

### Features

- Superannuation can supersize the quality of your retirement
- Sickness doesn't discriminate, so why should insurance?
- 2010 Federal Elections facts & figures

## Superannuation can supersize the quality of your retirement

Australians are increasingly becoming aware of the merits of saving for retirement. An ageing population will put pressure on age pension funding. Improved life expectancy means we can expect to spend more time in retirement than ever before.

Our expectations for retirement are changing too. Many of us plan to indulge in hobbies, travel and the finer things in life, with concerns about meeting the mortgage or raising kids behind us.

To achieve all of this we need a decent retirement income. Investing in your superannuation is the single best strategy to help you achieve just that. Let's look at why.

### The power of long-term returns

To begin with, your super is a very long-term asset. We can't normally access money tied up in superannuation while we're still in the workforce. That's a good thing. It's a guarantee your money will be there when you need it most – in retirement.

Because super is an extremely long-term investment, it supersizes the effect of compounding returns. Adding just a small amount extra to your super today will mean having a substantially larger pool of funds on which to retire.

Consider this: Let's say a worker aged 30, earning \$50,000 annually and with a current super balance of \$20,000, relies solely on the employer's super contributions. By the time they are aged 65 the fund balance will have grown to around \$593,000.

If that same worker adds just \$30 extra to their super each week, by the time they are 65 their super savings could grow to \$833,000. It's an effortless way to turn \$30 a week into \$240,000.

### Valuable tax savings

Part of the reason for super's extraordinary compounding gains is the tax savings super provides.

Fund returns are taxed at just 15%. By contrast, you could lose almost half the returns made on investments outside super to tax. That's because the gains are taxed at your personal tax rate, and for most Australians that's a lot higher than 15%.

The tax savings don't stop there. There are a number of ways to add to your super which can see you trim your current tax bill. You may even be eligible for a government co-contribution to your fund.

Then, at age 60, you can withdraw money from your super fund tax free.



When you add up the pluses, superannuation is a very exciting

investment. It will become even more exciting when you're ready to hang up your work boots.

Source | BT

## Sickness doesn't discriminate, so why should insurance?

Everyone can get sick or injured, but when it comes to protecting their lifestyle with insurance, it seems females have some catching up to do. Historically speaking, insurance was sold to the main breadwinner, and more often than not that was the husband.

Today men still earn more, on average, than women. But the gap is closing fast – Australian women now earn 92% of male incomes. Many women now out-earn their husbands. So you'd expect more women would be taking out insurance to protect their income and their lifestyle, but despite women making up 45% of the workforce, they still represent only 15-20% of all insured incomes.

### It's not just about income

Protecting your income is obviously important, but the fact female incomes are increasing only tells part of the story. Women are often more financially vulnerable than men –

## 2010 Federal Election / Interesting Facts and Figures

- 14,088,260 Australians were enrolled to vote for the 2010 federal election.
- Over 43 million ballot papers were printed.
- Over 50,000 ballot boxes were produced.
- Approximately 100,000 pencils were required.
- Approximately 140 kilometres of string was required.

Source | Australian Electoral Commission

mainly because they typically spend less time in the workforce. This is partly because women are more likely to retire early and they're also often the ones who have to take time off to look after children or elderly relatives.

Less time in the workforce means less savings, less superannuation, and less of an ability to recover from financial setbacks. Since women live longer than men, these setbacks can be even more financially damaging over time.

### What types of insurance should women have?

Income Protection typically covers up to 80% of your income if you can't work temporarily because of sickness or injury – making it extremely valuable for working women.

To protect yourself against diseases like cancer, you can take out Recovery (also known as 'Trauma') insurance. It can pay a lump sum on diagnosis – helping you replace your income, and assist in covering the costs associated with treatment.

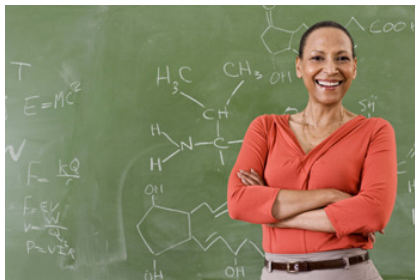
Life and/or Total and Permanent Disability (TPD) insurance can provide a lump sum to you or your beneficiaries if you die or are seriously disabled. This can be vital if you have a family and/or a mortgage to look after.

If you're self-employed or run a business, you can also cover your fixed business expenses if you can't work temporarily because of sickness or injury. This could include the cost of finding a replacement if you need one.

### How much does it actually cost?

Let's take the example of a 35 year old female teacher who earns \$60,000 pa. She takes out:

- a Life policy to cover her mortgage of \$500,000, and
- an extra \$250,000 in Recovery cover.



Her total premium is \$802.68. At around \$15 per week, that's the equivalent of one take-away meal each week.\*

\* Based on a non-smoker taking out Life Cover and Recovery Plus, both with stepped premiums paid annually.

Let's take the example of a 39-year old female doctor who earns \$120,000 pa.

She takes out:

- an Income Protection policy to cover 75% of her income (or \$7,500 per month), and
- a Life policy of \$750,000, with an additional \$250,000 of Recovery cover.

Her total premium before tax is \$4,380. But because her Income Protection premiums are tax-deductible, her after-tax premium reduces to \$3,318. At about \$64 per week, that's the equivalent of a take-away meal and a bottle of wine each week.\*

\* Based on a non-smoker taking out an Agreed Value Income Advantage policy with a 30 day waiting period, and a Life Cover policy, both with stepped premiums paid annually.

### It's cheaper than the alternative

Everyone knows someone who's suffered a disease like cancer, but

what you may not know is how much cancer treatment actually costs.

The Cancer Council of NSW estimates a woman with breast cancer could be faced with over \$40,000 in lost productivity and out-of-pocket expenses, and that the average lifetime cost of cancer equates to 1.7 years of a household's income.

This helps put the cost of insurance in perspective.

### Strategies to make insurance more affordable

It's worth talking to a financial adviser before you take out insurance, as there are a number of ways you can reduce the effective cost of your premiums. For example, Income Protection and business expenses insurance premiums are often tax-deductible.

You may also be able to reduce the effective cost of Life and TPD insurance by taking it out inside super – using your pre-tax money to pay premiums. Bear in mind there may be some restrictions on your benefit if you insure inside super.

If you earn under \$61,920 pa, you may be able to make a voluntary super contribution and use the Government co-contribution to help pay your insurance premiums. This also gives your retirement savings a valuable boost.

### Get the cover you need

The best way to find out what cover you need is to speak to a Avery Gibson financial adviser. They can help you get the right cover and make sure it's structured in a way that makes it as cost-effective as possible.

Source | Asteron

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