Make Your Super Last

Australians enjoy one of the highest life expectancies in the world, which means you can look forward to a long and comfortable retirement.

While that's fantastic news, it also makes saving for retirement more important than ever. Indeed, the majority of Australians over age 40 who are yet to retire are concerned about not having enough money to live on, with many recognising they need professional assistance to reach their retirement goals. By getting good advice and planning ahead now, you can take control and enjoy the peace of mind that comes from knowing your future may be secure.

The first step is to figure out how much income you want to receive each year in retirement, and how much you may need to save in order to get there. It's also important to think about how your spending patterns may change during your retirement, and to plan ahead accordingly.

For example, in the early stages when you're at your most active, you're likely to need more funds for travel, sports and recreation. Then, as you enter a more relaxed phase of retirement, you're likely to need to be ready for possible health issues, so you can afford the care you need as medical treatments are becoming more sophisticated and more expensive every year. You may also want to keep your options open for the later years when you may need more intensive health support, including specialised accommodation.

Also don't forget to factor in lump sum spending on big ticket items, such as home renovations or a new car. Because, as retirements grow longer, our cars and appliances are increasingly likely to fade away before we do.

BOOST YOUR SUPER

When you crunch the numbers, you may find you're facing a super gap. An effective way to boost your super savings while potentially paying less tax may be via salary sacrifice. Even a small contribution can make a big difference over time, as you earn concessionally taxed returns on your contributions. When you invest pre-tax income through salary sacrifice, you may also benefit from the 15 per cent concessional tax rate on super contributions (rather than your marginal income tax rate), putting you even further ahead.

As of 1 July 2017, you can contribute up to $25,000 in concessional super contributions before additional tax applies. Concessional contributions include compulsory super guarantee from your employer, other employer contributions such as salary sacrifice, and personal tax-deductible contributions.

Finally, if there is a large sum you would like to contribute to super, for example, if you plan to sell a non-super asset, such as an investment property, you can do this by making a non-concessional personal contributions of up to $100,000 a year from your after-tax income.

You may also utilise the bring-forward rule which allows for members aged 64 or less to bring forward three years' worth of non-concessional contributions and contribute up to $300,000 at any time over a three year period.

As of 1 July 2017, your total super balance (across all funds) may further limit your non-concessional cap - your cap is Nil if your total super balance is $1.6 million or more, while the amount of bring forward cap you can use is reduced once your total super balance is $1.4 million or more.

REVIEW YOUR INVESTMENT OPTIONS

Our super is one of our most valuable assets, so it's not surprising many of us seek to protect it by investing in a low risk option. But it's also important to remember that trying too hard to avoid risk today could expose you to a greater risk - running out of money tomorrow, when your savings don't produce the returns you need for a comfortable retirement.

So it's important to choose the right investment option for your goals and investment time-frame. That's where personalised advice from a professional financial adviser can make a difference.

Source: Colonial First State

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.