FIDUCIAN Financial Services
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I DON'T NEED TO WORRY ABOUT MY SUPERANNUATION

This is important. Too many people think that their normal employer super contributions invested in a default super fund will be enough to fund retirement, but the fact is it's just not true.

Let's look at that more closely. Say you work for 40 years, your starting wage is a very healthy $60,000 and therefore your super contributions from your employer are $475 per month.

The average default super fund gives a long term return of around 7% per annum and inflation over a 20 year average is about 2.5% per annum. Even with your wages growing with inflation every year (the super contributions accordingly), the total amount in today's dollars is only around $460,000. Average retirement income today is around $40-50,000 per annum, so you can see that a return of around 10% per annum is required to keep the balance of the super afloat. It's obvious the 7% average return just doesn't cut it.

So what are the options to improve this situation? Paying attention to how your super is invested earlier in life (or at least at some point) changes the outcomes above. Just adjusting the way the super is invested to a higher growth arrangement increases the average return to 9% per annum, changes the outcome to over $700,000 at retirement. Now the return required for income is only just over 7% per annum, which is much more achievable and therefore allowing a much more comfortable retirement. Adding additional contributions like salary sacrifice of say $75 per month, increases the outcome to over $800,000, so now the required return is only 6.25%, leaving room to achieve more in retirement. As you can now see, just small changes can make big differences. Using a higher growth investment allocation involves more risk, but time dilutes that risk as the law of averages spreads out the great years and the poor years, leaving a nice strong average return boosting your retirement assets.

So do you need to worry about your Superannuation? I say not if you work with a good Financial Planner to give it an overhaul and the right treatment, and then review that on a regular basis. Then the worry of not having enough to retire is replaced with the confidence of building towards a comfortable retirement.