



PROTECT YOUR FUTURE

Small actions, super importance.

A RECENT study undertaken by the Association of Superannuation Funds of Australia (ASFA) shows that the average Australian aged below 30 tend to have more money in their super balance than their personal savings. The studies further showed that approximately 40% of citizens in this demographic have no idea what they have in superannuation. Considering the critical importance of these funds to our livelihood later in life, as well as the concerning and well publicised retirement gap our country is currently facing, this is an alarming statistic.

With reference to the pessimistic views of our financial futures frequently provided by mainstream media, the importance in planning for retirement remains significantly underestimated.

Did You Know?

Your superannuation does not form part of your Estate and typically will not be covered by your Will.

The use of a **binding death benefit nomination** will ensure your superannuation is distributed to beneficiaries as per your request. This nomination can also be used to control potential tax payable upon the transfer of superannuation

Despite this, it is natural that more pressing everyday issues take precedence within our daily routine. It is generally the younger generation, where superannuation and retirement considerations take the lowest priority. This can be understandable due to the day-to-day pressures of full time work and study, in addition to social and sporting commitments.

Subjects such as superannuation and retirement may also fail to resonate or capture the attention of younger generations due to a lack of understanding or value appreciation. Regardless of our collective excuses not to act, it is imperative that we invest the time and effort into our financial literacy now in order to provide the opportunity to reap greater rewards at the end of our working lives.

The following considerations will provide guidance to ensure your superannuation

Retirement Gap: A recent study undertaken by leading global banking corporation HSBC, found Australians are expected to spend 23 years in retirement. The report further revealed that the average Australian retiree will run out of money within 10 years of retirement.

balance is structured to create and compound your wealth throughout your career.

• **Check your superannuation is being paid correctly:** The Australian Taxation Office (ATO) revealed late last year that 7.5 percent of employers fail to pay employee superannuation entitlements on time or do not pay the statutory required amounts. In response, from 1 July 2018 the ATO have mandated that superannuation funds regularly report on contributions received on behalf of members, including details of the paying employer and the amount received per employee. Along with the implementation of Single Touch Payroll from 1 July 2018 (for employers with 20 or more employees), employees will now have greater access to real time data to monitor their superannuation entitlements.

• **Consolidate your superannuation:** You may potentially have multiple superannuation accounts. This can occur early in your working career when you have been employed in a various number of different jobs. A study undertaken by ASFA found that more than 60 per percent of Australians aged less than 30 hold between 2 and 6 superannuation accounts. The increased and unnecessary costs and fees associated with owing multiple accounts can significantly erode your overall balance over time. To view your superannuation accounts visit the MyGov. This login also provides the function to consolidate superannuation accounts.

<https://my.gov.au/LoginServices/main/login?execution=e4s1>

• **Choose the right fund:** It is essential that your superannuation is set up right for you. There are many factors to consider when deciding on superannuation such as age, risk

profile and investment strategy. Although above all it is the costs of the superannuation fund that must be a primary focus. Each fund has differing fees and associated costs which can unsuspectingly diminish the value of your superannuation. It is therefore critical to effectively compare the fee structure of a fund when comparing various options. ASIC's Money Smart website offers a number of super comparison websites to assist with this process.

<https://www.moneysmart.gov.au/>

• **Ensure your fund is set up appropriately:** There are multiple investment options available within any given fund. These options range from low risk conservative strategies such as cash and fixed interest investments, through to higher risk growth options including shares and property investment. The implications of choosing between these options can significantly impact the trajectory and value of your superannuation balance over time. The risks versus reward notion as well as the power of compounding are key considerations when selecting your superannuation asset mix. These concepts should be understood and explored, particularly by the younger generation with the luxury of time of their side before retirement age.

The graph (below) compares the actual performance of two investment options offered by the Australian based superannuation fund HESTA. The comparison shows the net returns over a 5 year period of an initial investment of \$1,000. The upper dark blue line represents

the results of funds placed in an Active, higher risk investment option. Whilst the lower purple line illustrates the performance of funds invested in a Defensive option. This simple comparison demonstrates the power of compounding and how small steps can make significant change.

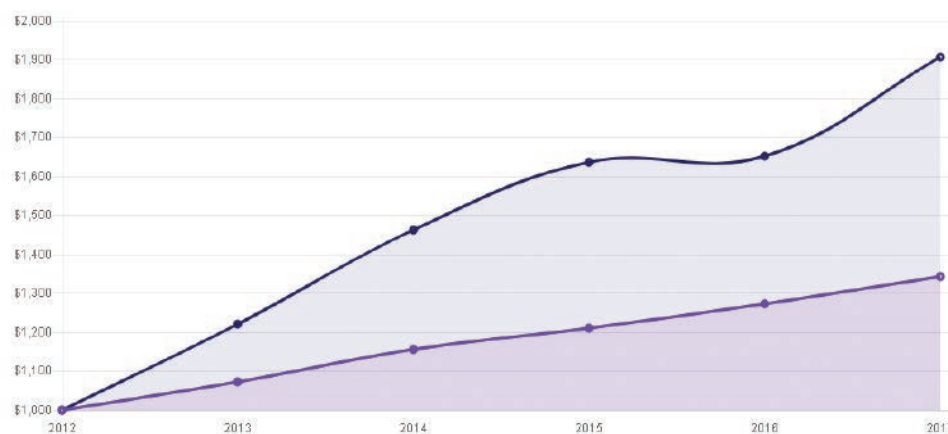
With the comfort of time for young people, it may be easy to procrastinate and defer thinking about retirement and superannuation for later in life. But it is the initiative and action now that will facilitate greater rewards when retirement comes.

Contact one of our highly skilled accountants and advisers on 5018 6444 to arrange a complimentary strategy consultation.

Please note this article is generic in nature; please consult with your accountant or financial adviser to consider your personal circumstances.



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Note: Returns are net of investment fees, Indirect Cost Ratio (ICR) and taxes.

Source: <https://www.hesta.com.au/members/investments/income-stream-performance.html>

Helping our clients identify and achieve their life goals



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