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Turbocharge your nest egg

HOW \$100,000 OF SUPER CAN GROW OVER THREE DECADES

ANTHONY KEANE

Superannuation doesn't enter many Australians' minds until their 40s, but its potential growth over the following three decades can be spectacular.

A six-figure account balance is often a tipping point for savers to start thinking about super, and the average super balance of people aged 35 to 39 currently sits near \$112,000 – about \$131,000 for a man and \$93,000 for a woman, according to Deloitte and AustralianSuper. What people do next can power their nest egg towards a wealthy retirement with relatively little effort.

We've crunched the numbers using Moneysmart.gov.au's superannuation calculator and found much of the work is done by compulsory employer super contributions, currently 10.5 per cent of wages and rising to 12 per cent by July 2025.

AUTOMATIC SAVINGS

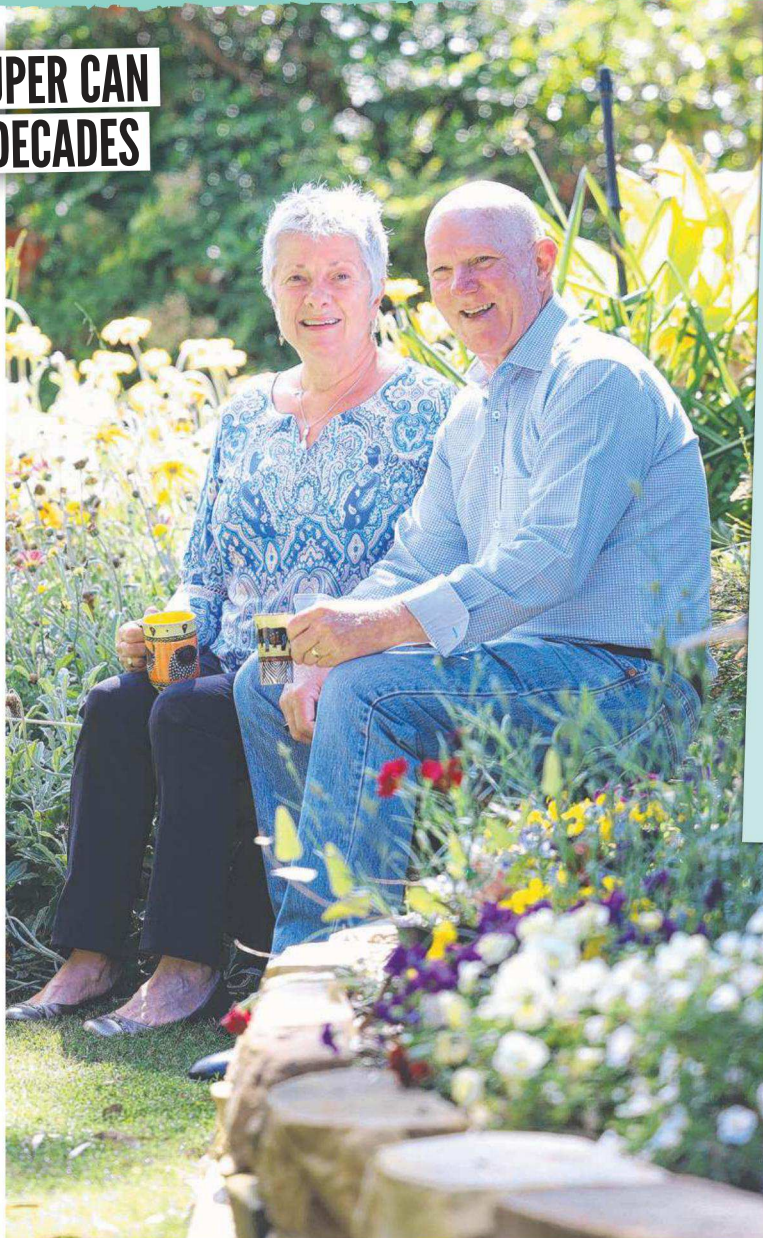
Working full-time will push an average 40-year-old employee's balance from \$100,000 to above \$500,000 in today's dollars by age 67, but a combination of salary sacrifice, lump sum payments and tweaking investments can potentially propel it beyond \$1m.

Financial strategist Theo Marinis suggests a simple strategy: put extra money into super "as soon as you can, as much as you can, for as long as you can". "The secret of super is compound interest and the sooner you start, the more compound interest you receive," he says.

Australians can make voluntary tax-deductible contributions to their super at any time but Marinis suggests using salary sacrifice, so you won't have to conjure a cash lump sum at the end of each financial year.

"It's easier to do salary sacrifice because it is taken out of your pay, so you won't worry about it – you get your pay and you live with that," he says. "If you don't receive the money, you don't spend it."

JBS Financial Strategists CEO



Chris and Heather Catlin continue to seek tax-effective opportunities for their super to grow further. Picture David Mariuz



Jenny Brown says rising compulsory super payments means young workers in their 20s will probably have enough for a comfortable retirement, but those in their 40s and 50s "still need to be doing top-ups because you haven't had that high level of contributions for as long".

"Look at your cash flow and marginal tax rate – could you be topping up to the maximum concessional contribution limits?" she says.

Tax deductible contributions, known as concessional contributions, of up to \$27,500 annually per person are allowed, but this includes employer payments.

CATCH-UPS

People with less than \$500,000 in super can also make catch-up concessional contributions for previous years when they didn't hit the concessional limit. There are also

We do the maths

How to grow \$1m from \$100,000 (for a 40-year-old earning the average Australian wage of \$92,000)

- Relying on employer contributions alone, the balance increases to \$514,000 in today's dollars by age 67.
- Salary sacrifice \$50 a week and the balance becomes \$596,000.
- Increase the salary sacrifice to \$100 a week and it's projected to grow to \$678,000.
- Switching investment options from default to more aggressive – earning an extra 1 per cent annually – increases the end balance to \$917,000.
- A \$100,000 lump sum contribution – from the sale of an investment – made at any time will push the nest egg well above \$1m.

Source: Moneysmart.gov.au superannuation calculator

much higher limits for annual after-tax, non-concessional contributions.

"Take an active interest in super – know where it's going," Brown says.

"Life insurance is great but there needs to be a requirement for it. If you've paid down debt and your spouse doesn't need a lump sum, do you need insurance?"

Chris and Heather Catlin are drawing down from their nest eggs but still see superannuation as dynamic.

"It is not a case of set and forget – over time our needs and objectives can change," Chris says. "We review our strategy every six months and tweak where necessary. We continue to seek tax-effective opportunities for our super to grow further, not only for us, but also for our children and grandchildren."

Marinis says people can use free calculators on moneysmart.gov.au and super funds to project their future balances and understand the power of compound interest.

"Just put money away on a regular basis – that's all you have to do, and you are saving tax right now," he says.

"Super is long term so does it matter what happens in the next two or five years? It's what's going to happen over the next 20 years."

#BOSS LADY



WITH AMANDA ROSE

The founder of Small Business Women Australia, Amanda is a key mentor and career adviser

PIGEONHOLING

Being highly skilled at your job can have its downsides.

This happens when your expertise ends up pigeonholing you into the same role for a long time because your boss thinks it would be detrimental to the business and too much effort to train someone else.

The trust they have in you is wonderful but it could be holding your career back with the boss thinking, "I don't want to lose you, so I won't promote you".

And there is nothing more frustrating to see than other less qualified people with a more diverse range of skills being promoted above you. It destroys morale for the employee, because they think they're not capable of being promoted or they're not capable of doing other things.

WHAT CAN YOU DO?

Expand the view others have of you. Speak to other managers and ask them for feedback on your skill set above and beyond your immediate role. It could be your transferable skills, leadership skills or management skills. Other managers are more likely to be honest about your true value because they're not worried about losing you.

Armed with this, help your boss understand you're more than just the job you're in. Highlight your benefits to the business such as project management, cross-department work or taking on an additional role.

Offer yourself to other managers to collaborate on projects – as long as it doesn't affect your main role. This will show you can be valuable to other teams and projects.

UPSKILL, UPSKILL, UPSKILL

If you have a promotion in mind, find out what new skills are needed for the role you want and fill those gaps.

SPEAK THEIR LANGUAGE

Change your narrative, as language is very powerful. Don't just talk about what you do, talk about the bigger picture for the organisation and use leadership speak. Recommend changes and show you are thinking about issues beyond your role.

Do you have a query for Amanda?
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