

## Super topics

### How much super do I need?

#### The purpose of super

Superannuation is a long-term savings plan that has special tax concessions. Your super should increase over your working life through investment earnings and additional contributions. While the decision about how much you should contribute towards your super must be balanced against other commitments (eg. mortgage payments), there may be good reasons to choose super over other forms of investment.

The government encourages you to invest in super by providing various taxation concessions. For example, the investment earnings of super are taxed at a maximum rate of 15%. This is generally much lower than most people pay on the earnings of non-super investments that can be taxed as high as 46.5%, including the Medicare levy.

#### Starting sooner rather than later

Contributing to super as soon as you can means interest credited on your savings compounds over time – earning you interest on the interest *and* on the amount invested. The longer your money remains invested in your super fund, the more compound interest works to grow your account balance faster.

#### Sources of retirement income

Sources of retirement income can include super savings, the age pension and private savings or investments. Studies show that many Australians are poorly prepared for retirement and have given little thought to saving for it.

The age pension is currently set at 25% of average weekly earnings, which may not be enough to meet your needs. It is also means-tested (on income and assets), which means that not everyone will be eligible to receive it. Australians are living longer and wanting more out of retirement and, for most, the thought of spending 20 years surviving on an age pension of around \$13,500 a year is not very attractive. Contributing towards your super is one of the most tax-effective ways to achieve a better standard of living when you retire.

#### How much super should I contribute?

Many experts say that about 15% of your salary should be paid to super over your working life to enjoy a comfortable retirement. If so, this means that you should aim to contribute 6% on top of what your employer contributes (ie. the Superannuation Guarantee (SG) amount of 9% of salary). While this may be more than you can sometimes afford, you can still make a difference by putting a little extra aside each payday for your super. Starting later will only make it harder to reach your savings goal.

Another way to help you maximise your super is to consolidate all of your money into a single fund like AustralianSuper. If you have multiple accounts it's likely you're paying fees on accounts you don't need. Transferring your old super into your current account saves you fees and therefore earns you extra interest.

#### Start small and see your money grow

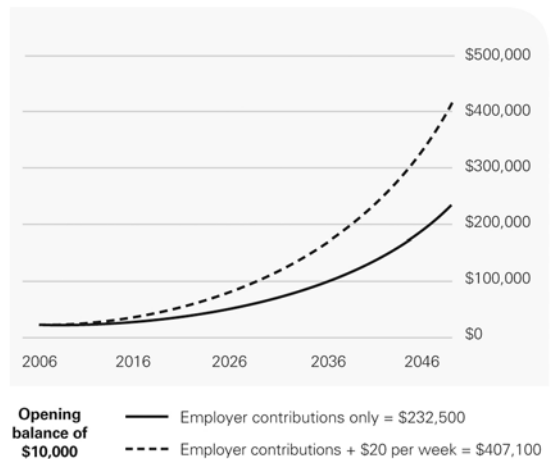
A few extra dollars paid on top of your employer's contributions can make a big difference. In addition, under the co-contribution scheme, the Government will match your contributions at a maximum rate of \$1.50 for every \$1 contributed by you (if eligible). This can really accelerate your super account.

#### Case study

Andrew is 25, earns \$28,000 per annum and has \$10,000 with AustralianSuper. Without personal contributions, his super could be \$232,500 when he retires at 65.

He decides to make \$20 weekly voluntary contributions (which entitle him to receive a \$1500 annual Government co-contribution). This could see his super grow to \$407,100 (in today's dollars) – an extra \$174,000.\*

The graph below shows the difference making a small extra contribution each week can make to Andrew's final retirement benefit.



#### Further information

If you require further information, contact AustralianSuper on **1300 300 273** or **[www.australiansuper.com](http://www.australiansuper.com)**

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