How super can help you retire right

Australians aren't feeling prepared for retirement but super can help make up the shortfall

When you're just starting out in the workforce, it's easy to see superannuation as money that's not quite yours.

After all, if you're focused on funding your lifestyle and saving for short-term goals, retirement can seem a lifetime away. And seeing a chunk of your salary disappear into super every pay day can take some getting used to.

Generally you can't access your super until you retire, apart from in limited circumstances such as redrawing voluntary contributions to **buy your first home**.

But once you get into your stride in terms of career and family goals, the long-term benefits of super can start to take shape.

There are plenty of tax concessions that can help build your super balance, as well as the magic of **compounding investment returns** to help your retirement savings grow.

So even if retirement may seem a long way off, particularly if you're one of the 29% of Australians aged between 20 and 39[1], it pays to start planning.

The more you save, the more chance you'll have to enjoy a comfortable retirement.

We want to enjoy a comfortable retirement...

Australia's compulsory super system gets us to set aside money to build our retirement savings, so we have an adequate income stream when we retire to maintain our standard of living. Super also reduces the strain on the public purse and safeguards the age pension for those who really need it in future generations.

Imagine a world without super. It's nice to think we'd all make adequate provision for our retirement income. But the reality is many of us would struggle to prioritise our future selves over our more immediate needs.

...but we're not feeling prepared

Even with compulsory super, we're not feeling well set up for retirement.

The **AMP 2022 Financial Wellness** report reveals that confidence is declining, with working Australians expecting to retire at age 65.4 years – a jump of more than six months since the 2020 report – and with only $400,000 saved, which represents a fall of $100,000 in the space of two years. Only 41% of us are now expecting a comfortable or lavish retirement, compared with 50% in 2020.

We're concerned about the rising cost of living, not having enough saved and having to work later than expected.

And women, single parents and Australians nearer retirement are particularly worried they won't have enough.

But perhaps most concerning of all, the research shows there's a $200,000 gap between what we expect we'll need in retirement ($600,000) and what we expect to have ($400,000).

That's where super comes in – to bridge the gap so we can maintain a comfortable standard of living in retirement.

Otherwise, we'd end up forced to rely more on the age pension for our retirement income. And while we might not starve, we'd probably have to dial down our expectations and make some serious adjustments to our lifestyle – the kind of places we go on holiday, the kind of home we can afford to maintain, the kind of leisure activities we can enjoy, even the kind of food we eat.

This is why the Federal Government has built plenty of incentives into the super system, to encourage us to take control of our own destiny.

A low-tax environment...

Compared with the marginal rate you usually pay, super can provide concessional **tax advantages** at every stage – when you put money in, when you earn interest and when you eventually start to take money out.

And if you're fortunate enough to have some extra money to put by, super can be a more tax-effective vehicle than a high interest account or investing outside super, where returns are taxed at your marginal rate.

...with compound investment returns

Tax is only half the story. As a long-term investment, super can leverage the **compounding effect of investing** to grow your balance. Any money your super earns through its investments will be reinvested, aiming to create additional earnings over time.

The longer you save, the more interest you earn. So the earlier you start, the more you'll stand to benefit.

Choosing the right type of super fund

There are plenty of funds out there and it can seem a bit daunting, but they break down into a few different types.

- **Retail super funds**—typically owned and run by financial services companies **like AMP** and open to anyone to join.
- **Industry super funds**—some are only open to employees in a specific industry, while others are open to anyone.
- **Corporate super fund**s—typically arranged by a company for its employees – some are operated by the employer under a board of trustees, while others outsource their operation to a retail or industry fund.
- **Public-sector super funds**—usually only open to employees of federal and state government departments.
- **Self-managed super funds (SMSFs)**—private superannuation funds managed by their members (one to six people).

Topping up your super

The foundation of most people's retirement savings are **super guarantee payments**. In most cases, your employer has to contribute 10.5% of your before-tax income into a super fund. These payments are gradually set to increase to 12% by 1 July 2025.

But you don't have to rely on the super guarantee alone. There are plenty of **other ways you can contribute to your super.**

And you can choose **how you want your money invested**. Most funds offer a range of investment options and asset classes – from growth to balanced, conservative and cash – depending on how much risk you're prepared to take on to generate returns.

If you're an AMP customer you can start taking control and check your super balance by logging in or **registering for My AMP.**

If you're an AMP Super member, start by checking your super balance.

Log in

What you need to know

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