EVANS EDWARDS

FINANCIAL ADVISORS | WEALTH CREATORS

How to keep your super safe during COVID-19

If you're feeling concerned about how the pandemic will affect your super balance, here are our tips to help protect and grow your super.

WHAT CAN AFFECT MY SUPER BALANCE?

In Australia, your employer is required by law to pay a minimum percentage of your eligible income to a complying superannuation fund or retirement savings account. This is known as the Superannuation Guarantee and it's currently set to 9.5%.

Your super contributions are then invested by your superannuation fund on your behalf, according to your chosen investment options. This means your super is subject to normal market fluctuations.

Your super is also exposed to a range of administrative fees, charges and premiums, which can eat away at your balance if you're not vigilant.

ISN'T MY SUPER PROTECTED BY LAW?

You might be surprised to learn that your superannuation savings are not protected by the government. Last year, the federal government introduced a package of reforms to help stop low account balances from being eroded by unnecessary insurance premiums and fees. This was called the *Protecting your Superannuation Package*. However, this protection only applies to accounts that meet certain criteria, such as having a balance below $6000, and not receiving any contributions for 16-months. These inactive or low-balance accounts are transferred to the ATO for administration. You can find out more about the reforms on the ATO website.

For everyone else, it's up to *you* to keep an active eye on the health of your super.

So, here are five things you can do to help conserve and grow your superannuation, even during a global economic downturn.

1. CHECK YOUR SUPERANNUATION INVESTMENT OPTIONS

Because superannuation is a long-term investment, it's important to check that your selected investment options are right for your age and stage of life.

Taking on the wrong level of risk at the wrong time in your life can erode your super balance. For example, when you're starting out, there's more time until retirement to ride out some of the ups and downs that come with higher levels of risk. But as you near retirement, you might want to focus on preserving your superannuation balance.

If you're not sure how your super is invested, take the time to check your account either online or by contacting your super fund for advice. Be sure to find out whether they charge fees for advice, as these can be deducted from your super balance.

2. SWITCH TO A LOW-COST SUPERANNUATION PROVIDER

Fees and charges are deducted directly from your account, so they can quickly erode your super balance. Check your statements regularly and make sure you've compared your super fund with other providers.

3. AVOID WITHDRAWING YOUR SUPER EARLY

Most people can access their super once they reach the 'preservation age', which is between 55 and 65 years old, depending on when you were born.

There are also some special circumstances where you may be able to access your super early, such as severe financial hardship, including COVID-19.

While a cash injection of $10,000 or $20,000 might sound like a welcome relief when you're struggling to pay your basic living costs, it's important that you exhaust all other avenues first, because accessing your super early can have a significant impact on your retirement income.

How significant? Well, the FPA estimates, conservatively, every $1000 you have in super at age 30 is worth $4500 by the time you reach 60. Multiply that by $10,000 or $20,000 and you can see what you might be missing from your retirement nest egg.

For this reason, it's really important to explore other options first and get expert advice from a financial planner before making a withdrawal.

4. MAKE REGULAR CONTRIBUTIONS

One of the ways to protect and grow your super balance is to consider making regular contributions. You can do this by salary sacrificing a set amount every week. If that's not possible, you could consider making extra contributions whenever possible, such as depositing your tax return, gifts or bonus.

5. GET PROFESSIONAL ADVICE

You can't beat professional financial advice to help you reach your retirement goals. A financial planning professional can review your unique situation and goals and advise you on the right investment and contribution strategies for you. They can also advise you on the best forms of retirement income to conserve your super balance.

With the right superannuation investment strategies in place, you'll be well prepared to weather the economic disruption brought about by COVID-19. It's worth taking the time now to review and optimise each aspect of your super above to get the most from your investments.

Source: Money & Life

We will guide you with a tailored approach that works for your circumstances. Give us a call on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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