

SUPERANNUATION

If you're just starting work, retirement is probably the last thing you're thinking about. But the amount of money you retire with will be affected by decisions you make now.

Why pay super?

While you are in paid employment, superannuation is a good way for you to save and invest regularly for your retirement. Through special tax benefits and long-term earnings, super will produce a sizeable benefit for your retirement. While retirement may seem a long way off, it is probably closer than you think. With people retiring earlier and living longer, many of us can expect to spend between a third and a half of our adult lives in retirement! So it is important to start thinking about your super now.

What are you entitled to?

Under the Federal Government's Superannuation Guarantee system, if you earn more than \$450 per month, your employer is generally required to contribute to a superannuation fund on your behalf. Your employer is required to contribute an amount equal to 9 per cent of your earnings, in some workplaces an award or agreement may set out a higher contribution rate for your employer.

Choosing a super scheme

In most workplaces you will join the company's superannuation fund. Occasionally you are given a choice of investment fund. If so, it is important to get information such as how much the fees are and what kind of long-term returns on investment a fund or investment choice has.

Many people don't exercise their choice and as a result this may produce lower than expected returns on investment. It is crucial to remember that superannuation is money which will one day be yours! Good choices will mean more when you retire.

About your fund

The responsibility for the operation of your fund rests with the fund's trustees, whose main role is to administer the fund solely in the interests of the fund members. The trustees may be appointed or elected but they are there to represent you, the fund member. Therefore, if you have any problems or questions regarding your fund, you should contact your trustees or any official nominated by the fund.

When you join a fund, or soon after you begin employment, you should be given information in a member handbook about the way that your fund operates and how to contact it. If you do not receive this you should ask your employer, manager or trade union whom to contact.

As a member, you will receive an annual report of the fund and a statement regarding your benefit entitlements. Read these documents and feel free to contact the fund if you have difficulty understanding them. Don't feel embarrassed, these documents are often confusing for new members! Become informed and involved in your fund.

Protecting your investment

If you are just starting out in paid employment, changing jobs frequently or working part-time or casually, you may only have a small amount in super. However, unlike some other investments, small superannuation accounts are

legally protected from being reduced by fees or charges. You may also have several small amounts scattered between several funds. Fortunately, many superannuation funds consolidate small accounts together, Consult your member handbook or contact your fund about whether your fund does this, especially when you are starting or leaving a job.

What do you get at the end?

The main purpose of super is to pay benefits on retirement. Your retirement benefits will usually be required to be “preserved”, which means you cannot take them until you reach the minimum retirement age (usually 55 or older). Your member handbook will explain the rules that apply to your fund.

Upon reaching retirement, your superannuation should provide an income that you receive throughout your retirement. So superannuation really is about your future. It gives you the opportunity to provide yourself with a good standard of living in retirement.

For more information visit the Association of Superannuation Funds website at www.superannuation.asn.au or the Australian Taxation Office’s website at www.ato.gov.au/super

Source :Michaela Anderson, Policy Research Unit, ASFA Smartstart 2005

WORDWARE

>Accumulation fund:

These are funds which generally have individual member accounts.

>Benefit: What you get when you retire.

>Contribution: The money deposited with the superannuation fund.

>Contribution: The money deposited with the superannuation fund.

>Member: By starting employment you are likely to become a member of a super fund.

>Rollover: When you transfer your superannuation to a new fund.

>Superannuation guarantee: The legislation which requires your employer to make contributions to a super fund.

Questions – Superannuation

Instructions: Read the above article and answer the following questions in your exercise book.

- 1. What is superannuation?**
- 2. How much will your employer contribute to your super savings?**
- 3. What is the fund's trustee's role?**
- 4. What restrictions are placed on your funds to make them fairly secure?**
- 5. What does the term 'rollover' mean?**