Understanding super

What is superannuation?

Superannuation, or 'super', is a system where employers contribute a percentage of your salary into a dedicated fund, that will help to support you in retirement.

Currently, in Australia, the compulsory superannuation guarantee contribution your employer pays is 12%.

The money in your super is invested and managed on your behalf by your super fund. Generally, you can't withdraw your super until you're 65, or you meet certain other conditions.[1]

Why is super so important?

Saving and investing for your future

Super is designed to provide an income for you in retirement. How much you have in your super when the time comes to retire will depend on various factors, but as a general 'rule', the more you save now, the more you'll have later. That's why it's important to understand how much you have now and how you can help your super balance to grow in the years ahead.

Over the following pages, we've outlined some of the factors which may influence how your super will grow in the years leading up to your retirement. Although it might seem like you have plenty of time, by putting in thought and planning right now, you could have even more to look forward to.

1 Australian Taxation Office, Super withdrawal options, August 2023, ato.gov.au/individuals-and-families/super-for-individuals-and-families/super/withdrawing-and-using-your-super/super-withdrawal-options

Keeping track of your super

Lost super?

Have you kept track of all your super accounts over the years? When you've worked in different jobs, spent time overseas, or moved interstate, it can be easy to forget that you may have more than one super account. Having multiple accounts could mean that you're paying more in fees, and may make it harder to keep track of your retirement savings and investments.

If there has been no activity on a super account for a long time, and the super fund has been unable to contact you, the money may still be held by your super fund. This is known as lost super. Under certain circumstances, lost super may be transferred to the Australian Taxation Office (ATO). This is known as ATO-held super. Either way, it's easy to find out if you have super out there with your name on it.

Did you know that around

4 million

Australians have

more than one super account?[2]

View all your super in one place

You can use the **ATO online services** via MyGov to search for lost super, consolidate your accounts and view all your super accounts in one place. If you prefer, you can call the **lost super search line** on **13 28 65**, to complete a super search over the phone.

*There is over **$17 billion** in lost and ATO-held super – so it's worth checking whether any of it is yours.*[3]

2 Australian Taxation Office, Trends towards single accounts, June 2024, ato.gov.au/about-ato/research-and-statistics/in-detail/super-statistics/super-accounts-data/super-data-lost-unclaimed-multiple-accounts-and-consolidations/trend-towards-single-accounts

3 Australian Taxation Office, Total lost (fund-held) and ATO-held super, June 2024, ato.gov.au/about-ato/research-and-statistics/in-detail/super-statistics/super-accounts-data/super-data-lost-unclaimed-multiple-accounts-and-consolidations/total-lost-fund-held-and-ato-held-super

Understanding super contributions

Different ways to grow your balance

There are different types of contributions that can be made to your super. Generally, the more you contribute to your super, the more you will have in retirement.

1 Before-tax contributions

Before-tax contributions, also known as concessional contributions, are generally made by your employer, and include the 12% compulsory super guarantee contributions. If you want to top up your employer contributions, you can also ask your employer to pay some of your before-tax salary into your super account. This is known as salary sacrifice or voluntary contributions.

Before-tax contributions are taxed at 15%. For most people, this rate will be lower than their marginal tax rate (the percentage of tax paid from their salary), which means more of your money goes into your super account and less goes to tax. According to Government website Moneysmart, salary sacrifice may be an effective contribution option for people earning more than $45,000 per year.[4]

You can contribute up to $30,000 in before-tax contributions per year, including the super guarantee contributions from your employer. If you go above this limit, you could end up having to pay an increased tax amount on the contributions above the limit.

If you don't contribute up to the annual limit every year, you may be able to carry forward (or accrue) any unused concessional contributions. You should be aware, however, that you can only accrue these unused concessional contributions for 5 years, and your total super balance must be less than $500,000 to be eligible. Visit the ATO website for more information about the cap and carry forward rules for **concessional contributions**.

How much are you contributing to your super before-tax?

2 After-tax contributions

You can make super contributions from your after-tax money, such as your savings. These are also known as non-concessional or personal contributions. Because you have already paid tax on this money, you can contribute up to $120,000 each financial year.

You might also be able to bring forward 3 years of personal contributions, if you meet the eligibility criteria. Visit the ATO website for more information about the cap and bring forward rules for **non-concessional contributions**.

How much are you contributing to your super after-tax?

4 Moneysmart, Super contributions, moneysmart.gov.au/grow-your-super/super-contributions

Understanding super investments

Balancing risk and returns

The value of your money in super will fluctuate over time based on how that money is invested and how those investments perform.

Your super fund might have a default investment option for your super savings, which could be tailored to your age group or life stage. Many funds also let you choose your own investment options.

It's important that you feel confident and comfortable with the choices you make. How your super is invested can have a big impact on how much your super will grow in value. Most super funds offer investment options that generally include:

1. **Growth options,** which aim for higher-than-average returns over the long term. Keep in mind that this also means there may be a higher possibility of losses.
2. **Balanced options,** which aim for mid-range returns and any losses usually happen less frequently than might occur with the growth option.
3. **Conservative options,** which generally provide lower returns with the trade-off being that you'll likely experience fewer negative returns than you would with the balanced or growth options.

Your fund may offer other investment options. If you're not sure what's available in your super product, take the time to find out.

Whatever investment options you choose, you need to be comfortable with the risk versus return. For example, if you're not comfortable with the risk of more regular negative returns, high exposure to growth investments may not be the right investment option for you.

For some people getting closer to retirement, more conservative, lower risk investments are preferred as they want to protect their super against potential losses. Others may choose to keep their money in higher risk growth options to potentially earn higher returns and build their super balance. There is no 'one size fits all' approach. It's a personal decision that you need to feel comfortable with.

How is your super currently invested? Are you comfortable with the potential risk vs return?

Understanding super fees and insurance

Fees and charges

Know what you're paying for

There are various fees that apply to your super account, which generally include fees for administration and investment management. Some fees may be fixed while others are calculated as a percentage of your investment.

Depending on your super product, there may be other fees and charges. These may also depend on your investment options. High growth investment options, for example, generally have higher associated fees.

You can check what fees you're currently paying in your latest annual statement or the product disclosure statement.

How much are you paying in fees to your super fund?

Insurance inside super

What are you covered for?

Some super funds automatically include a basic level of life insurance cover for members, which is paid for by you from the money in your super. While insurance in super may be a worthwhile strategy for some, the premiums you pay along the way will have an impact on your super balance at retirement.

It's important to be aware of any life insurance you hold through your super and to know how much you're paying. And if you still have more than one super account, check that you're not paying more than once for insurance costs.

Make sure you're only paying for the insurance that you need. If your circumstances have changed, you may not need the same level of cover.

How much are you paying for insurance inside super?

This document is based on information available and believed to be accurate at the time of production and is subject to change without notice. Where the information in this document is factual information only, it does not contain any financial product advice or make any recommendations about a financial product or service being right for you. Any advice is general advice and does not take into account your objectives, financial situation or needs. Before acting on this advice, you should consider the appropriateness of the advice having regard to your objectives, financial situation and needs and take independent financial advice