Super decisions

Your savings. Your choices. Your future.

ASIC's MONEYSMART

Financial guidance you can trust

ASIC

About ASIC

The Australian Securities and Investments Commission (ASIC) regulates financial services in Australia.

ASIC's MoneySmart is our website designed to help you make smart choices about your personal finances.

Visit **moneysmart.gov.au** or call ASIC on 1300 300 630.

About this booklet

If you're saving for your retirement, you'll want to know how to get the most out of superannuation ('super'). This booklet will help you:

- understand more about super
- find calculators and interactive tools
- make better decisions.

Get the facts

The first step to making sound financial decisions is to make sure you have accurate, up-to-date information. Visit your super fund's website and **moneysmart.gov.au** for answers to your questions.

Decide what's best for you

The information presented here can start you off on the right foot with general tips and explanations. However, not all these points may apply to your situation. It's important that you decide what's best for you. For personal advice about super, speak to your fund as they may have advice services, or see a licensed financial adviser.

Make it happen

When it comes to money, good intentions are never good enough. Act now and you could watch your super savings grow.

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What is super?

Superannuation is a tax-advantaged way to save for your retirement. By law, your employer must pay 9.5% of your salary into a super fund. This is called the 'super guarantee'. The super guarantee is gradually increasing to 12% in the coming years.

You can make extra contributions to your super fund from your own money. Lower income earners may also receive additional contributions from the government.

During your working life, these contributions add up or 'accumulate'. Your super money is also invested by your super fund so it grows over time. Contributions and investment returns are taxed at a special rate – generally lower than what you'll pay on other money you earn or invest.

Generally, you can't access your super until you retire, and after your preservation age – the age at which you're entitled to withdraw money from super. When you retire, the money you have saved through super (your retirement benefit) can be used to give you regular income.

Super decisions to grow your super savings

- Choose a super fund
- Select and monitor your investment strategy
- Decide what life insurance you need
- Make extra contributions
- Change funds if you need to
- Find and consolidate all your super accounts

How to make the most of your super

Use ASIC's MoneySmart retirement planner

If you take a few small steps now, it could make a world of difference to your life when you retire.

See what we mean by using ASIC's MoneySmart **retirement planner** at **moneysmart.gov.au**.

The **retirement planner** is free, easy and quick to use. Simply enter your age, income and current super balance to get a projection of what income your super savings might give you when you retire.

Maximising your retirement income

How much income you'll have in retirement is the key to your future lifestyle. The **retirement planner** can show you what you can do to increase your retirement income. For example, you'll see straight away the dollar impact of:

- choosing a super fund with lower fees
- selecting a different investment option
- making extra contributions
- working longer.

Smart tip

Talk to your partner

It's always a good idea to talk about money with your partner. You can use the **retirement planner** as a couple. This is a great way to start a discussion about your retirement goals.

Important

Super strategies for women

Women tend to live longer than men and take more time out of the workforce to raise kids or deal with other family responsibilities. This makes it even more essential for women to get enough super to last through retirement.

- If you're planning to take significant time out of the workforce or cut back your working hours, start putting extra into your super now to make up for the time when you won't be working.
- If you're earning a low income, consider making after-tax contributions because you may be eligible to receive a government co-contribution of up to $500. Go to **ato.gov.au** for eligibility rules.
- If you have a spouse, talk to them about boosting your super. There are tax benefits in making a spouse contribution of up to $3,000. You can also split your employer super contributions with your spouse.

Which super fund should you choose?

The secret to being financially secure in retirement is relatively simple: **save, save, save**. The earlier you start, the better.

Super is a great place to save for your life after work because you usually can't withdraw your savings until you retire. (There are limited circumstances when you can access your super early – see page 23.) Super funds will help you grow your savings over your lifetime. So choose carefully and review your choice when your situation changes.

Get the facts

If you are employed, in most cases you can choose which fund will receive contributions from your employer. Your employer will tell you if you do not have this choice.

When considering which fund to choose, check the fund's product disclosure statement or website or call the fund to find out about:

- what type of fund it is (see page 8)
- which investment options you can choose
- the fees you'll pay for both management and investments
- death and disability benefits and insurance premiums
- other fund features and services.

Decide what's best for you

Compare funds in terms of features, fees and investment performance. Super comparison websites can help you do this. But, before you do, read about super comparison websites at **moneysmart.gov.au**.

Make it happen

- **Make your choice** - When you start work, your employer will give you a 'standard choice form' to fill out to choose a super fund. Provide your Tax File Number (TFN) and you'll avoid paying unnecessary tax and ensure that your super won't get lost.
- **Roll over any existing savings** - Consider transferring money into your new fund from any other super funds you have money in, to avoid paying multiple fees.
- **Ensure the money's there** - Sometimes employers – perhaps because they are struggling financially – don't actually make super contributions when they should. If you suspect this is happening, contact the Australian Taxation Office (ATO) on **13 10 20** for advice or go to **ato.gov.au/unpaidsuper**.

Two basic types of funds

Accumulation funds	Defined benefit funds
Most super funds are accumulation funds.	These funds are less common and the retirement benefit is defined by the fund rules.
The value of your retirement benefit depends on: ▶ how much money your employer and you contribute ▶ how much your fund gains – or loses – from investing the money, after fees and taxes.	The value of your retirement benefit usually depends on: ▶ how much money your employer and you contribute ▶ how long you're in the fund ▶ your salary at retirement. For example, your benefit might be worth five times your final salary after 25 years' membership.
You take on the risk of your fund's investment performance. When you retire, you can access your account balance.	If your fund's investment performance is poor, your employer might still ensure the fund can deliver the benefit.

MySuper

If you don't choose a fund, your employer must pay your contributions to a fund that offers a MySuper option.

MySuper accounts offer:

- lower fees (and restrictions on the type of fees you can be charged)
- simple features so you don't pay for services you don't need
- a single diversified investment option or a life cycle option (see page 13).

Comparing fees and costs

Some funds charge administration fees as a percentage of your super fund balance. If you are paying this way, 1% per year in management costs will cost you $100 if you've got $10,000, and $500 if you've got $50,000 in super. Some funds charge a set fee, such as $1 per day or $100 per year, while others charge a combination of fixed and percentage based fees.

See for yourself how fees affect your retirement benefit by using the **superannuation calculator** at **moneysmart.gov.au**.

Case study: Keith chooses lower super fees

Keith, 30, earns $50,000 per year as a delivery driver. He had $20,000 with a super fund that charged 2% per year in fees (including advice fees).

After shopping around for another super fund that had the features he wanted, he changed to a fund that charges 1% per year in fees.

By changing to a super fund with lower fees, Keith could have $67,000 more in his super when he retires at age 70.

In other words, saving 1% per year in fees means he gets more than 20% extra in super when he retires.

Source: **Superannuation calculator** at **moneysmart.gov.au**

Self-managed super funds (SMSFs)

Some people want the hands-on control that comes with an SMSF. Of course, with added control comes added responsibility and workload.

When you run your own SMSF you must:

- carry out the role of a trustee or a director, which means you'll have important legal duties
- use the money only to provide retirement benefits
- set and follow an investment strategy that ensures the fund is likely to meet your retirement needs
- keep comprehensive records and arrange an annual audit by an approved SMSF auditor.

Super is your investment for your retirement, so don't rush in to set up an SMSF without considering the implications. If you're running an SMSF you will typically need:

- a sufficiently large amount of money in the fund to make set up and yearly running costs worthwhile
- considerable time and financial expertise to manage the fund
- to arrange separate life insurance, including income protection and total and permanent disability cover.

In addition, SMSFs do not enjoy the same protections or compensation arrangements as APRA-regulated super funds.

SMSFs are not for everyone. Managing your own super is a large, ongoing commitment, so think very carefully before making that decision.

You'll find more information on SMSFs at **moneysmart.gov.au**. At **ato.gov.au** you'll find detailed guides on running an SMSF and your responsibilities as a trustee.

What's the best investment option?

Super funds grow your savings by investing the money that's in the fund. You can decide how they invest your money. Your investment decisions – your strategy – will influence how much money you'll have to live on in retirement.

That's why choosing investment options within super is crucial, whatever your age.

Get the facts

To find out about the different investment options offered by a super fund go to the fund's website, download the product disclosure statement or call the fund.

Decide what's best for you

When deciding between investment options, consider:

- your age
- how long before you can access your savings – generally at retirement
- the level of investment risk you are willing to take on.

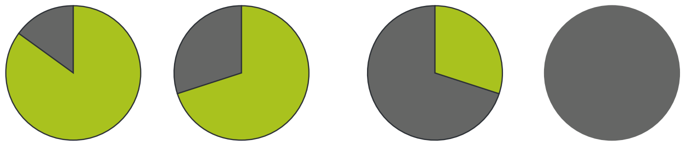
For example, if you're unlikely to access your super for at least 5 years, focus on growing your total benefit. The longer you have your savings invested, the more opportunity you have to increase the value of your final benefit and ride out the impact of any years of poor investment performance.

Alternatively, if you're retiring and intend to withdraw all your super in less than 5 years, you may want to know exactly how much you'll have – and not risk losing any of it in the meantime. A lower risk, lower return strategy will help preserve the value of your savings.

Make it happen

Unless you choose, your savings will be invested in a MySuper option. To change to a different investment option, contact your fund. Most funds allow you to change your investment options online.

Typical investment options

	Higher returns, higher risk			Lower returns, lower risk
	Growth	Balanced	Conservative	Cash
shares, property cash, fixed interest				
Mix of investments	Around 85% in shares and property with the rest in cash or fixed interest	Around 70% in shares and property with the rest in cash or fixed interest	Around 30% in shares and property with the rest in cash or fixed interest	100% in deposits with Australian deposit-taking institutions
Return target	5.0%	4.8%	3.8%	2.7%
Risk	High	Medium	Low	Very low
Expect a loss	4-5 years in 20	4 years in 20	0 years in 20	0 years in 20
Value of investing $10,000 after 5 yrs	$12,800	$12,700	$12,100	$11,400

This table includes indicative actuarial figures for the purpose of comparing example investment options. Return target is before fees, taxes and other costs. Projected value is before fees, taxes and costs; rounded to the nearest $100; and assumes all income is reinvested monthly.

Smart tip

Find out more about investing

Some super funds offer a wide range of investment options.

If you want to find out more about investing, whether within or outside super, go to **moneysmart.gov.au** and search for 'investing'.

'Life cycle' option

Some funds, including through a MySuper option, offer a ready-made investment strategy, usually based on your age.

If you choose this strategy, your fund will select an appropriate investment mix for you based on your current age. Then, at pre-determined intervals, the fund will automatically switch your savings into a more defensive investment mix.

Typically, over the course of your working life, your investment strategy progressively changes from growing to preserving your balance.

Typical investment mix for a lifecycle investment strategy

	If you are...			
	under 45	45-54	55-64	65 or older
Shares and property	85%	75%	55%	40%
Cash and fixed interest	15%	25%	45%	60%

Comparing investment performance

Your fund's investment performance over the long term usually makes a big difference to how much you will have to retire on. Picking which fund or investment option will perform best over time is difficult for even the most experienced investors. Review your investment choice every few years and when your circumstances change.

Here are some tips for judging performance:

- **Compare like with like** – It's fair to compare a growth option with another growth option – but not with the performance of a conservative option.
- **Check investment performance from independent sources** – The financial media and super comparison websites regularly publish performance tables, typically over 1, 3 and 5 years.
- **Look for performance over time** – This should be over at least 5 years. Don't be swayed by one-year wonders.

Do you need insurance?

Most funds offer insurance that can provide greater financial security for you and your family. Being insured through super is generally an easy option – and cost-effective because premiums are paid from your pre-tax income. Insurance premiums are usually deducted from your super account, which reduces your super, unless your employer pays for your cover.

Get the facts

Super funds typically offer three types of insurance for members:

- **Death cover (also known as life insurance or term life cover)** - Your beneficiaries receive a benefit when you die.
- **Total and permanent disability (TPD) cover** - You receive a lump sum benefit if you become seriously disabled and your ability to work is affected.
- **Income protection cover** - You receive regular income for a specified period if you can't work due to temporary disability or illness.

Find out:

- What is the insurance premium?
- Do you get insurance cover automatically – without a health check?
- What happens when you're on extended leave, e.g. maternity leave?
- Can you opt out and not be charged? (You may already have insurance in another super fund or outside super.)
- What happens to your cover if you change jobs?
- Are there any limitations for age, dangerous activities, part-time or casual work?
- What happens to your cover if you change funds?

Decide what's best for you

Think about whether to take up or keep the insurance protection your fund provides, or whether you want more cover.

To find out more about life insurance, go to **moneysmart.gov.au**. If you're still unsure – or your situation is complex – consider getting professional financial advice.

Make it happen

If you want to increase, decrease or cancel your insurance cover, contact your fund.

Case study: Ahmed puts a safety net in place

Ahmed, 30, works in the construction industry. He and his partner Clara have a 2-year-old son and are expecting their second child. Ahmed realises that if anything should happen to him, Clara would find it hard to manage financially.

He decides to apply through his super fund to increase his term life cover. After completing a medical questionnaire, he adds an extra $200,000 insurance to cover the mortgage on their home.

Should you put extra into your super?

Because we are living longer, our super savings have to support us for longer. It's never too early to consider maximising your income in retirement.

Get the facts

Will you have enough super when you retire?

	Standard of living in retirement for a couple		Standard of living in retirement for a single person	
	Modest	Comfortable	Modest	Comfortable
Annual after-tax income required[1]	$39,353	$60,264	$27,368	$42,764
Lump sum needed at retirement[2]	$70,000	$640,000	$70,000	$545,000

[1] Retirement Standard benchmarks for the 2018 March quarter from the Association of Superannuation Funds of Australia (ASFA). To see their latest quarterly data, go to **superannuation.asn.au**.

[2] ASFA figures converted into lump sums for retirees aged 65 who will live to age 85. Life expectancy for a 65 year old is currently 87.3 years for women and 84.6 years for men (Source: Australian Bureau of Statistics 2014–16 Australian Life Tables). The calculation assumes an investment return of 6% before fees and taxes. All figures are in today's dollars, discounted for inflation at 2.75%.

ASIC's MoneySmart retirement planner

To get a handle on your personal situation, find your latest super member statement and go to the **retirement planner** at **moneysmart.gov.au**. Spend a few minutes entering your numbers and you'll find out:

- what income you are likely to have from super and the Age Pension after you retire
- how contributions, investment options, fees and retirement age affect your retirement income from super
- what actions you can take to boost your super and retirement income.

Decide what's best for you

Don't leave it too late to build up your super. The later you start, the more you will have to contribute to reach your target. However, you should also weigh up the benefits of extra super against your other priorities – paying off debt (credit cards, home loan) or saving (for a home or to start a family).

You can contribute to super as long as you meet the 'gainful employment' test. You must have worked for at least 40 hours within a period of 30 consecutive days during the particular financial year. Gainful employment does not include unpaid work.

Make it happen

- **Contribute regularly or by lump sum** – You can transfer funds online, send a cheque or set up a regular deduction.
- **Talk to your employer** – If you want to sacrifice part of your salary into super (see page 18), negotiate the arrangement with your employer. Unless you agree otherwise, your employer may be entitled to reduce their usual contribution by the total amount you salary sacrifice or pay a lower contribution based on your new 'reduced' salary. Check this before you agree to salary sacrifice.

Smart tip

The Age Pension

Many retired people live on a mix of their own savings and the Age Pension. In deciding if you have enough super for your retirement it's important to consider whether you are likely to receive the Age Pension.

How much you're likely to receive will depend on your income and assets. Centrelink's Financial Information Service can give you information on how your assets and super may impact your Age Pension benefits. Go to **humanservices.gov.au** or call 13 23 00.

Increasing your contributions

ASIC's MoneySmart **super contributions optimiser** will help you work out:

- which type of super contribution – pre-tax or after-tax – gives your super the biggest boost
- how to make extra contributions.

Pre-tax 'salary sacrifice' contributions

If you pay more than 15% in income tax, you could consider sacrificing some salary and asking your employer to pay the same amount as a pre-tax super contribution.

You need to be careful, though, as there is a limit (cap) on the amount of pre-tax contributions you can make. Go to **ato.gov.au** for more information about the limits on super contributions.

Tax deductible contributions

You can claim a tax deduction for any personal super contributions you make, up to pre-tax (concessional) contribution limits.

This may suit you if you are self-employed or your employer does not allow you to salary sacrifice. Go to **ato.gov.au** for more information about the limits on super contributions.

Case study: Maria salary sacrifices into super

Maria, 37, is married with two children. She earns $90,000 before tax, excluding her employer's super contribution. With her husband's income there is more than enough to cover the family's mortgage and living expenses. Maria decides to ask her employer to redirect $10,000 of her pay into super as a 'salary sacrifice'.

Maria pays less tax overall because her new income is only $80,000 and her $10,000 super contribution is taxed at only 15%.

Maria decides to review this arrangement every 12 months, as her circumstances or contribution limits may change.

After-tax contributions

If you can spare the money, contributing from your after-tax income can really boost your savings.

Again, it's important to be aware of the limits (caps) on how much you can contribute. If you exceed the limits you may have to pay a lot more tax. Go to **ato.gov.au** for more information about the limits on super contributions.

Government co-contribution

If you are an employee and make after-tax contributions, you may receive a government co-contribution based on your income and how much you contribute. Self-employed people are also eligible, subject to certain conditions.

If you're eligible, the ATO pays the co-contribution automatically into your fund, based on your tax return and information received from your fund. To find out how much co-contribution you could get, see the **super co-contribution calculator** at **moneysmart.gov.au**.

Case study: Jay makes after-tax contributions to super

Jay, 26, earns $28,000 a year from his part-time job. He decides to grow his super by contributing an extra $40 per fortnight.

"My mates gave me a bit of stick but I reckon I'll be better off in the long run by putting away a bit more into super than putting away a six-pack each week."

In addition, Jay qualifies for a super co-contribution from the government. By the time Jay retires at 65, these additional amounts will have boosted his super by $90,000 – that's 40% more than if he did nothing.

Source: **Superannuation calculator** at **moneysmart.gov.au**

Should you change funds?

Changing super funds – or switching investment options within your fund - may help increase the amount of super you'll have at retirement. But take care – you could lose important benefits or face higher costs.

Get the facts

Check how well your current fund performed over at least 5-10 years. The fund's annual report tells you about the investments it made and how they performed during the year.

Check if the actual return broadly matches the return target for your fund. If not, look for a reasonable explanation.

Don't panic if the short-term returns are negative: remember that super is a long-term investment.

Make sure you understand the consequences of changing funds, especially if you're in a defined benefit fund. Check for:

- exit or termination fees
- whether the change will affect how your employer contributes
- any changes in insurance cover
- how the change affects your retirement benefit.

Decide what's best for you

When you understand the consequences, you may still feel it's worth changing funds. Sound reasons for changing funds include:

- consolidating your super into one account
- reducing fees
- investing in a fund with better features, or
- getting out of a poorly performing fund.

If you've sought financial advice about changing funds, make sure your adviser explains his or her recommendations in a Statement of Advice.

Make it happen

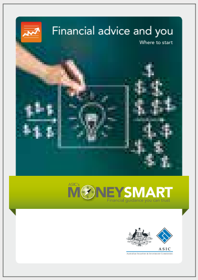
- **Tell your employer** – Once you've joined your new fund, make sure your employer knows where to send future contributions.
- **Transfer your super from existing accounts** – If you want to keep all of your super in one place, contact your new fund over the phone or login online and request a transfer. You can also consolidate your super funds by logging into your myGov account. Go to **mygov.gov.au** and link to the ATO.
- **Keep the paperwork** – Once your savings have been rolled over to your new fund, your old fund will send you a rollover benefits statement. Check it's correct and keep it with your super records.

Smart tip

Getting financial advice

If you're unsure about things or your situation is complex, consider getting professional financial advice. You may even be able to access some kinds of advice at no additional cost from your super fund.

To get started, go to **moneysmart.gov.au** and get the booklet *Financial advice and you*.



This practical guide will help you work out:

- the kind of financial advice you need
- the best place to get advice
- how to get the most from your conversations with a financial adviser.

Should you consolidate your small super accounts?

Consolidating your small super accounts is now a lot easier using myGov. Search for 'consolidating super funds' at **moneysmart.gov.au** for more information. The sooner you consolidate your funds, the better. You'll feel more in control and can watch your super grow.

Get the facts

If you belong to a super fund that doesn't have your current address, they might consider you a 'lost member', and transfer your benefits to an 'eligible rollover fund' where your investment earnings may be less.

If any of your accounts has less than $200, the fund may allow you to withdraw the money when you finish your employment. Unless you really need the money, it's generally better to roll it over into your next fund.

Decide what's best for you

The benefits of transferring the money in several small super fund accounts into one account include:

- saving costs by paying only one set of fees
- reducing your paperwork
- making it easier to keep track of your super.

However, if you're in a defined benefit fund, talk to your fund and get advice before leaving.

Make it happen

Follow the same process outlined on page 21 to change funds.

Getting access to your super early

You can only access your super before you reach your preservation age under very limited circumstances:

- **Incapacity** - if you suffer permanent or temporary incapacity.
- **Severe financial hardship** – if you have received Commonwealth benefits for 26 continuous weeks but are still unable to meet immediate living expenses.
- **Compassionate grounds** – to pay for medical treatment if you are seriously ill.
- **Terminal medical condition** – if you have a terminal illness or injury.

You may also be able to access your super early if you are permanently leaving Australia. Contact the Australian Taxation Office on **13 10 20** for more information about this.

Important

Superannuation scams

Your super is meant for your retirement, not before. Some illegal operators say they can withdraw your super or move it to a self-managed super fund so you can access your super money before you retire. Often, the victims of these scams lose most or all of their super.

If you are approached about accessing your super early you should report it to ASIC at **asic.gov.au** or by calling ASIC on **1300 300 630**.

How to make a complaint about your super fund

Step 1 – Contact your super fund with your complaint

First, talk to your fund. They may be able to solve the problem for you on the spot. If they can't, or you're unhappy with their response, then go to Step 2.

Step 2 – Take your complaint further

Ask the fund for their complaints handling procedure or look for it on their website. Put your complaint in writing (either a letter or email) and include your name, contact details and the date. Set out the problem clearly and stick to the facts.

The fund has 90 days to respond to you. You can request they respond in writing. If you don't receive a response, or you're unhappy with their response, go to Step 3.

Step 3 – Contact the Superannuation Complaints Tribunal (SCT)

The SCT handles complaints about providers of superannuation, retirement savings accounts and annuities. You can only contact the SCT if you have already contacted your super fund to try to resolve the problem.

Go to **sct.gov.au** or call 1300 884 114.

If your complaint is about advice on super from a licensed financial adviser, see **moneysmart.gov.au** for how to complain.

Australian Financial Complaints Authority

From 1 November 2018, a single external dispute resolution scheme, the Australian Financial Complaints Authority (AFCA), will replace the SCT and other financial claims schemes. The current schemes will continue to take complaints until the new scheme begins on this date.

Go to **afca.org.au** or call 1800 931 678.

Where to get more information

Australian Securities and Investments Commission (ASIC)

For help on suspected inadequate, misleading or deceptive information or misconduct, fraud or dishonesty.

asic.gov.au or phone 1300 300 630

ASIC's MoneySmart website

For free, independent guidance, including super and retirement planner calculators.

moneysmart.gov.au

Australian Taxation Office (ATO)

Lost super accounts, co-contributions, tax rules and self-managed super funds. For more information about missing or incorrect super guarantee contributions talk to your employer first.

For early release of super on compassionate grounds, go to the ATO website and search for 'early access to super'.

ato.gov.au or phone 13 10 20

Department of Human Services (DHS)

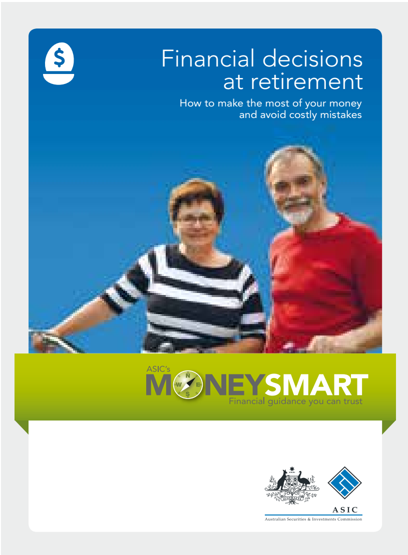
Centrelink's Financial Information Service (FIS) offers free information and seminars to help you make informed decisions about your current and future investment and financial needs.

DHS also offers help with government benefits and pensions.

humanservices.gov.au or phone 13 23 00

Other useful publications

Download these publications and others from **moneysmart.gov.au**.



Notes

We welcome your feedback

Please tell us what you think of our *Super decisions* booklet.

Email us at **feedback@moneysmart.gov.au**

ASIC's MoneySmart website has calculators, tools and tips to help you with:

- Superannuation and retirement
- Investing
- Borrowing and credit
- Scams
- Budgeting and saving

moneysmart.gov.au

Call ASIC: **1300 300 630**

Disclaimer

Please note that this is a summary giving you basic information about a particular topic. It does not cover the whole of the relevant law regarding that topic, and it is not a substitute for professional advice.

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