

Is super worth the hype?

As Financial Advisers we talk about superannuation a lot. So much so that it probably becomes a fuzzy word people don't even hear any more. And the younger you are, the less interested you probably are.

But superannuation is super important. It is likely to be the biggest investment you will have in your lifetime, unless you own a mortgage free home. It's also what will keep you afloat when you retire – which for some of us is a choice, for others it's a choice made for us due to illness, or the inability to continue to carry out our normal work duties or due to financial hardship.

Without a regular deposit of wages or salary into your bank account, how will you afford to pay your bills, buy food and clothes and keep your car running? Have you have been lucky and wise enough to establish a few back-up options during your working years?

The Association of Superannuation Funds of Australia's (ASFA) estimate of how much money you'll need in retirement, depending on your lifestyle is in the table below. This is how much it estimates you need to have every single year you are retired.

ASFA Retirement Standard	Annual living costs
Couple – modest	\$40,829
Couple – comfortable	\$62,828
Single – modest	\$28,254
Single – comfortable	\$44,412

Source: ASFA Retirement Standard, for those aged around 65 (March quarter 2021, national)

There are also guidelines for the lump sum couples and singles need sitting in their superannuation account upon retirement for a comfortable lifestyle. These guidelines assume that the retiree/s will draw down all their capital, and receive a part Age Pension – which not everyone is eligible for, so it's recommended you speak to your Financial Adviser about your situation.

Category	Savings required at retirement
Couple – comfortable	\$640,000
Single – comfortable	\$545,000

Source: <https://www.superannuation.asn.au/ArticleDocuments/269/ASFA-RetirementStandard-Summary-2018.pdf.aspx?Embed=Y> All figures in today's dollars using 2.75% AWE as a deflator and an assumed investment earning rate of 6 per cent

If you know what your superannuation balance is currently, how old you are and approximately how many working years are left, you can use the above tables to figure out how you are tracking in terms of reaching a comfortable super balance to live a comfortable retirement lifestyle. Keep in mind these are averages and estimates. You, as an individual, may have higher needs, greater expectations of your retirement lifestyle, a desire to retire early or be disadvantaged by not receiving super when you have taken time out of the workforce to have children – all of these factors will impact on the amount you will need tucked away in superannuation.

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With all this information, what can you do about increasing your superannuation balance so you hit your target by retirement age? If you are currently employed you would be receiving the super guarantee from your employer which for many years was paid at 9.5% of your salary (unless you have an employer that pays above minimum, lucky you!) and rose to 10% on 1 July 2021. It is set to rise again to 10.5% on 1 July 2022.

In addition to the superannuation guarantee there are other options you can consider if you are eligible such as government co-contributions to super, spousal contributions, contribution splitting and the low income super tax offset. Your Financial Adviser can have a conversation with you about how these strategies may help you increase your super balance.

Hopefully this article has provided some useful information, and you're hyped up to take greater notice of your super balance because when your working days are over, it's going to really matter to you.

If you would like to discuss super strategies, or review your financial plan, we would love to hear from you.

Sources:

<https://www.superannuation.asn.au/resources/retirement-standard>

<https://www.ato.gov.au/rates/key-superannuation-rates-and-thresholds/?anchor=Superguaranteepercentage>

<https://www.smh.com.au/money/super-and-retirement/how-much-super-do-you-really-need-to-retire-20201023-p5683z.html>