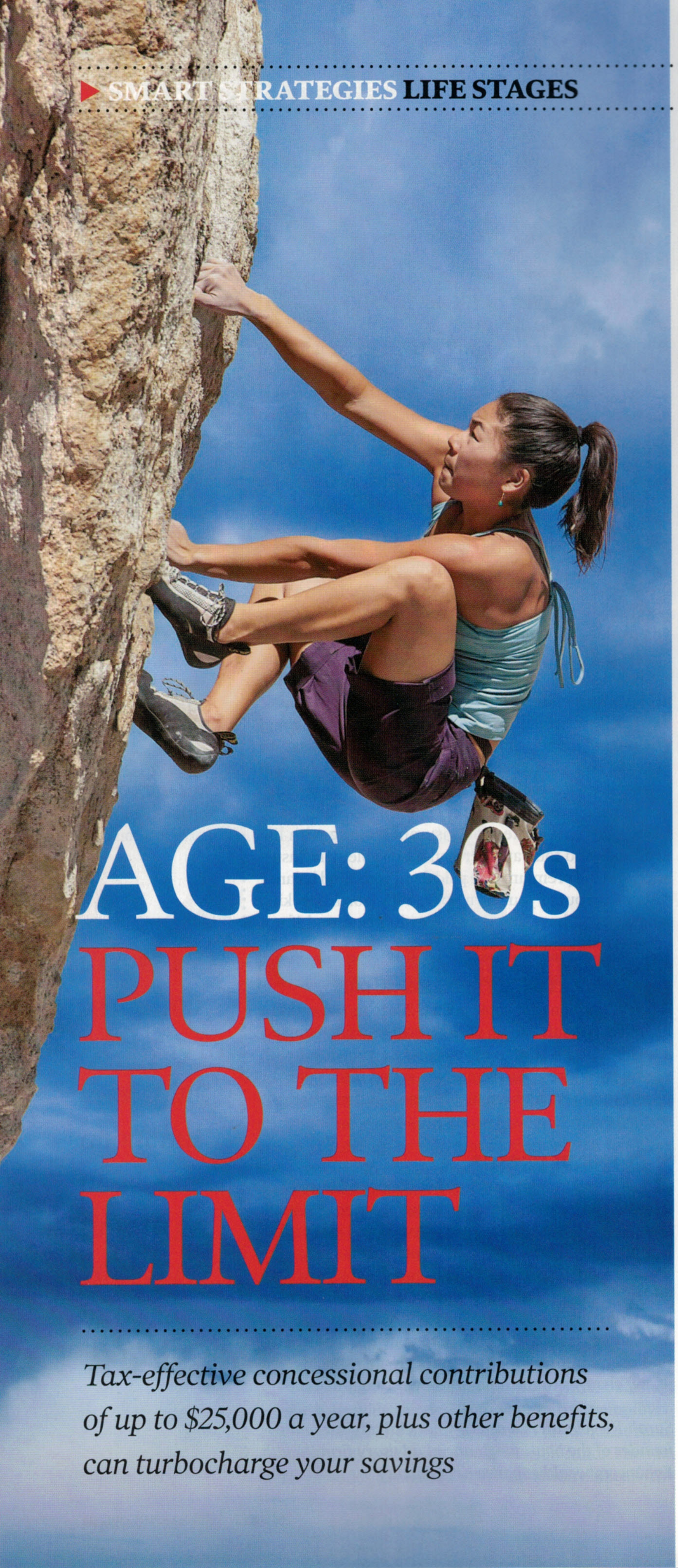

AGE: 30s PUSH IT TO THE LIMIT

Tax-effective concessional contributions of up to $25,000 a year, plus other benefits, can turbocharge your savings

STORY JOANNA McCREEDY

1 EDUCATE YOURSELF

Your superannuation may now be – or will soon become – one of your biggest assets. It's worth spending some time to understand how super works and how you can make the most of it. There are both benefits and drawbacks of superannuation. For instance, a significant benefit is that you can access a tax-free income in retirement. A drawback, however, is that under normal circumstances you can't access any of it until you're 60. A good place to learn more about super is the government's MoneySmart website (moneysmart.gov.au/superannuation-and-retirement/how-super-works).

2 FIND ALL YOUR SUPER

If you've had a few jobs (including part-time jobs when you were younger), the chances are you have had a few different super funds. If you haven't already done so, you should track down all of them. The tax office can help with this process: see ato.gov.au/individuals/super/keeping-track-of-your-super/#checkyoursuper. Your super fund may also have a service to help find your lost super.

3 CHOOSE A GOOD FUND

Given that your super will be one of your biggest assets, you should make sure you're looking after it. Don't just assume that the fund your employer offered you is the best one for you. If you're going down this route without the help of a financial adviser, then I suggest you find a fund you think you can engage with so you'll find it easy to look after your money. Depending on your preferences, this might mean you want one that has good online functionality or perhaps one that has investment choices that appeal to you. Fees are important to check, of course, but should not be your guiding factor.

4 CHECK YOUR INSURANCE

Before rolling out of any of your super funds, you should check what insurance you have through them. Super funds offer life insurance, total and permanent disability insurance and income protection insurance. You may find you have some insurance through a super fund you were offered by an employer. This is usually offered without any personal health assessment, so it may be important to keep it if you have any health issues.

How much of these insurances you need will depend on your circumstances. An adviser or insurance broker can help you work out what you need, get you a competitive price and help you apply. There are also online calculators to help determine how much you need. Once you have worked out what insurance you want, make sure you have it in force before rolling out of any of your funds that include insurance.

5 REVIEW YOUR STRATEGY

Many people, even in their 30s, will still have their money invested in their super fund's default investment strategy. This is because they have never told their fund how they would prefer to invest it. This strategy may not be appropriate for you – it may involve more investment risk than you are comfortable with. It may make investments you're not comfortable supporting, or it may take too little risk. If you have 30 years until you are planning to retire, you may feel you can accept a relatively high amount of risk (knowing that in the short term you're investment balance can fluctuate widely).

Have a look at your options and decide what's right for you. If you don't want to be active with your investment strategy, it would be wise to consider one of the fund's diversified options. There's usually a range of options at differing levels of risk, so you can choose the one that suits you best. If you do want to actively invest it on your own, you'll need to commit to making time to do the research to help you make good decisions.

6 CHECK YOUR BENEFICIARIES

You should make sure your super fund knows where you want your super paid if you die. If you don't make a nomination, it will have to decide for you whether to pay it to one or more of your dependants or to your estate. If you want to be sure that the trustee of your super fund has no discretion about how to pay the benefit, you should make a binding nomination. This might be particularly relevant if you have had a previous marriage.

7 CONSIDER SALARY SACRIFICE

You can put up to $25,000 a year into your super as concessional contributions. This includes the super guarantee contributions your employer makes as well as salary sacrifice contributions you request your employer make on your behalf, plus any personal contributions on which you claim a tax deduction. These types of contributions are very tax effective. For instance, if you are earning $100,000pa and therefore are on the 39% marginal tax rate (including Medicare), if you salary sacrifice $1000 a month you would save $2880pa in tax.

To build enough savings to provide a comfortable self-funded retirement income, most people will have to contribute more than the super guarantee (9.5%). In general, the earlier you start doing this the easier it will be to reach your retirement savings balance.

AVERAGE SUPER BALANCES

AGE 30-34
Male: $36,373
Female: $25,549

AGE 35-39
Male: $55,279
Female: $34,812

Source: ASFA, 2013-14

8 NON-CONCESSIONAL CONTRIBUTIONS

These are contributions you make from after-tax income and you don't claim a tax deduction. If you have a large home loan, you may not want to prioritise non-concessional contributions to super. However, given the tax benefits, it may be worth considering these particular non-concessional contributions:

- Spouse contribution. This is an option if you have a spouse who earns less than $37,000pa. If you both meet the other eligibility requirements (see ato.gov.au/individuals/income-and-deductions/offsets-and-rebates/super-related-tax-offsets/), you can claim the full $540 tax rebate by making a $3000 non-concessional contribution into your spouse's account. The rebate cuts out at an income of $40,000. Most people will find they save more tax by maximising salary sacrifice before considering this option but you should check whether that's the case for you.
- Government co-contribution. If you earn under $36,813 and make a non-concessional contribution of up to $1000, the federal government will contribute 50¢ for every $1 you contribute. If you earn over $36,813 but under $51,813pa, you could still get a lower amount. To calculate how much you could receive, see moneysmart.gov.au/tools-and-resources/calculators-and-apps/super-co-contribution-calculator.

9 SPLIT CONTRIBUTIONS

Some super funds will allow you to transfer up to 85% of your previous year's concessional contributions to your spouse's fund. This may be worth considering if your spouse's super balance is falling behind yours – maybe because they are taking time out of the workforce to, say, raise the family. Having your retirement savings split more evenly between you can give you more options later in life if one of you decides to retire earlier than the other.

10 REVIEW YOUR STRATEGY

Things can change fast at this time of your life. You or your partner might have returned to the workforce after time off to have kids, or your salary might have risen. It's worth checking at least annually that what you're doing with your super remains appropriate.

Joanna McCreery has over 20 years' experience in the finance industry, is a certified financial planner and a director of boutique financial advice firm Majella Wealth Advisers. majellawealth.com.au