



10 TIPS TO BOOST SUPER

Maximise your retirement income with these tips from investment expert Dr Rand Low. **Stephen Nadin** reports

IT'S the big question for anybody approaching retirement. Do you have enough super?

New statistics released by wealth management business MLC has found 43 per cent of Australians aged between 50 and 70 have less than \$100,000 tucked away in superannuation.

The research, which quizzed 1000 Australians aged between 50 and 70 who had balances ranging from zero up to \$1 million, also found 33 per cent of this age group have less than \$50,000 in their super account.

This is well below the recommended balance of \$545,000 for a single retiree to live a comfortable retirement, or the combined \$640,000 that a couple is said to need.

The Association of Superannuation Funds of Australia's (ASFA) new retirement standard has revealed that couples aged around 65 will need to spend about \$60,060 a year to live a comfortable retirement, with singles needing about \$43,700.

Knowing how much super you need is just the beginning; getting there is the challenge.

Dr Rand Low (pictured) is a UQ Business School honorary fellow and vice-president at a Wall St firm, and he has shared the following 10 tips to boost a superannuation nest egg, and also generate an income in retirement.

1 UNDERSTAND YOUR SAVINGS TARGET

A useful rule of thumb is the 4 per cent rule. Estimate how much you'll need to withdraw per annum to maintain your lifestyle at retirement.

The ASFA states that couples will require about \$60,000 per annum if they own their own home and are reasonably healthy. Dividing \$60,000 by 0.04 leads to a \$1.5 million nest egg. Remember that the 4 per cent rule is a simple rubric to gauge how far along you are in achieving your ideal retirement lifestyle. See a financial planner for a more accurate number.

2 MAXIMISE PRE-TAX CONTRIBUTIONS

You are allowed to increase pre-tax contributions up to \$25,000 per annum for 2017-18. This assists with tax management as (i) you are generally subject to only 15 per cent tax on these contributions, and (ii) your marginal tax rate may be reduced as you are shifted into a lower tax bracket. Check to ensure you do not exceed the concessional contribution limits with the ATO and your accountant.

3 CONSOLIDATE YOUR SUPER

We often change jobs multiple times in our working lives and end up with superannuation accounts in multiple places. Check with the ATO for any lost super and consolidate all your super into one to minimise fees.

4 GET SMART

Academic research indicates that adult financial literacy in Australia is low; however, investing is fun and is hugely beneficial. To begin, treat investing as a game, and start with a small amount that is not burdensome such as \$500-\$1000. Presently, stock brokerage accounts are easily started at any of the banks, and transaction fees can be as low as \$20, thus

allowing an investment in a portfolio of three-five shares to be easily made. A small investment in the stock market often engenders an interest in economics and finance. Take advantage of the internet where high-quality courses on finance and economics are available for free on platforms such as edX.

5 ANALYSE THE BIG PICTURE

Rather than comparing the performance of different investment options in terms of annual returns, use risk-adjusted measures such as the Sharpe Ratio. High annual returns may be accompanied by large fluctuations, making an investment risky. The Sharpe Ratio takes fluctuations into account when evaluating performance. Sharpe ratios should be calculated across a minimum of seven years to take into account a full economic cycle. The investment option with the highest Sharpe Ratio is generally the best risk-adjusted option.

6 MINIMISE FEES

Always ask for the performance of your investment options net of fees. Often the high growth option provided by firms exhibit the highest fees, thus check to see if the higher returns are worth the increased fee.

7 UNDERSTAND LEVERAGE

Leverage, or borrowing money to invest in the stock market, can be a useful way to boost your retirement savings. For example, one can put \$20,000 in a brokerage account and borrow an additional \$10,000 to invest in the stock market which is effectively only 0.5 times (10,000/20,000=0.5). Although many people perceive such a strategy as risky, this is no different from an individual borrowing money to purchase a home. For example, if you put down \$20,000 on a \$200,000 home and borrow \$180,000, this is effectively leverage of at least nine times (180,000/20,000=9). When evaluated in terms of leverage, investing in real estate versus stocks (x9 vs. x0.5) is far riskier. There is substantial evidence such as Japan, USA, Ireland and Iceland that real estate can suffer from serious crashes, and there is no reason that Australia is an exception to this. Leverage amplifies both gains and losses, thus the key is to purchase high-quality assets. Using leverage to purchase blue-chip stocks that pay good dividends is a superannuation boosting strategy that should not be overlooked.

8 DIVERSIFY YOUR PORTFOLIO

We often invest in Australian stocks, as we know more about them and they are perceived to be safer. This effect is known as home bias, and modern portfolio theory tells us that investors should diversify their investments where possible. Limiting ourselves to the ASX exposes our superannuation portfolio to only 1.75 per cent of the investment opportunities globally. It can also severely impact our financial health as a local recession then impacts both our salary and retirement portfolios. Maximise diversification by allocating a proportion of your superannuation portfolio to international stock markets.

9 EXPLORE ALTERNATIVE EMPLOYMENT OPPORTUNITIES

Working part-time in retirement eases the financial burden and can improve physical and mental wellbeing. Plan ahead for alternative careers that are not physically gruelling and that take advantage of your work experience and people skills that have been developed over the years such as teaching, coaching, or working at call-centres. Explore roles in the new gig economy such as driving people around (Uber), delivering items (Deliveroo), renting your equipment (Tools Mates Hire), performing simple tasks for others (Airtasker), or renting a room in your own home (Airbnb). For a full list of websites to participate in the gig economy, see bestfind.com.au.

10 CONSIDER DOWNSIZING

Many retiring Australians may live in three and four-bedroom homes with upwards of 400sq m of land that are often close to the CBD. A viable alternative for many retirees to boost their retirement nest egg is to downside to a smaller residence such as an apartment, or live further out in the suburbs where housing is cheaper. As capital gains tax is generally not paid on the principal residence – see your accountant – this can effectively boost your retirement by \$100,000 or more.



HIGH ON LIFE



ACCORDING to new research, Australian females have hit a new high for life expectancy, with one industry expert saying this could lead to lower life insurance premiums for women.

The Australian Bureau of Statistics' (ABS) latest life expectancy figures reveal Australian female life expectancy increased to 84.6 years in 2016, the sixth-best in the world, while male life expectancy remained steady at 80.4 years.

According to Canstar's group manager of research and ratings, Mitch Watson, this could be good news for women paying for life insurance.

"With a longer life expectancy, females could see more money in their bank

account with lower life insurance premiums," he says.

Gender is one of the primary contributors to life insurance premiums, according to Mr Watson, and because women generally live longer than men they receive lower premiums.

"Depending on age and smoking status, females can experience premiums discounts of between 20-45 per cent in comparison to male premiums.

"The announcement that life expectancy for females has increased while staying stable for males could actually increase that price differential.

"Whether male or female, the key is to do your research and make sure you are getting a competitive premium along with the required cover."

Dream lifestyle for over 50's ... & their precious pets

BE QUICK TO SECURE LAST BLOCKS IN STAGE 6

- ✓ Individually Custom Designed Homes
- ✓ Designed Homes Built On Site
- ✓ No Appointment Necessary
- ✓ Pre Loved Homes Available
- ✓ Access Unaffected By Recent Weather Events

Ask us for details

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