Women and super

Simple steps to take control of your financial future

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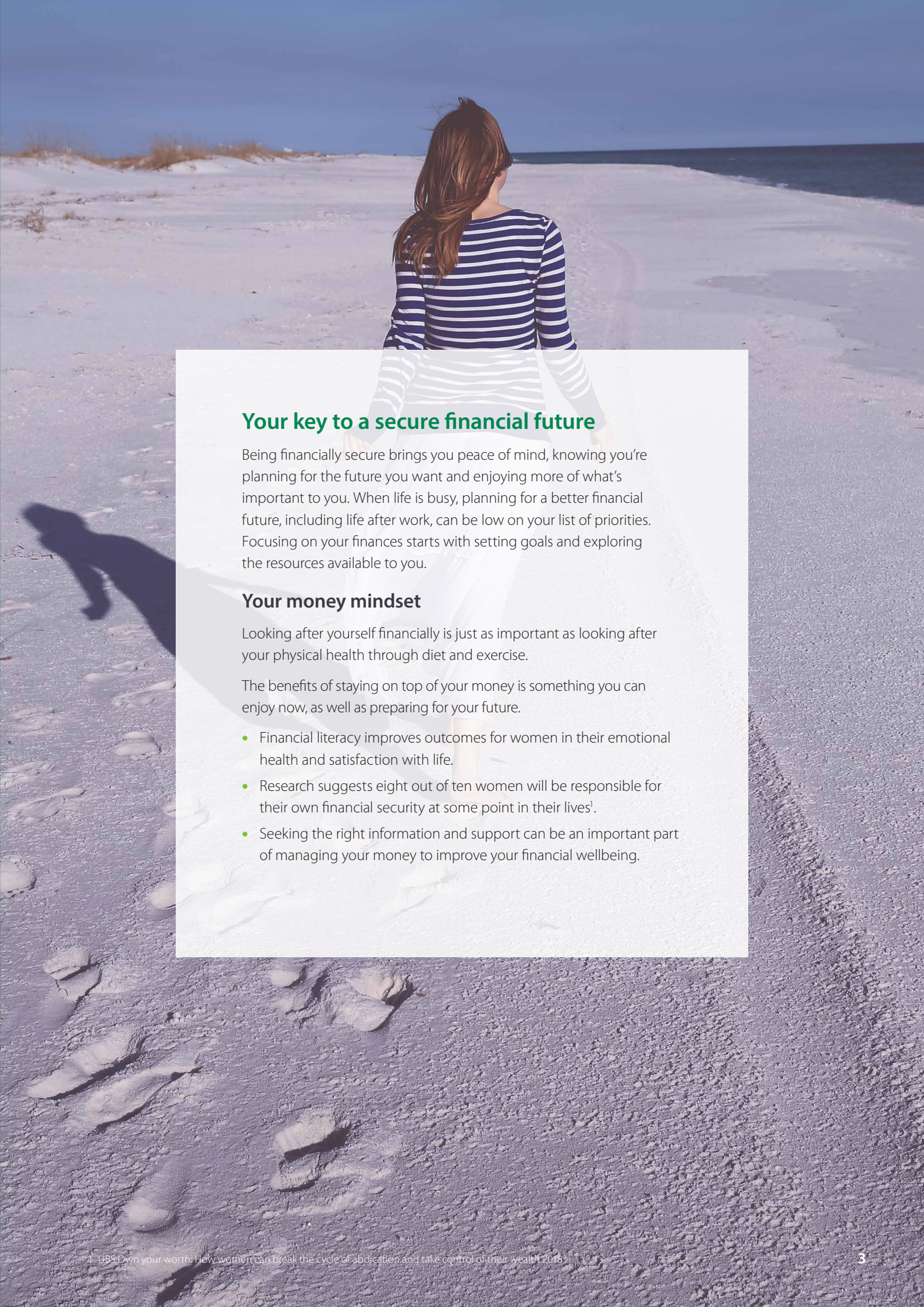


Your key to a secure financial future

Being financially secure brings you peace of mind, knowing you're planning for the future you want and enjoying more of what's important to you. When life is busy, planning for a better financial future, including life after work, can be low on your list of priorities. Focusing on your finances starts with setting goals and exploring the resources available to you.

Your money mindset

Looking after yourself financially is just as important as looking after your physical health through diet and exercise.

The benefits of staying on top of your money is something you can enjoy now, as well as preparing for your future.

- Financial literacy improves outcomes for women in their emotional health and satisfaction with life.
- Research suggests eight out of ten women will be responsible for their own financial security at some point in their lives[1].
- Seeking the right information and support can be an important part of managing your money to improve your financial wellbeing.

1 UBS Own your worth: How women can break the cycle of abdication and take control of their wealth 2018

Five steps to financial wellbeing

1

Budgeting and cash flow

The first step towards financial wellbeing is to understand where your money goes and to create a budget.

- Review old bank and credit card statements to see how much you've actually been spending. You can also keep a record of your expenses using a budgeting app such as ASIC's MoneySmart TrackMySPEND.
- Think about what you value most and commit to making savings on things that are a lower priority for you.
- Decide how much you need for essentials such as groceries, rent, bills and transport to determine how much you can afford to save.
- Consider having a separate account for essentials so you know all your outgoings are covered.
- Transfer your savings for short, medium and long-term goals from your income to other accounts as soon as you get paid. You can set up automatic deductions for these.
- What's left is yours to spend on the extras - so enjoy - or boost your savings so you can look forward to spending it in the future!

2

Shop around to save

Make sure you're getting the best deal on:

- utilities – gas, electricity, phone and internet
- insurance premiums – home, contents, car, health and personal
- loans – home, car, personal and credit cards.

Speak to your provider or visit their website for the latest offers. Often simply asking for a discount can lead to a better rate.

3

Control your debt

While it's important to save, paying off debts sooner can save you interest and help you become better off overall.

- Aim to understand the spending habits that led to you being in debt and make a plan for changing your behaviour.
- Don't spend more than you earn.
- If you use a credit card, budget to pay off the complete balance before the due date each month.
- Take advantage of interest free offers and/or zero balance transfer promotions to minimise interest on existing credit card balances and get them paid off sooner.
- Try to get ahead on repayments, prioritising debts with a higher interest rate.
- Look at debt consolidation as a potential strategy to lower the interest you're paying and clear your debts faster.
- Talk to a financial adviser, mortgage broker or your bank about debt consolidation solutions and getting the lowest interest rate on your debts, whether that's your mortgage or other personal borrowing.

We offer a spreadsheet to help you work out where your money is spent, create a budget and show you how much money you can save. Visit **www.ioof.com.au/calculators**.

4

Plan for the unexpected

Insurance is just as important to financial wellbeing as savings and investments. When the unexpected happens, having the right insurance can save you from a big financial setback and the stress that goes with it.

- Ask yourself whether your savings could meet your basic expenses if you lost your income for three to six months or more.
- Look at what type of insurance you have in your super and your level of cover. To check your cover, log on to your account (**www.ioofonline.com.au**) or speak with our Client Services Team.
- You might need to consider increasing your cover or adding a new type of insurance if you have assets to protect or dependants to provide for – having children or taking on a mortgage for example.
- Check your insurance cover on your house, contents and car to make sure you're adequately covered.

5

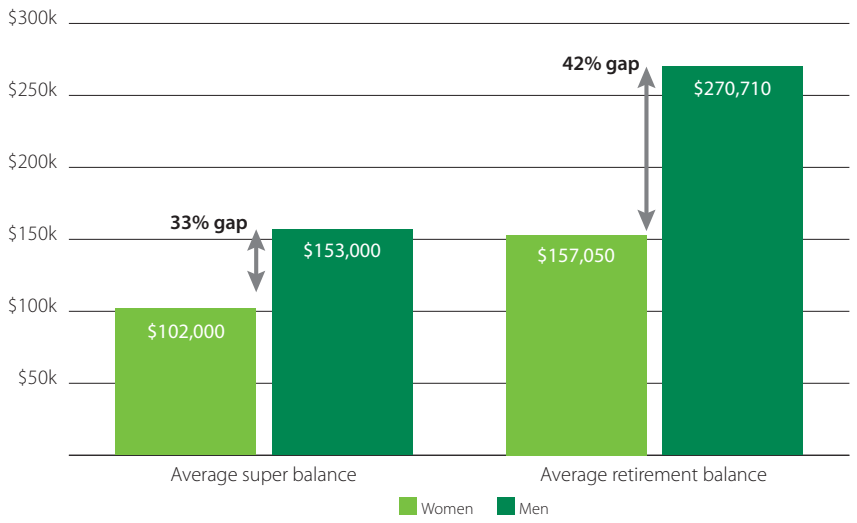
Your super savings

Your super is one source of income you can draw on when the time comes to retire. The latest data from the Australian Bureau of Statistics indicates that super could become our primary source of retirement income in future. Almost half of retired people in Australia (47%) currently rely on the Age Pension as their main source of income. But of the people planning to retire in the next decade or so, more than half (54%) expect super will be their main funding source[2]. This is a big shift towards super taking a more significant role in financing our future beyond the workforce.

Life after work can feel a long way off. Many of us can put off saving for when we grow old, because it seems like it will never actually happen.

According to the Australian Bureau of Statistics, women in Australia are living longer than ever before and can expect to spend almost a quarter of their lives in retirement. If life expectancy keeps rising, that's good news, as long as you've got the income to get the best from those extra years. Now is definitely the time to start thinking about life after work as you could be living longer than you expect.

The savings gap: how much super do women have compared to men?



Source: ASFA 'Superannuation account balances by age and gender' October 2017. Based on persons with superannuation, excluding those with a nil balance.

2 Australian Bureau of Statistics, 6238.0 – Retirement and Retirement Intentions, Australia, July 2016 to June 2017

Your super action plan

Super can seem like a big and complex topic to tackle. By following these simple steps, you can get right up to speed on your super strategy and know where to go for information and support. Get started today and you'll soon be across everything you need to know to make smart decisions about your super.

1

Take a super snapshot

Answer these three questions about your super today to start setting goals for extra contributions and your overall savings target for retirement.

- **How much do I have?** What is your current balance? Do you have more than one fund? Find out by logging into your account (**www.ioofonline.com.au**).
- **How much will I need?** Run some numbers to calculate what your living expenses could be in retirement. Check the latest retirement standard figures from the Association of Superannuation Funds of Australia (ASFA) (**www.superannuation.asn.au**) for estimates of how much a retired single person or couple need for a modest or comfortable retirement.
- **How much will I have?** Based on your current balance and salary, how much do you expect to have saved by the time you retire? The IOOF Retirement Gap calculator (**www.ioof.com.au/retiregap**) can help you determine if your super balance is on track for the retirement lifestyle you have in mind.

2

Connect with your super support crew

- **Log into your account (www.ioofonline.com.au)** to see how your super is tracking and access our Money Insights Central education hub with interactive modules, videos, calculators, articles and other information about your super and finances. Our Client Services Team is available to answer any questions you have.
- A **financial adviser** can work with you to develop a strategy for your super and other goals. You may already have a financial adviser associated with your super account or we can put you in touch with one.
- If you have a **partner or spouse**, talk with them about what you both want from your retirement and the combined savings and income you'll need to make it happen. Consider boosting your joint retirement savings with spouse contributions (see the next section for more information).

3

Get more from your super

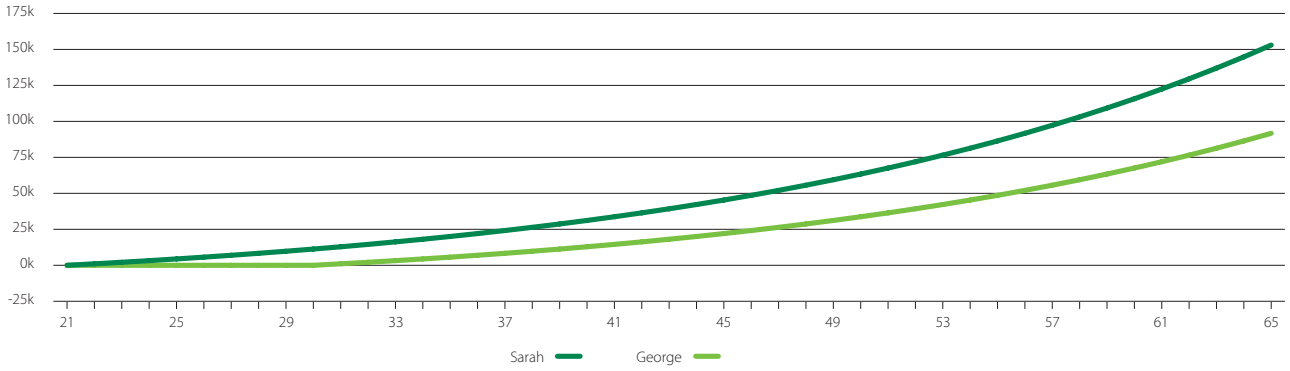
- **Get online** – You can register for online access (**www.ioofonline.com.au**) to keep track of your super balance, contributions, investment options and insurance.
- **Track it down** – Changing jobs or your address can lead to having multiple super funds you may not be aware of. Our super consolidation tool (**www.ioofonline.com.au**) can help you find super savings held in other funds. You can also do this through your MyGov account.
- **Put it together** – Having multiple super funds can cost you more in fees. Consolidating your super and making contributions into a single fund can save you money in the long-term. However, it's important to check your insurance cover before closing any of your super accounts to ensure you and your family continue to have the right level of cover.
- **Check your employer contributions** – Your employer is required to pay a minimum percentage of your salary into super under the Government's Super Guarantee (SG). The current SG rate is 9.5% of your salary provided you earn more than $450 in a calendar month. However, annually there is an estimated $2.85 billion of unpaid employer SG contributions[3]. It's important to check your super account to ensure contributions from your employer are complete and up-to-date.
- **Add your own contributions** – Your employer's super contributions may not be enough to give you the retirement you want. Making extra voluntary contributions throughout your life can help boost your super savings. This can be particularly important if you take a career break, for example to study, care for your family, become sick or are made redundant. When you're not earning, your employer contributions stop, which can have a big impact on your super balance at retirement.
  - **Voluntary contributions** – You can make your own contributions to super in addition to those made by your employer, which can also help you reduce your tax bill. You can make payments from your pre-tax salary, known as salary sacrifice, if your employer offers this. Your total pre-tax (concessional) contributions within the annual cap will be taxed at just 15%. You can also make after tax contributions, which may be claimed as a tax deduction. A 'Notice of intent to claim or vary a deduction' form needs to be completed and submitted to the ATO, which is available from our website.
  - **Spouse contributions** – If you're not earning an income, or earning a low income, your partner can contribute to your super to keep your retirement savings growing. Your spouse can split their employer super contributions between both your accounts at the end of the financial year. Depending on your taxable income in a given year, your spouse may also be able to claim a tax offset for making an after-tax voluntary contribution to your super.
  - **Government incentives for lower income earners** – Under current legislation, the Government offers financial incentives to lower income earners making contributions into an eligible super fund.

To find out more about making extra contributions into your super, including the limits on how much you can contribute, visit our website **www.ioof.com.au/extra-contributions** or speak to a financial adviser.

3 Source: Australian Tax Office Super accounts data overview, 30 June 2017 and ATO media release, August 2017.

Case study: The power of regular investing and starting early

Interest and investment returns compound over time. Even small contributions made early on can have a big impact on your super balance at retirement.



Sarah and George are both contributing **$1,000 every year** into their super.

Sarah starts making extra contributions from **age 21**. George begins topping up his super from **age 30**.

Assuming their super funds earn 5% in returns each year, Sarah will have approximately **$153,000 more** in her super when she **retires at 65**.

With a nine-year head start and just $9,000 in extra contributions, Sarah can expect to have two thirds more retirement savings compared to George[4].

Tips to help budget for a super boost

- Manage day-to-day cash flow and reduce debt to make space for super in your budget. See page 4 for tips.
- Make contributions when not working – even $5 per week adds up to more than $250 per year. As you can see from the above example, this can make a significant difference over time.
- When your income is low, making small super contributions could see you qualify for a government co-contribution and/or the low income superannuation tax offset. Visit **www.ioof.com.au/extra-contributions** for more information.
- Consider contributing your bonus, pay rise or tax refund. Visit **www.ioof.com.au/extra-contributions**.

4 Assumptions:
- Sarah has a nil super balance at age 21. From age 21 Sarah contributes $1,000 per annum after-tax into super. There are no other super contributions.
- George has a nil super balance at age 30. From age 30 George contributes $1,000 per annum after-tax into super. There are no other super contributions.
- Contributions are made in the middle of each year.
- Investment returns are 5.83% pa, before 15% tax on earnings, for a net return of 4.96% pa.

4

Choose super that works smarter

When you join a super fund, your money will be invested into a default MySuper option. Making an active choice about how your super is invested is important. The better your investment returns over time the more super savings you'll have. On the other hand, investing in volatile assets at the wrong time in your life could leave you with less income in retirement.

At IOOF we offer a range of pre-mixed investment options with different levels of risk and potential return. You can also choose your own blend of assets to invest in, such as managed funds and shares, so you can have more control over how and where your money is invested.

Super investment tips

- **Check your fees** – Different investment choices have different fees. Remember to check how much you'll be paying in fees should you decide to change your investment choices. Getting the balance right between higher fees and higher expected returns will give your super the potential to grow faster.
- **Risk and return** – It's important to make investment choices for your super that match expected risks and returns to your life stage. If you're closer to retirement, your super is reaching peak value and making high risk investments becomes a bigger gamble. When you're younger taking on a higher level of risk – and the potential for higher returns – can be worth considering.
- **Get advice** – A financial adviser can help you decide on which investment options are best suited to your circumstances. Your super account may have an adviser associated with it or we can put you in touch with one.

What's my risk profile?

It's not only your age that can influence how much risk you're willing to take with your investments. Our IOOF Investor Profile tool can help you determine your risk profile. Visit **www.ioof.com.au/calculators** to access it.

5

Act now for a lifetime of benefits

Getting a handle on your super is well worth it, for your future financial wellbeing, and for peace of mind right now. It's important you make these small changes to sort out your super, to give you a big shot of confidence and get you a few steps closer to an important financial goal.

Once you're on top of your super, keep checking it regularly to see how you're tracking towards your goals. They can help you make adjustments when your lifestyle and circumstances change. If you switch jobs, take a career break, go back to work, get a pay rise or clear your debts, you may want to review how much you're saving into your super and how a change could make a difference to your overall retirement plan.

Form a habit: review your super every year

You may not need to change anything but it will remind you to think about increasing contributions or adjusting your investment options if your circumstances change.

Super FAQs

Where do I go to learn more?

Log into your account (**www.ioofonline.com.au**) to access our Money Insights Central education hub with interactive modules, videos, calculators, articles and other information about your super and finances.

Our Client Services Team is also available to answer any questions you have. Call them on **1800 333 500** or email **employersuper@ioof.com.au**

What is the minimum extra amount I can put into my super?

There is no minimum amount you have to contribute. As little as $5 a week can make a difference. If you're on a low income, making a voluntary contribution could mean you're eligible for a tax offset or the Government's co-contributions to boost your super savings even more.

If you are making extra contributions through salary sacrifice, your employer may have a minimum amount you must contribute.

Remember, there are limits on how much you can contribute into your super. Visit **www.ioof.com.au/extra-contributions** to find out more.

How can I find my lost super or bring savings together from multiple super funds?

You can log into your account (**www.ioofonline.com.au**) to access our super consolidation tool to help you track down your super and bring it all together. Alternatively you can log in to your MyGov account.

How much is enough super?

The amount you'll spend in retirement depends on many things including when you decide to retire, how you spend your time and your health and life expectancy. ASFA (**www.superannuation.asn.au**) provide estimates for the amount a couple and single person need to have in their super to fund a modest and comfortable lifestyle.

IOOF – your super partner

At IOOF we have been helping Australians secure their financial independence for over 170 years and have grown to become a leading provider of quality financial advice, products and services. That's why you can be confident that we will be with you all the way to help make your retirement goals a reality.

For more information, visit www.ioof.com.au or speak with your financial adviser.

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