AVENUES

ACHIEVING A COMFORTABLE RETIREMENT

Many women dream of a retirement where they can kick back and relax, do whatever they like and be free from the demands of others – actually focusing on caring for themselves. But this step often means being free from financial worries or concerns and for a large proportion of women, the prospect of a comfortable retirement can seem elusive. Especially when you do the sums.

HILLROSS

SHOULD I TAKE MY SUPER AS A LUMP SUM? CONTINUED

The latest Intergenerational Report predicts the number of Australians aged 65 and over is likely to more than double by 2055 compared to today – and there could be as many as 40,000 people aged 100 and over by 2055. There were only 122 Australian centenarians forty years ago. Both male and female average life expectancies will jump significantly, with males at birth expected to live for 95.1 years and females for 96.6 years.[i]

While the prospect of a longer life is great news, the rub is that we'll need to find extra money to fund lengthier retirements. Pauline Vamos, CEO of peak superannuation industry association, ASFA, says this issue is particularly important for women, who are expected to live longer, "yet are retiring with around half as much superannuation as men".

Less superannuation than men

Women retire, on average, with $105,000 in super savings, which is $92,000 less than men, according to ASFA.[ii] More concerning is that 1 in 3 women retire with no superannuation at all. The upshot is that around 90% of women retire with inadequate savings to fund a comfortable retirement. "Adequacy will also be a key factor, which is why we will continue to advocate for the Superannuation Guarantee (SG) to be increased to 12% as soon as possible," said Ms Vamos.

There are many reasons for the difference in super savings. Not consolidating super accounts, a lack of personal contributions, and even a lack of knowledge about how superannuation works are factors. For many women taking time out of the workforce for children or caring for others, has a massive impact. According to an American research report,[iii] women are likely to take an average of 12 years out of the workforce for family related reasons – and it's likely the situation is pretty similar in Australia. When women return to the workforce, they often take part-time/low-paid or even free employment for several years to balance having a care-giver role as well.

When women work full-time, their average earnings are often lower than the take home pay of men. As our SG contributions are often linked to our earnings, men generally end up with larger superannuation nest eggs than their female counterparts.

Building a bigger superannuation nest egg

On the plus side, women can take steps to build their retirement funds. For instance, it's critical to check your super balance regularly, as well as the insurance and investment options to ensure they match your circumstances and future requirements.

If you've worked in several jobs, you're likely to have multiple super accounts and you can save fees by consolidating your super into a good quality, low fee super account. This could save thousands in unnecessary fees, which over time can make a big difference. Also note there is more than $14 billion[iv] in lost super and some of it could be yours. To find lost super, go to www.ato.gov.au/Super and then 'Find your lost super' tab.

Some super funds are trying to close the 'knowledge-gap' when it comes to retirement savings and what individuals are eligible for. Consider taking advantage of the seminars offered by your super fund.

Richard Denniss – Executive director, The Australia Institute, says "another way women can help themselves is to compare and switch funds with the aim of saving on fees: the average Australian spends more on super fees than they do on electricity." [v]

And for working women backing yourself when it comes to discussing pay and negotiating total remuneration is vital. Being prepared to discuss your remuneration with confidence means making sure you can demonstrate the tangible value you contribute through your role. Never underestimate the lifetime value of earning your full worth.

Whatever your situation, "Those who receive financial advice are more likely to only rely on a part-pension rather than a full pension," said Mark Rantall, CEO of the Financial Planning Association of Australia (FPA). "They are more financially secure, have a greater level of standard of living and are able to better manage any longevity risk."

Doing what you most want in your later years means taking regular, active steps to look after your financial health.

i http://www.treasury.gov.au/PublicationsAndMedia/Publications/2015/2015-Intergenerational-Report

ii http://www.superguru.com.au/super-sorter-power-hour

iii https://www.caregiver.org/women-and-caregiving-facts-and-figures

iv https://www.ato.gov.au/Media-centre/Media-releases/New-statistics-reveal-$14-billion-in-lost-super/

v https://www.wgea.gov.au/sites/default/files/Womens-Super-Summit.pdf

GIVE YOUR KIDS MONEY SMARTS

Children learn a lot from their parents when it comes to money—arm yours for financial success.

When it comes to money, your own behaviour and attitudes can strongly influence your kids. Help your kids to be money smart by demonstrating positive money habits and teaching them valuable lessons as they grow older.

Teaching money smarts

Money management has always been important for children to learn about, especially as they grow into young adults and face the big wide world out there! It's even more the case today, in an ever-growing digital world—kids are trained to become consumers from a young age.

What's more, it can be hard for kids to understand what they can't see. And shopping online—where there's no exchange of physical cash—makes it easy for kids to miss learning about the real value of money.

The good news is the desire to buy things does provide an opportunity to encourage healthy financial habits though, like saving, budgeting and working to earn their money. The best principles to teach kids just vary at different ages.

Here are some tips for building money smarts no matter what age your kids are.

Young children

Making money tangible for young children can be helpful. Your child may benefit from seeing money visibly accumulate in a jar. You can convey the way money works by playing games that show your child how many coins are needed to buy particular items—and how spending reduces the quantity of money in the jar.

Primary school kids

When children reach school age, introduce more practical examples by connecting household jobs they do with money as the reward. It can be a good time to set up a savings account for your child[i] and to learn basic goal setting and budgeting.

Teens

As your child gets older, a weekend or holiday job can help them appreciate that working leads to earning money. It's also a good stage to help your child start setting goals, say to buy a new mobile phone, while meeting short-term expenses like buying snacks, clothes and going out.

Young adults

Once children are earning money on a regular basis, if they're still living at home, then it's time to discuss living expenses, including board and chipping in for food and utilities. It's also an idea to develop their interest in building wealth for the future. Be sure also to cultivate an understanding and interest in their superannuation and how starting early can make a big difference.

Talking digital

Money lessons need to be adapted for digital spending. To do this it's a good idea to involve kids in the digital purchasing process when you're doing it yourself. Walk them through how it works and tell them the actual price so you can take this out of their pocket money, for example. It's also a good idea to take them to the ATM with you and explain that the money coming from the machine is reducing the amount the family has in savings.

It's never too late (or early)…

Investing from an early age can help build substantial wealth over time. So share our budget planner and speak with your kids about planning for financial success. Integrating money into your children's lives can be a positive experience—along the way they'll benefit from your knowledge and may even want to celebrate their achievements.

Our practice can create a budget and savings plan that could help.

Call us today.

i A parent/guardian can open an account in a child's name who is under 13 years of age, as long as they are a signatory. If the child is over 13 years of age, the parent/guardian must still open the account, but the child can be a signatory as long as the standard account opening requirements are met. Visa Debit, PayTag & AMPwave technology is only available to customers over 18.

HILLROSS

FIVE SUPER TERMS THAT SHOULD BE ON YOUR RADAR

Confused by industry jargon? We help you make sense of it all...

We want to empower you to take control of your finances and own your tomorrow. But we know it's not always easy. The language of finance can be complex and confusing.

Here we explain superannuation terms in everyday language.

Superannuation guarantee (SG)

The payments your employer makes into your super. All Australian employers are required to pay at least 9.5% into their employees' super accounts. The SG rate is frozen until 30 June 2021, after which it is set to increase gradually to 12% by 1 July 2025.

Concessional contributions

Any payments into your super by your employer from your pre-tax salary (including super guarantee and salary sacrifice) up to $30,000 (or $35,000 if you're over 49) that are only taxed at 15%, which is lower than most people's marginal tax rate —unless you earn over $300,000, in which case you're taxed at 30%.

Non-concessional contributions

You can pay up to $180,000 a year into your super with after-tax funds—or $540,000 spread over three years. Although your payments won't allow you to receive a tax deduction, non-concessional contributions can still be a tax-effective way of saving for retirement. Any earnings are only taxed at up to 15% and any withdrawals are tax-free once you can access your super.

Co-contributions

Depending on how much you earn, if you top up your super using after-tax contributions, you may receive up to $500 from the government.

Beneficiaries

The people you want to receive your super savings in the event of your death. It's important to remember that your will doesn't cover your super. So if you don't name your beneficiaries, your super fund may decide who gets your money after your death.

There are two types of beneficiaries binding and non-binding. Having a non-binding beneficiary will give the trustee an indication of how you would like your super distributed, however making a binding nomination is the only way to make sure your super savings will go to the right people at the right time because your super fund is legally obliged to follow your instructions.

It's important to note binding nominations are only valid for three years so you need to keep them up to date.

Contact us we can help you make tax-effective contributions to your super and keep your beneficiaries up to date.

STW Financial Services Pty Limited
225 Sharp Street Cooma NSW 2630
02 6455 1000
cooma@hillross.com.au
www.hillross.com.au/hillross-cooma

WHAT'S YOUR IDEA OF FINANCIAL FREEDOM?

HILLROSS