your before-tax salary.

These salary-sacrifice contributions (one of three types of 'concessional contributions') reduce your take-home pay, however, they're taxed at only 15%, compared to the marginal income tax rates commencing at 21% through to 47% (including the 2% Medicare levy), meaning significant tax savings going straight to your retirement superannuation balance.

As an example, if you earn $90,000 a year (34.5% including the Medicare levy is the marginal tax rate), you save 19.5 cents in every dollar sacrificed directly in to your retirement superannuation balance.

(If you earn more than $250,000 a year, your salary-sacrifice contributions will be taxed at 30% instead of your marginal tax rate of 47% including the Medicare levy).

This makes salary sacrificing a tax-effective way to save for retirement.

The combination of SGC and salary sacrificed contributions (also called concessional contributions) can be a maximum of $27,500 each year (your annual concessional contributions cap). You may be eligible to carry forward your unused concessional caps for up to five financial years.

Make personal contributions

You can also make personal contributions — voluntary contributions using after-tax dollars (e.g. by transferring money from your bank account into your super).

If you have not yet reached your concessional contributions cap, you can claim a deduction on these contributions when doing your tax return.

Before you can claim a deduction, you must give your super fund a Notice of intent to claim or vary a deduction for personal contributions form (NAT 71121) and receive an acknowledgement from the fund.

(There are other eligibility criteria you must also meet, which your financial planner will be able to explain to you, if necessary.)

If you've already reached your annual concessional contributions cap, you can make a contribution without claiming a tax deduction.

These payments are called 'non-concessional contributions' because you've already paid tax on the money.

You can make up to $110,000 of non-concessional contributions each financial year or up to $330,000 every 3 years.

Personal contributions are an option if your employer doesn't offer salary sacrificing or you receive money (e.g. an inheritance or redundancy payout) you'd otherwise have to pay tax on at your highest tax rate.

There are other types of voluntary contributions you can make to boost your savings and save on tax. For more information, see our Super contributions fact sheet.

Consolidate your super

If you've changed jobs or worked casually over the years, you may have money in several super accounts.

You can search for lost accounts on the Australian Taxation Office's website.

If you find any lost super, your next step is to determine whether you should consolidate it — move all your super into one superannuation fund.

Multiple superannuation accounts generally means multiple administration fees. Consolidating will save on fees and therefore leave more money for investing.

Which type of fund is ideal for you?

Most Australians — regardless of the industry or company they work in — can choose the fund into which their employer pays their super-guarantee contributions.

So, whether you're thinking about changing, consolidating, starting or joining a fund, it's a good idea to consider.

- Investment options — does the fund allow you to invest in the most appropriate assets for your circumstances?
- Services — From strategy to product advice, consider if there is access to fund information 24/7, if ongoing support is available and if your goals and objectives are being considered by the provider.
- Personal insurance — compare the premiums, amount of cover and exclusions (e.g. pre-existing conditions) of the funds' life, total and permanent disability, and income protection cover. (For more information, see our Personal insurance in super fact sheet)
- Investment performance — do the funds investments perform as you expect? Remembering that you may like to consider looking for consistency rather than a top performer.
- Fees — are they reasonable for the benefits provided?

Get expert advice

Understanding how to make the most of your superannuation fund can be complicated. There are many different factors to consider, from selecting a super fund to understanding concessions, and more.

We recommend speaking with one of our financial planners. They can help you make the best decision for your unique circumstances.

Contact us for a complimentary consult at info@modoras.com or 1300 888 803.

Complete financial care is a phone call away.

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All information is as at 01 July 2022

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