

Superannuation: understanding the basics

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Superannuation is an investment strategy for your retirement that you can build up during your working life.

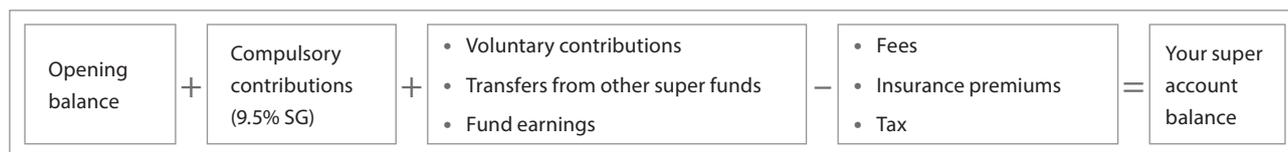
The benefits of super

Guaranteed contributions: If you are working, your employer is generally required to contribute at least 9.5 per cent of your salary to your super fund on your behalf (this is known as the superannuation guarantee or SG). Most employees who are who are above age 18 and are earning more than \$450 per month are eligible for SG contributions. This applies whether you are full-time, part-time or employed on a casual basis.

Investment options: Your super fund pools your super money with other members' funds and invests the money in assets, such as property, shares, fixed interest and cash investments. By carefully choosing the best assets, your fund makes sure that the money you contribute is looked after and grows. The aim is to build up as much money as possible for your retirement, to ensure a comfortable lifestyle.

Timeframe: Superannuation is generally a long-term investment. This means that your money has a long time to benefit from the growth of your investments.

Your super account



Case study

Consider John who is 47 and has \$120,000 in his super fund. His employer contributes super guarantee of \$6,300 each year into his super fund. John makes additional salary sacrifice contributions of \$5,000 each year. John also has life insurance coverage of \$300,000 within his super fund, and a premium of \$31.75 per month applies.* John's super is invested in a balanced range of assets. Over 12 months, John's super account could possibly be similar to the following diagram:

John's super account



Assumes earnings of 7% per annum before tax, fees based on 2% per annum administration + investment management fee. The investment earnings for contributions is calculated on a quarterly basis.

* Included for illustrative purposes only.

Things to consider

Fees: To pay for the cost of looking after your super, fees are deducted from your account. Also, as super is an investment, the Government also charges tax albeit at a concessional rate.

Insurance premiums: Sometimes your super fund offers insurance to cover you for death, total and permanent disablement and income protection. If you elect to have insurance cover within your super fund, then the premiums for that insurance are deducted from your account.

Preservation age: The Government has placed restrictions on when you can access your super benefits, to ensure that super is used in retirement and not beforehand.

Your preservation age is the Government specified age at which you can gain access to your superannuation benefits, provided you have permanently retired from the workforce. Your preservation age is determined by the year you were born.

What's your preservation age?

When were you born?	Your preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Access to your benefits

All contributions paid into a superannuation fund are preserved until you have met a condition of release such as reaching your preservation age and being retired from the workforce. In other limited circumstances you may be able to access your superannuation benefit, for example under financial hardship, if you become totally and permanently disabled or under the transition to retirement rules.

At retirement

Once you retire, your fund may give you the option to take your superannuation benefit as either a lump sum or as an income stream. An example of an income stream product is an account-based pension.

Have you lost some of your super?

The Lost Members Register is a central register of lost superannuation fund members and retirement savings account (RSA) holders. There are a number of ways you can check if you have any lost superannuation:

You can conduct your own online SuperSeeker search via the Australian Tax Office's website www.ato.gov.au/superseeker

You can call the Australian Tax Office's SuperSeeker self-help telephone service on 13 28 65. This telephone service is available 24 hours a day, 7 days a week.

You can contact your current superannuation fund and ask them to conduct a search on your behalf.

You can download and complete a Lost Members' enquiry form via www.ato.gov.au

To find out how TGFS Financial Planning can assist you, please contact 1300 755 521 or email info@tgfsfinancialplanning.com.au to arrange an appointment today.



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