Annual super review

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Annual superannuation statements provide the perfect opportunity to review saving for retirement

All members of superannuation funds should have received their annual super statement.

While it may be tempting to put the statement aside for reading 'at a later date', there is no better time to conduct a rigorous review of how your fund has performed over the preceding financial year and decide what, if any, changes you should make to your super.

Many superannuation funds indicate how well they have performed against various independent industry rating agencies medians. One such agency is SuperRatings, [http://www.superratings.com.au/] which reports that for the one-year period to 30 June 2015, balanced funds (those with between 60 per cent and 76 per cent in growth assets) returned on average 9.2 per cent.

If your fund does not provide this information, or if they have not met or exceeded the median, ask them why. If you are not satisfied with their response, it may very well be time to consider alternate superannuation providers.

As part of your annual super review, assess whether it is time to start making your own contributions (also known as concessional contributions) to super, for example via salary-sacrificing. If you are already doing this, check whether these additional contributions are adequate to meet your likely retirement goals.

Concessional contributions are taxed at the attractive rate of 15 per cent instead of at your marginal tax rate, which is likely to be higher. Remember though that caps exist on how much you can voluntarily contribute to super while enjoying the 15 per cent concessional tax rate, so make sure to speak with your fund to ensure your contributions do not exceed these caps.

Members of funds can also chose to make additional 'non-concessional' contributions to their superannuation. Such contributions are also known as 'after tax' contributions as they don't receive a tax deduction on the way in. However, there are tax advantages as the investment earnings within superannuation are taxed at a maximum rate of only 15 per cent, not your marginal tax rate.

As the Australian Securities and Investment Commission (ASIC) MoneySmart website says: "If you can spare the money, you can really boost your super savings by making after-tax contributions. You will usually save more by investing through super than by investing in the same assets outside super."

[https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-contributions/contributing-extra-to-super]

The latest Association of Superannuation Funds of Australia (ASFA) Retirement Standard [http://www.superannuation.asn.au/resources/retirement-standard] states that a single person aged 65 will need $23 662 per annum to lead a 'modest' lifestyle and $42 861 to lead a 'comfortable' lifestyle. Couples will need $34 051 and $58 784 respectively. (These figures assume the retiree/s own their home outright and are relatively healthy).

Your superannuation fund should provide an online calculator to help you project what your super balance will be upon retirement. If they don't, ASIC's MoneySmart website has an online retirement planner. [https://www.moneysmart.gov.au/superannuation-and-retirement/is-your-super-on-target].

While on the ASIC site check out its ‘Super fees’ section [https://www.moneysmart.gov.au/superannuation-and-retirement/how-super-works/super-fees] which provides advice on how to determine if you are paying too much in fees.

The way your super is invested is a key determinate of the size of your ultimate retirement benefit. Most members are invested in their funds’ ‘default’ investment option. Speak with your fund to determine whether it is time to make a change. Typically, younger members choose ‘aggressive’ or ‘assertive’ options (e.g. more highly invested in shares and property) while those closing in on retirement choose a ‘balanced’ or ‘conservative’ approach (e.g. more highly invested in fixed interest and cash).

Your level of insurance is another key area of superannuation warranting annual review. Ensure that the amounts you are insured for (death, disability and/or income protection) meet your needs and the needs of your dependents.

Also as part of looking after your dependents, it is well worth checking to ensure you have nominated a beneficiary for your super in the event that you are to die and that you have indicated whether this nomination is ‘binding’ or ‘non-binding’.

As part of your annual super review, check that your employer has contributed the full amount required to be paid to your super fund. While employers are required by law to pay 9.5 per cent of your salary into your super fund, errors and omissions can and do occur.

It is also a good time to look for any ‘lost super’—super you may have acquired while working for another employer—and consider rolling into the one fund, thereby potentially saving on fees.

Finally, consider getting to know your super fund even better by contacting your provider to discuss the full range of benefits and services they provide, such as organising to meet with a fund representative to discuss your savings options. It’s your super fund. Make the most of it as you save for retirement.

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