

Why Should Women Worry About Super?

By Jennifer Lancaster

Recent research shows that women relying solely on compulsory contributions from super may be leaving themselves short. The average retirement payout for women expected in 2008 is a mere \$73,000, compared with \$155,000 for men. This is far short of the \$500,000 generally agreed to support a comfortable lifestyle over 20 years. On a brighter note, surveys by ASFA (Association of Super Fund Australia Limited) have shown a 48.7% increase in average super balances for women between June 2004 and June 2006.

While around 15 per cent of retiring women had \$200,000 or more in super, enough to support a modest lifestyle, the remainder of retiring women may well have to live a low-cost lifestyle. Some grandmothers would like to give more, but cannot afford to help out grandchildren with their education or housing. And if recent retirees spend now, are they going to be looking for family help later for specialist medical care?

Luckily, a lower taxed environment and other positive changes to super have made it more attractive. Personal contributions are taxed at only 15% flat (through salary sacrifice), with no tax on withdrawals after age 60 is reached. This is certainly a drawcard for those on the 31.5 to 41.5% tax rate (inclusive of Medicare). Add to that, Government co-contributions for voluntary super payments for those on lower incomes (\$1.50 for every dollar saved up to a maximum of \$1,500 for those on \$28,980 p.a., with lesser amounts as income rises, cutting out at \$58,980 p.a.), and greater control in super fund choice, and you can see why super is growing in popularity. Even self-employed women can now receive the co-contribution, if in the eligible income range mentioned above after tax deductions.

Many women now in their 50's are still working full time. With their home mortgage mostly paid off, this is the ideal time to top up their own super fund with voluntary or spouse contributions.

Results Depend on You

For many people superannuation has been a "set and forget" style of investing. But since Australians now rely on their super for around half of their total assets, it has become important to ensure the money is in a high-yielding and low fee fund. While balance is important in the fund's asset allocation, it is also imperative that every super fund holder keeps a close eye on which assets are doing better. For instance, there is no use being disappointed in your super

fund's performance if you chose 85% Australian shares, and in the last year those asset returns went down 12%, since fund managers can only do as well as or fractionally better than the underlying index (e.g. the ASX) that they are investing in. It pays to be aware of the overall investing scene.

Remember, you can change your asset mix at any time, and most super fund managers offer a switch of fund for free at least once per year. Before choosing a new asset mix, look at the likelihood of negative returns. Did you know that property securities offer a negative return in only 1 in 20 years, whereas international equities is far riskier, with a negative return in around 1 in 4 years?

With many super funds expecting poor results this tax year, now is the time to be mindful of the fees that they are levying: are they still taking 2.5% in management fees while the fund is showing negative returns... how cheeky! Industry super funds represent much better value, so it is wise to check out relevant ones. See www.industrysuper.com/choose-a-fund for more information.

This article does not constitute individual advice. Please seek independent financial advice before embarking on any investment.

Jennifer Lancaster has written *Sack Your Financial Planner: Create financial independence*. Please see Power of Words: www.pow.net.au