# HOW IMPORTANT IS SUPERANNUATION FOR YOUR FINANCIAL FUTURE?

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So how important, really, is superannuation for your financial future? Really, really, really important. I don't think we can overemphasise this. In this article, Catherine Chivers, Senior Manager Strategic Advice, Perpetual Private and I take a look at how superannuation plays a crucial role in a well-considered financial and retirement plan in Australia.

**Why?**

Superannuation earnings are taxed less than many other forms of investment income – at a maximum of 15%. And, subject to how it's invested, the actual rate may be less than that. So, this means that there may be more left over for your retirement funds to grow over the longer term.

Which brings me to another important aspect – the timeframe for investment.

**There's 'no one size fits all' superannuation solution**

Because superannuation is inaccessible unless you meet specific criteria, it's not for everyone. In saying that, it can be a helpful form of forced saving. Which means no more temptation to spend, allowing you to be extra focused on meeting your longer-term retirement savings goal.

Superannuation can also be complicated – there's varying ways to make contributions that each have differing outcomes. And there's also limits on the amount you can either contribute, as well as keep in a superannuation environment.

So, there's some things about superannuation to think about.

**But…there's a positive!**

On the flip side, under current law when you retire at or over age 60, providing you stay within the allowed limits, you can withdraw the money tax free, either as an income stream or as a lump sum.

Also, using a professional fund manager to look after your superannuation nest egg means less of a headache for you – I mean, not everyone likes the idea of having to make investment decisions day in, day out!

**Making the most of your superannuation**

Firstly, keep putting money in there. Most people who are employed will have at least 9.5% of their salary automatically contributed to superannuation. While this is a good start, topping up that contribution to the annual allowable limit can help your financial future, in two ways.

Secondly, you've actually got more money in superannuation to grow over time, allowing you a better chance of achieving your retirement savings goal. Secondly, this amount contributed can be claimed as a tax deduction (so long as certain criteria are met).

Did you know that in many cases you can also top-up your employer's contributions on a pre-tax basis? You're less likely to miss the money you don't see on your payslip that instead goes into superannuation. This means you're paying a little less tax on your wages earned, and adding more to your retirement savings stash.

So, whichever way you look at it, I'd call that a win-win!

**Two more quick questions to ask yourself:**

1. Do you know if you have more than one superannuation account?
   Many won't, especially if they've changed jobs a few times. While multiple funds may be helpful for specific circumstances, making sure you're not holding several accounts can mean paying less fees. The MyGov webpage will help you find any superannuation that you've forgotten you had.

2. How does your superannuation compare?
   There's various techniques fund managers use to invest which means that not all superannuation funds will have the same returns at the same time (or over the same timeframe). And that's perfectly normal.

   In saying that, it's often still worthwhile checking your superannuation fund's performance against its like-for-like peer funds, as well as how much you pay in fees. Comparison websites like Canstar, Finder or RateCity are some good places to start.

**The final big questions**

How much should I add to my superannuation? And, how is it best for me to contribute? Answer: it depends! Things like your personal financial situation, age, plus life and financial goals all impact these decisions.

We've already talked about superannuation being inaccessible unless certain circumstances are met, and this is an extra important factor to consider here.

Also, life has a habit of just happening. Sometimes you just don't know when you may need to access extra cash, so keeping a proportion of money outside of superannuation may be a good idea.

The right mix for you will rarely be the right mix for other people you know. And this is where specialist financial advice about the right strategy for you is key.