get your nest egg cooking

CHANGES to super laws have prompted several new strategies to help people maximise their retirement savings.

Short-term borrowing to pump up to $1 million into super or withdrawing and re-contributing money are among those being suggested by financial planners.

But some of the most powerful super strategies are those that are already available.

Smart Money editor Anthony Keane reveals five strategies.

DID YOU KNOW? FORECASTING WHAT YOUR SUPERANNUATION BALANCE WILL GROW TO IS IMPOSSIBLE, BUT THERE ARE TOOLS AVAILABLE TO HELP PAINT A CLEARER PICTURE. THE AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION'S WEBSITE www.fido.asic.gov.au HAS A SUPERANNUATION CALCULATOR. IT PROVIDES PROJECTED BALANCES, EFFECTS OF FEES, SALARY SACRIFICE AND CO-CONTRIBUTION, AND EVEN HELPS YOU COMPARE SUPER FUNDS.

1 SALARY SACRIFICE

■ Anyone earning over $25,000 a year can benefit from salary sacrificing into superannuation.

■ Adelaide financial strategist Theo Marinis says the higher the tax bracket you are in, the more beneficial the strategy is. It works by making a deposit into super using your gross income, before tax is taken out.

■ "You put money into super rather than take it as salary. If you are on the 30 per cent income tax rate you save 15 per cent tax," he says.

CASE STUDY

Cheryl earns $100,000 a year and wants to add an extra $500 a month to her super. The table below compares using salary sacrifice against using take-home pay:

ANNUAL SALARY	AFTER-TAX CONTRIBUTION	BEFORE-TAX CONTRIBUTION (SALARY SACRIFICE)
Gross salary	$100,000	$100,000
Salary sacrifice	$0	$6000
Taxable income	$100,000	$94,000
PAYG tax (excl. Medicare Levy)	($27,850)	($25,450)
After tax contributions	$6000	$0.00
Take home pay	**$66,150**	**$68,550**
SUPERANNUATION CONTRIBUTIONS		
Annual SG contributions	$9000	$9000
Salary sacrifice contributions	$0.00	$6000
Contributions tax at 15%	($1350)	($2250)
After tax contributions	$6,000	$0
Total net super contribution	$13,650	$12,750
Take home pay plus super	**$79,800**	**$81,300**

Source: Choice

2 CO-CONTRIBUTION

■ Low and middle-income earners have been able to benefit from the Federal Government co-contribution since 2002. It pays up to $1500 into a person's super if they inject $1000 of their own money in a financial year.

■ The maximum is available for people earning less than $28,000 a year but those earning up to $58,000 can get some co-contribution.

■ Mr Marinis says the co-contribution can be "10 times more powerful than salary sacrifice for many people".

CASE STUDY

■ Ernie is 25, earns $27,000 a year and has $20,000 in his super in a typical balanced fund. He wants to know what the effect would be of paying $100 per month of his own money into super.

■ If Ernie does nothing, his super is projected to grow to $239,000 by age 65.

■ Paying in the extra $1200 a year and enjoying the benefits of the co-contribution means the super will be worth $418,000 at age 65.

■ The co-contribution adds an extra $78,000 to his end benefit.

Source: ASIC superannuation calculator

3 SWITCH TO SUPER

■ Cashing out investments and moving the money into super has always been a good strategy for people approaching retirement and wanting to enjoy a low-tax or no-tax income.

■ The new super changes make it even more attractive because there will be no tax on withdrawals after age 60, but Mariner Financial's superannuation and retirement strategist Kate Anderson warns people should be wary of potential capital gains tax issues.

■ "If you are eligible (such as self-employed people), you can offset some of that gain by claiming a tax deduction," she says.

CASE STUDY

■ Lynne, 60, has sold a $400,000 investment property and wonders whether she should put the proceeds into superannuation. It is currently sitting in a bank account earning 6 per cent per annum.

■ While the money remains outside the super environment, Lynne must pay tax on the $24,000 of interest income at her current marginal tax rate.

■ Moved into super, the tax rate is just 15 per cent.

■ Once Lynne retires her super will switch from the accumulation phase to the pension phase, with no income tax payable on the money. She might even get a tax credit if she invests in shares that pay franked dividends. If the money stays outside super, she would still pay tax.

4 INVEST FOR GROWTH

■ Most Australians continue to invest in their super fund's default option, which is typically a balanced portfolio that mixes shares, property, fixed interest and cash.

■ Many financial experts say this is too conservative, particularly for young people who have more than 40 years before they can touch their money.

■ If people are happy with short-term fluctuations in their super they can benefit more by putting more - or all - of their super in growth assets such as shares and property.

■ "If you are at least 10 or 15 years off retirement, that's the time you can take a lot of risk," Ms Anderson says.

■ Many financial planners say that even in retirement, people should still hold a healthy mix of higher-growth assets such as shares, to prevent their money from running out too quickly.

5 TRANSITION TO RETIREMENT

■ The transition to retirement laws came into effect almost two years ago and can give people aged over 55 huge tax savings by allowing them to draw down on their super while still working.

■ Adelaide financial strategist Theo Marinis says the changes have been the biggest revolution in retirement saving but he says many financial planners are "too lazy, or dare I say it, too ignorant to fully understand and recommend the approach to their clients".

■ "It allows a wonderful opportunity for these people to salary sacrifice most of their pay into super, foregoing just 15 per cent in contributions tax, rather than paying an average of 31.5 per cent or as much as 46.5 per cent while living off their existing retirement savings, tax effectively or perhaps even tax free after July 1."

■ Using this strategy, an allocated pension is created to provide the extra income. All earnings within that pension are tax free.

FINANCIAL STRATEGIST THEO MARINIS: THE CO-CONTRIBUTION CAN BE "TEN TIMES MORE POWERFUL THAN SALARY SACRIFICE FOR MANY PEOPLE".

Financial Strategies (SA) Pty Ltd trading as Marinis Financial Group
67 Kensington Road, Norwood SA 5067 T 08 8130 5130 F 08 8331 9161 E admin@marinisgroup.com.au