The Australian Finance Podcast Episode Transcript

Episode: 🦸‍♀️ super - not all heroes wear capes (but you can) | starter pack
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Speakers: Kate Campbell & Owen Rask
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Episode transcript:

Kate:
It's good to be back, Owen.

Owen:
Yes, it is indeed. Today, we're talking super. We're going to do a crash course on what's changed, what do you need to know, and how do you get the most out of your super. Maybe to start things, what is super?

Kate:
Yeah. So, superannuation is the money that you're going to use to fund your retirement. And so, you can't touch it at the moment. If you're in your twenties right now, it's going to be a long before you can touch it, but it's that money that is going to bridge the gap after you finish working to support you during your retirement. And so, there's a lot to learn about super, but if you do learn the basics, it's going to set you up for life. There's a few positive changes you can make with your super that will really set you up, and we'll talk about an example later on, but we'll also provide some updates since the last intro super episode we did at the start of 2019 because there have been a few really positive changes about super in the last few years.

Owen:

Yeah. So, we've seen the changes from the Royal Commission. We've seen changes to how you can compare your super which is really handy, and for people under 25 as well, there are differences now from just a few years ago. For example, not automatically getting a bucket load of insurance against your name. So, there is a lot to get through, but it's actually quite simple at the end of the day. If you just follow these simple steps that we're going to lay out here, you'll make the most of your super, and it is really important because for most people, by the time you reach retirement, this is probably going to be the biggest asset you'll have. At the moment, the current generation that is retiring have property as their biggest asset.

Owen:
Superannuation will probably be the biggest asset that anyone has whether you're in your twenties or your thirties. If you're a little bit older, obviously you might have built wealth outside super, but this is really important. We've done some other episodes on this which we should refer people back to. So, there are additional show notes. So, go and check those out. We did an episode on how to read a PDS, for example.

Kate:
And I think the thing we really want to stress is that your superannuation is actually your money. We can often forget it or feel a bit detached from our superannuation because it's automatically sent by our employer each fortnight or each month to our super fund that maybe we chose, maybe we didn't. And so, often we can forget that that money is actually money we earned and our money that we can actually choose. We have quite a lot of choice about where it goes, how it's invested, if you want an ethical overlay or not, which super fund, the fees you pay. So, as we'll cover in this episode, just a few of those basics. So, you can actually choose where your money is, how it's invested, and what you want to do with it.

Owen:
Yeah. Cool. Okay. Let's get into it. So, since we previously recorded some episodes on super 101, what are the things that people need to know since then? So, just in the last couple of years, for those people that already have super funds, chances are everyone listening to this has a super fund, maybe more than one, what are the things that they need to know? What are the things that have changed?

Kate:
Yeah. So, the government really wants you to look after your super because that lessens the load on them once you get to retirement age. So, they introduced tools, they've got the ATO MySuper comparison tool. I think at the moment it's only comparing balanced funds, is it?

Owen:
Yeah. Yeah, like the MySuper strategy.

Kate:
Yeah. So, but they're going to keep adding to it. I know in 2022, they plan to add a lot more features to that. And so, you can actually go in and compare your super funds, the different

options available. So, there's a lot more information out there nowadays, as well as super funds are all competing on fees now because they know consumer are actually looking at that cost. So, there's more transparency around fees. Especially if you go to the large super funds, they'll say what the fees are on a average $50,000 balance. And so, it gives you a bit more transparency there when you're trying to look at five different super funds and go, "Hey, what am I actually paying?" Some of them are even introducing fee calculators to make it even easier so you can go, "Hey, this is my balance. What am I paying each year?"

Owen:
Yep. This is all a step by the government to make things more transparent and to make things easier. So, I think the big one for most people is the MySuper comparison tool because up until this point, we've relied on third party tools, which do not always take into account all of the fees or necessarily all of the super funds, which is probably the bigger one. For example, if you visited some comparison websites, they might only show results from funds that have paid them to be shown. So, we don't necessarily want that, whereas we have an independent comparison tool now, which the YourSuper website.

Owen:
It's similar to, if you've ever been on privatehealth.gov.au where you can search for private health insurance and you can do it without, well, I guess, knowing that those that provide those reviews are not getting paid. So, whereas, if we go to a comparison site, there's the Knock or Canstar or Finder, all those that do this, but we know that those businesses have to make money and so there are certain things in place, incentives for them to report on certain things, whereas this, MySuper tool from the ATO is independent, and it compares just the basics of what you need to know. So, one of the things you mentioned just a minute ago when you were doing an intro to what's changed in super, one of the things you mentioned is ESG which we've covered a lot lately, but for those people who are new to this type of thing, what does that mean?

Kate:
Yeah. So, ESG is environmental, social and governance factors, and that really looks at a company that the super fund's invested in or a building or whatever the investment is and goes, "Does it align with what our guidelines or values are as a super fund?" And so, some super funds like Australian Ethical, all the products they build are in line with whatever their ethical strategy is. But other things like AustralianSuper or Hostplus are actually creating special ESG funds, or they might be called socially responsible funds or ethical funds or environmental funds. There's a lot of different names because there's not too much, there's no one sort of enforcing each names.

Owen:
Yeah, there's no guideline for if people are green, if super funds are greenwashing or just saying this is ethical when it's not. There's no one that can say, "Oh, you're not allowed to use that word. Even though you say it's ethical, you're invested in this."

Kate:
Yeah. But it is giving consumers a bit more choice, and so you can go to your super fund that you're currently with and say, "Do you have any ethical options?" and then you can actually see, well, what do they define as ethical, and does that invest in what you're aligned with, or you could look at places like Australian Ethical or Future Super which are a bit more targeted with their investments.

Owen:
Okay. So, yeah, and that's great. So, just to summarise, there are some super funds that are dedicated to ESG or ethical investing, and then there are many super funds, like the big what we call industry super funds like Australian Ethical, Hostplus, UniSuper, et cetera, and they will have ethical strategies within their range of strategies.

Kate:
Yeah.

Owen:
So, rather than it be one view for the whole super fund, it's like... Okay, that makes sense.

Kate:
And you can look at the website. If you even go to AustralianSuper or some of the others we mentioned, they'll have maybe 20 different investment options. So, you can actually look at what's right for you, and a lot of these super fund now, they've got more support, that you can give them a call and actually say, "Hey, am I in the right super fund for me? What are the different options available?"

Owen:
Yep. And I think there's some jargon here that we need to break up. One of the things is that when people think of super, they think of... So, let's say you ask someone at your footy club or your netball club, whatever, you say, "Which super fund are you with?" and they'll be like, "Oh, I'm with AustralianSuper or, oh, I'm with Future Super." Right? But the real question is not which super fund are you with, it's which strategy are you in because within the super fund, there are multiple strategies. For example, inside my super fund, I'm in an indexed option, meaning that my option is very passive and very low cost, but you could be at the exact same super fund as me, but have the high-growth strategy or the defensive strategy, and what really matters is what you're invested in.

Owen:
Of course, we talk about fees and all that, but the actual kind of wrap around the outside, it'd be like, "Oh, who do you bank with?" And you could say Commonwealth Bank, and I could say NAB, but that doesn't tell us what type of account it is. You could have an online savings account. I might have a transaction account, and we're not comparing apples to apples. So, it's important to know what's on the inside.

Kate:
Yeah. And the easiest way to find that out is just logging onto your super funds website and looking at your portfolio, your investment, and it will say somewhere your investment strategy. Some super funds let you combine. So, you might be invested in multiple strategies, but it might say high growth or conservative or balanced or high growth indexed or something like that. You could be even in an ESG option right now, or worse comes to worse, you might be in cash.

Owen:
Yep. That's it. And so, that's where when we talked about the MySuper option, what we were talking about is them comparing just the balanced, sometimes called the MySuper option. So, when you use that ATO tool and you look at your super fund, just remember that's only one strategy from one super fund. There are probably multiple strategies within that super fund, and you might not be in the balanced option.

Kate:
Yeah. You could be quite happy with your super fund, but you might just want to change the strategy. You might want to move from a conservative to a high-growth super fund.

Owen:
Yep. And there are benefits to that, which we'll talk about in just a moment. So, there're two more things that I want to cover really quickly, Kate. I'm hoping you can shed light on this. The first is super stapling. Can you tell us what that means?

Kate:
Yeah. So, in the olden days, which isn't very long ago, like two years ago, where every time you started a new part-time job or a new job, if you didn't fill in a super form telling your employer where to send that superannuation, the employer just picked a fund and put the money in it because they had to pay it somewhere. And so, so many people have ended up with like five to 10-plus different super accounts running around. They've been paying fees and maybe insurances on all these different funds. And so, the government's trying to get rid of that from happening because if people weren't actually looking at their super and consolidating all of these different accounts into one account, they're paying a lot more fees and insurances than they needed. And so, what they've introduced is super stapling. So, once you've set up the fund, it'll be attached to your tax file number. And so, when you start with a new employer, you could either fill in the form and do all of that, or when the employer puts in your details, they'll see which super fund is attached to your name.

Owen:
Yep. And this is so much easier because we talked about in the previous episode about the tax file number, the TFN, and why it's important because this is basically the number you take with you through life. There's only one of these numbers, whereas if you go to a super fund, you could have multiple member numbers, right, and you might not have to remember those and whatever. You can search for lost super. It's basically the equivalent of free money if you do have a super fund out there, that's kind of just off in cyber space, somewhere with a bit of

money attached to it. When you sign up for a new super fund, there's often a choice to put in your tax file number and search for a super fund, or you can use the myGov website which is exactly what I do. You get your myGov account, which is obviously linked to your Medicare, ATO, if you have a pension or something and Centrelink, it's all in one account.

Kate:
Yeah, and logging into the myGov account now, it actually prompts you and says, "Hey, you..." Because for various reasons I have two funds, and so it actually keeps saying, "Hey, you should consolidate this," and even your super fund will because the super fund can search your tax file number too. And so, once a year, your super fund might send you an email and go, "Hey, you've got some other super money running around. Why don't you put it all with us?" They're incentivized to encourage you to consolidate to them as well.

Owen:
For sure. So, that's super stapling. It goes with you through life. Remember, the tax file number is your number. We talked about in the prior episode how the tax file number is the Australian equivalent of your social security number. So, if you've watched any of those shows from the US, they'll talk about social security. Our version is a tax file number so keep it handy. The final thing is that I want to cover really quickly with you, Kate, is opt-in insurance. So, this is something that applies for people that are younger. So, under 25, may not have a clue about their super, but this is important for them.

Kate:
Yeah. So, you can get a couple of insurances through your super fund. One of them is life insurance or death insurance, depending on how you want to look at it, and it used to just be the super funds would just slap it on every account. And so, if you did have, as I mentioned before, five different accounts because you've worked at a few part-time jobs, you might have been paying life insurance on five different accounts. And so, what they've introduced now is that if you're a new super fund, you're under 25, or your account balance is under $6,000, they're not going to automatically put on insurances, but you can easily go into your super fund and add that at insurance whenever you want. So, I know, at the time, they were a bit worried that insurance would be taken off people that had lower balances, but I think that's all died down a little bit, but all the super funds sent letters at the time. But now if you do want that insurance and you're under 25, this is something you can do through the app even.

Owen:
Yep. And this is the thing. So, this is how super easy it is. You get your member account and you've got it on your phone. This is what I have. You can see your balance in one tab, and then in the other tab you can select what insurance you want and how much cover you want. It's as easy as that. If you're under 25, you can still get insurance. It's just you've kind of got to opt in for it, whereas in the past, you automatically get it.

Owen:

And to put it in context, let's say, for example, you're a 22-year-old, you've just started work. Your super balance might be $4,000. Well, if you had the full amount of insurance, it might have been a thousand dollars a year for your insurance which you might never use because you're a young person. Statistically, you're going to die later in life, not necessarily when you're 22. So, that's the whole point of it, right? Let's reduce that insurance early on and then let them have it later on, which makes a lot of sense. Obviously, this was a hard thing to get passed politically because insurers love the money that's made on the young people who get insurance that don't need it.

Kate:
Yeah. And some young people do have dependents and it makes sense to have life insurance. So, it's really something you want to look at and go, "Is this right for me? Should I turn it on? Should I turn it off?" There's a couple of other insurances we'll mention later on that you can have in your super fund. So, that's worth looking at. And even just being, if you want to be more in touch with your super, having that app on your phone in some regards is really good because you can see each fortnight or month or every three months when your employer actually pays your super. But what I realised the other day is that you can even change strategy on the app which I think if you're in emotional state and the market's going through a bit of a roller coaster ride, the fact that you can change your strategy so easily on the app is maybe not the best thing.

Kate:
So, I guess you've got to think about what works for you is important to understand where your super's invested and make sure your employer's paying it, but you also don't want it to be too easy to switch your investment option.

Owen:
Yep. So, now that we've gone through all the changes, there are some things that people who are new to our podcast series or just new to finance in general, or just maybe, like me a few years ago, just couldn't be bothered doing anything with super, now is the time to take action, and we're going to tell you exactly what you need to do. But before we get to that, I just want to reflect on one horror story that I heard, and I brought this up a few times on the series. For those of you that are new, this will be all fun and great for you.

Owen:
We heard of a 26-year-old female who during the COVID outbreak, stock markets fell, I think they would've fall 20 to 30% very quickly, and what she did is she changed her money to 50% cash and 50% ultra defensive. So, inside her super fund, she effectively had nothing in the share market and nothing to anything that would grow, and she did that out of panic. So, she lost 20 to 30% on the way down, locked in her losses at that level, and then the stock market rallied 50%, and then when she finally called up her super fund and said, "What am I actually invested in?" she realised that her money didn't actually move when the stock market went up 50%, and that's because is to your point, Kate, it was too easy for her to make an emotional decision.

Owen:
So, what we're going to suggest in this episode and the next steps to follow is best practise. So, it's going to be kind of aimed at what's best for you over the course of your life. We're not trying to predict what's going to happen from one month to the next. That's not what super is for. Super is until you're 65 to 70, probably over 70 by the time we get there.

Kate:
Yeah, and it's just such an important thing to talk about. I know we don't like thinking about retirement and getting old. That's all a bit scary, and it seems like a long way away, but just doing a few things now will really pay off significantly throughout your life, and it is hard to balance the future me versus current me. One of the suggestions I heard one day was actually take a photo of yourself and put it in that tool that actually ages you so you see 80-year-old you and you're like, "Ah, I actually want to look after that person." So, I think it's just coming to terms with the fact that you probably will live long enough to need your superannuation, as much as you want to live your life now, and actually taking a bit of care of it so you can take care of yourself later on is a really good idea.

Owen:
Yeah, for sure. And this is where Kate's talking about basically you're going to be putting money aside anyway for super, so you may as well do it well, and set it up now and just kind of put it on autopilot. This is one of the things in your financial life which autopilot is recommended. There are other things in life which you should would check in, but this is something that you can just kind of let it roll. The one exception would be if you're not getting paid the super which is-

Kate:
Yeah, you do want to make sure your employer's... Many new stories in the past few years of even very high profile people not paying the super correctly or paying it a year late. So, you definitely want to make sure you're actually getting paid it.

Owen:
Yeah, for sure. So, we've got a bunch of things that we want to go through here. The first is probably the most obvious is that you can use the YourSuper website to start comparing super funds. But what are the three things that people should look for, Kate?

Kate:
Yeah. So, if I'm going to a super fund website and wanting to compare some different options, firstly, I want to see if they have an option that's suitable for me. So, not all super funds, some of the smaller super funds will only offer one or two different strategies, maybe just balanced and conservative. And so, firstly, I'm going to go, "Is this the strategy I want? Is this high growth?" And you can click the button and you can see exactly how it's broken down. Maybe 60% is in Australian shares and the 40% is in bonds or something like that. So, you can just have a look at that. So, firstly, does it align with you and your values? If you want an ethical overlay, have a look at that too and see if it aligns with you because there's a lot of options now, so you can compare and find that.

Owen:
Yeah. I would actually add one thing on there, which is that sometimes if you do want to go with an ethical option, it can cost you a little bit more. So, we'll get to fees in just a minute, but it can cost you a little bit more. So, sometimes you've got to make a trade off with it costing a little bit more versus getting that exposure that you want, that sleep at night factor from knowing that your personal values are reflected in where your money is invested.

Kate:
Yeah. The second thing I would be looking at as soon as I land on the website is what the fees are, and that's why you need to pick the strategy first because the fees, even under AustralianSuper are different for balanced and high growth and indexed and ESG, and all those sort of things. So, you need to, firstly, if you want a high-growth strategy, looking at high growth on each of the super funds websites and then comparing fees that way. So, you're going to look at their admin fee, which is what they charge to just manage the whole thing. And so, all of the super funds will have an admin fee and that might be written as a percentage each year, or it could be just a fixed dollar. Some of them are like $3 a month or $3 a week or whatever it is. And then you also have investment fees, and that will change depending on what option, but that's what they charge to invest the money, and that's usually expressed as a percentage of your money per year.

Owen:
Yeah. So, if you look in the PDS, the product disclosure statement, what you will find is an example of a portfolio, and it's typically, I think, $50,000-

Kate:
And it's usually a balanced one.

Owen:
Yeah, it's usually the balanced option. So, if you've heard MySuper, typically that's a balanced strategy. Now, when you go on the websites, don't be fooled. Typically, what they say is they'll pick the best performing strategy that they have, and they'll put that on the homepage of the website, but that might not be the one that you're wanting to use. So, just be mindful of what is appropriate for you.

Owen:
Now, these are just some rules of thumb. We're not recommending for anyone because super is quite a personal thing. But if you're a younger person, by that I mean pretty much anyone below 40, you should probably have a high-growth strategy. That means higher risks, but you probably should take that risk because your money's locked away anyway, provided you don't let the monkey brain kick in when the next coronavirus crash happens. If you're an older person, if you're drifting towards that retirement phase, you would want a balance strategy. And if you're in retirement, you should be getting financial advice and seeking the most appropriate strategy for

you because typically by the time you're 65 or hopefully you've managed it before then, I say and we say, one of the best times to get financial advice is basically when you turn 60.

Owen:
When you turn 60 to 65, that's when financial advisors pay for themselves many, many times over because they'll say, "Hey, Mr. And Mrs. Clark, you're in the wrong strategy because your income needs to be this. But if you go to this strategy, this will get you the right amount of dividend income or whatever from your super." So, once you get to that period, it typically goes to balanced and then slowly becomes conservative as you get older.

Owen:
So let's just recap. Younger, you're looking for the high-growth strategies, being aware that it's typically riskier so it's not always appropriate. Once you get over say 40, you're starting to look at that balanced strategy. You're starting to think, "Okay, this is a better option for me. I can't really stand the ups and downs." And then once you hit retirement, you're getting advice anyway, and you're starting to drift towards more conservative because then you start to turn on the tap of hey, actually, I need to draw money from this thing and what can get me through. Okay. So just, there we go. We've got strategy and values. The second thing is fees. We know that there are different fees for their admin fee and there's a fee for whichever investment option we select.

Kate:
Yeah. And some super funds add in extra fees like switching or some other things. So, just have a look, and the product disclosure statement, which we have a specific episode about so we won't go into detail now, but that's an important document to read. And the third thing to look at is the track record or the long-term performance. So, some of the funds will have maybe 20-plus years of performance history, mostly with the balanced options. But some of them, if they're new or they're an ESG fund will only have a couple of years. So, when you look, just control F and look for the word performance on the page, or just search on the website and you'll see a chart or a table, there'll be like three months, one year, five years, 10 years. If you can click all with the timeframe, then you can actually really compare properly. So, looking, if you're comparing different high-growth funds, you can look at what the performance has been over a long period of time, not just the last three months.

Owen:
Yeah. So, when we say long period, what we're saying is a minimum of three years. So, if you're looking at your super fund and you're going, "Oh, look at this, over the last year, it's done 12%," and then Jeremy from across the way says, "Oh, mine's done 20%," that doesn't mean you should switch. One of the worst decisions you can make is going to the one that's just done well in that year. In fact, this is very well known in financial advice that if you switch after a fund has done well in the last 12 months, it's almost more likely that you'll do poorly in the next 12 months. So, what you'll want to look at is three years minimum, preferably longer as Katie said, and remember to compare apples to apples.

Owen:
Do not go on the YourSuper, compare Australian Ethical's balance strategy and then go to Hostplus on the website and look at the growth strategy because you're not comparing apples to apples. You're comparing hopefully a faster growing thing to a balanced strategy. You want to compare both high growth. And you can look, the good super funds, like all the big ones and Australian Ethical and Future Super, they have a full page on their website which tells you exactly what they're invested in so they're not hiding behind anything. So, you can actually see what they're invested in.

Kate:
Yeah. And it'll just be expressed usually as pie chart and you'll be able to see the breakdown of how much you're investing in Australian shares, and international shares, maybe emerging markets, bonds, cash. And so, that helps because as we say not comparing apples and apples, not all balance funds are the same. So, balance funds with different big super funds are quite different. So, you really want to look at the breakdown there and see what you're comfortable with. So, that's an important step when picking your super investment option.

Owen:
So, Kate, I'm just going to be real quick with this section. What have you picked as your investment option and why?

Kate:
I'm in a high-growth strategy at the moment because I'm investing over a really long timeframe. I'm in my twenties right now, and I'm not going to be accessing this money until sixties or seventies.

Owen:
And you also know a lot about finance. So, that helps.

Kate:
Yeah. That helps. And I'm not too worried about it. I'm quite happy to contribute extra to my super fund because it's-

Owen:
How do you do that?

Kate:
I make a after tax BPAY contribution, and then I claim it back by filling in a form, sending it to my super fund at tax time, and then including that contribution in my tax return.

Owen:
So, you put extra in via BPAY. You just have the super funds BPAY details. You put in extra. I'm assuming that's regular, like it happens in the background.

Kate:
Yeah, when I get paid each month, it's automated. I think that's automated. Maybe because it's BPAY, it's not. I can't remember, but that's a monthly thing I do.

Owen:
And then at the end of the tax year, you lodge that notice, that thing that you get from your super fund, which says-

Kate:
Yeah, it's called like notice of intent to claim super... It's really long. It's about a two-page ATO form.

Owen:
We'll put a link in the show notes.

Kate:
Yep. And you send that to your super fund. They'll send you a notice saying, "Hey, it's processed." They'll take tax from inside your super fund, and then you claim back the difference in your tax return, but that's a good thing if you want to speak to your accountant about, they know all the details there, and they might say, "Oh, contributing $2,000 extra to your super fund will actually reduce your taxable income by X amount." So, that's just a good conversation to have.

Owen:
Yeah. So, it used to be the case that you would have to do what's called a salary sacrifice. To be clear, you do not need to do a salary sacrifice anymore. Some people like to do this, but you do not have to do this anymore. Anyone can contribute. Well, basically anyone can contribute extra to super. So, in the past, your employer would have to do it.

Kate:
Yeah, I mean, it's a bit more flexible now because you don't have to set it up with the employer. I can choose if I'm-

Owen:
You're in full control.

Kate:
... having an expensive month, I can say, "Okay, I won't contribute extra to my super fund this month," and I can control that very easily.

Owen:
Yep. So, you can use BPAY. You can use direct deposit. You can even just set up an automatic thing with the super fund. Even if you go into your app, I know that on AustralianSuper app, it has it. You can just click a button that says put extra in right now, like just 20 bucks. And so,

what I do in my super is... My super system, that index option, as I was saying, it's basically, I'm pretty sure it's just 50% Australian shares, and then it's like a little bit of bonds, and then 50, not 50%, then like 30% I think it is in international shares, and that's literally it.

Owen:
Now, I used to be in a high-growth strategy, but now it's just like super easy. That's what it is, and I'd be paid 20 bucks, I think it's 20 bucks a week, to cover my extra insurance which we'll get to in just a minute. That's basically it. Super easy, long-term focused. It's going to have a huge impact on both of our retirements if we do it this way. So, maybe I should answer this next bit on the insurance.

Kate:
Yeah, because you have insurance inside your super.

Owen:
That's it, yeah.

Kate:
I'm young. I've got no hangers-on so I don't currently have insurance inside a super.

Owen:
Hangers-on. Okay. I like it. No. Yeah, so there are three types of insurance that you can get inside your super. Note, we will have a separate episode on insurance. It'll be a bit of a punchy one, but just the three that you can get inside your super. Life insurance, otherwise known as death insurance. I think that's the more apt word for it because it pays out when you die, not when you're alive. The other one is TPD, total permanent disability. So, if you find yourself permanently disabled, you can get insurance which pays out for that. And the third one is income protection. Now, the third one is by far the most popular, it's the most popular talking point for people, income protection.

Owen:
So, I mean the first two are pretty self-explanatory. Don't die and you won't need your life insurance. TBDs for if you get permanently disabled, and the third one is income protection, but what is income protection. So, it basically provides an income stream to you if you are severely injured and you can't work for say three months, six months, 12 months, whatever. This is different to work cover. If you injure yourself on the job site or at work, that should covered by your employer's work cover. So, for example, here at Rask, we have Allianz as our work cover. So, if anyone here hurts themselves today, fingers crossed that doesn't happen, that's what would kick in. But let's say if you're walking down the street outside and you trip over, that's where you want income protection, or if you're playing football on the weekend and you injure yourself, that's where income protection comes in. Now, there are waiting periods. So, it could be like say 30 days, two weeks, two months, six months, whatever the case may be. It's pretty standardised inside super, but income protection will pay you a set amount from your super fund.

Owen:
Now, it's important to note that these are held by your super fund. So, even though they're pay to you, the super fund is legally kind of responsible for them. Second, it is expensive. So, if you want an income protection payment, let's say you're on $5,000 a month at the moment, that's your income, and you want $10,000 from just if you do anything wrong, like you hurt yourself, that's going to cost you a lot of money. And if you say, "I want my income protection to cover me until I'm 65 years old," that's obviously a big risk for the insurer. So, that's going to cost you more, and you pay for this from your super balance.

Owen:
So, I've upped my insurance to cover if I was to hurt myself badly, it would cover mortgage repayments, it would cover potential future expenses for children. It would cover things like a car loan. We don't have one, but if we did, it would cover that. So, you can go through and calculate what your life is worth in terms of what does it cost to keep the lights on if I injured myself, and you can get that as cover inside insurance.

Owen:
For life insurance, it's a little bit different. You obviously want to calculate all of the things that you have at the moment, like debts, the cost of putting children through school. So, let's say you have two children. They're both five. So, they're just starting school. And you say, "Okay, I need to protect my family if something happens to me." Well, you want to get enough paid out in your life insurance to cover not just the mortgage to be paid off, but basically the education expenses for the next 12 years. So, that's what you're thinking about.

Kate:
And this is where it can be very handy to get financial advice.

Owen:
Oh, you definitely... Yeah, if you're going down this path, it's worth getting the advice, but I'm just kind of outlining these steps. Each of the big insurers have calculators on their website. The reason why some people, like myself, choose to hold this insurance inside super is because we don't have to pay out of our own pocket. So, you can just get this insurance from your super fund if you're really tight on money and you know you need insurance but you can't afford it, you can use your super balance to do it. But the way I work it out is I get my insurance, these three insurances through super, but then I top up extra.

Owen:
Just a little note here which is the super death benefit nominations. So, the big question is what on earth happens to my super if I die. Typically what happens is it's paid out to whoever you nominate, right, but there can be some ambiguity, meaning that sometimes that long-loss relative, Betty, comes in and wants to challenge the will or challenge this or that. Super's a little bit different how it's handled. Kate, I know you did an episode on this which we will refer people to, but people can nominate where the money goes, right?

Kate:
Yeah. And you could have a binding or a non-binding nomination, and it's definitely worth check with your super fund here because it usually has to be to a beneficiary which might be your spouse or a dependent under the age of 18. There's a few other criteria there, or you can nominate your estate because it's actually handled separately to the will. And so, the super fund actually sends that money out and goes through the process of working out who's the money's supposed to go to if you pass away. So, that's something that you can talk to a lawyer about if you've got a few questions, and we did a wills episode with a lawyer last year and we did discuss how to make that super binding death nomination and non-binding death nomination and where the money goes. So, it's worth paying attention to that just so you make sure you can leave it to the right party.

Owen:
Yep. So, this is something that's really important because if, for example, you do pass away or something was to happen to you, it is really important the right people get the money because these can be challenged. What Kate said there is basically it can go to your estate. So, the super money, because it's held by the super fund, even though it's yours, it's held by the super fund. So, that means before they pay the money out, they want to know where it's going for sure. And then you have your estate, which includes things like your house. It includes your share portfolio. It includes the picture frames on the wall, right? You can choose to have that money go into that pool or you can have it paid out to someone else.

Owen:
You could, if you really wanted to, you could make one of these nominations to someone and then let's say it's your partner, then you get a divorce. If you don't update it, you have to be careful. So, just make sure that it's all up to date and it's all ready to go. You can do this on the super funds website. It's really easy to do. Go and check it out, or you can contact a lawyer and they can help you be a bit more, this is more important for bigger balances, they can help you sort that out.

Kate:
Yeah, because there's a form you have to sign and have witnesses. So, there's a few steps there, but that we definitely will link to the wills episode in the show notes.

Owen:
Yep. Cool. Kate, let's do a quick take away piece from this episode. What have we covered? Why is it important?

Kate:
I think the most important thing to take away is your superannuation is your money and you want to take care of it because it's going to take care of you in retirement, and sorting it out as early as possible. Whether you're listening to this in your teens, your twenties, thirties, or your sixties, it's a good time to sort it out and take some control over it. And key things to look for,

even if you're looking at where you're invested right now, look at what fees am I paying, what strategy am I invested in, is this something I'm happy with, what's the long-term performance. Have a look at some of the main competitors, and just knowing that you can add extra to your super fund because some people don't know they can do that.

Owen:
Yep. That's really easy because the one dollar that you add today could be $20 by the time you retire. You can use the YourSuper website. We've done videos in the past of how to find different super funds, but some of the names that we've mentioned include Future Super, Australian Ethical, AustralianSuper, Hostplus, UniSuper. There are heaps. You can find them all online. All the usual checks and balances apply, meaning you should read PDS before you sign up. We've done a video on that.

Owen:
When you check your insurances, just be mindful that if you do change super funds, you might lose some of that insurance. So, you have to understand what are the risks, if I change my super fund, will I lose my insurance, if so for how long, what am I covered for, et cetera. Before you go and change anything, make sure you read that insurance guide and the PDS. And finally, just one note we haven't covered here which is that when you sign up or when you join a new employer, you should be given the choice of a super fund. Make sure you know what your super fund is when you hand that form back to them. Just log into myGov where it's kind of like your hub for your money, and then you can tell the employer which super fund you're going to go with, and I think you can do it through the myGov website now as well.

Kate:
Yeah. And after you get your very first paycheck from a new employer, make sure to just go in and check that you've been paid that super. Maybe just check with the employer the frequency because they might pay it every fortnight or month or three months, depending on how they work, but just check that first payment goes through because sometimes there can be admin details and forms and things like that.

Owen:
Yeah. So, we used to pay it monthly here at Rask. Now we pay it quarterly because we're a bigger team and it just makes it easier for us to manage. So, you can check that. And if they're not paying it, head to the ATO website where you can report that your employer is not paying your super and they will investigate on your behalf. Okay, Kate, so action points for new people to the podcast.

Kate:
Yeah. So, if you're new to the podcast, this is the first time hearing about super, the first thing I want you to do is log onto your super platform. And if you don't know where your super currently is, head to the ATO myGov website, put in your tax file number, and it will bring up all the super funds associated with your name. And as I mentioned before, just do a check and go through am I happy with where I'm invested, do I want to consolidate my funds, what are the fees, what's

the performance, what's the track record, and go from there, and we've got heaps of other episodes on super that you can listen to if you want to go down that track.

Owen:
I think we've got a course on it.

Kate:
Yeah, well, that was the next one. Take the course. We've got a free sort your super out course. We'll link to that in the show notes, and that will run you through all the basics so you can really feel in control of your superannuation and where that money's invested.

Owen:
Yep. Cool. And if you're a more advanced listener, go back into your super, make sure the performance is up to scratch, check your fees and insurances. Remember that if you've been saving since we did our first episode, you'll probably have a bigger balance now. You can go use the Moneysmart calculator. Chuck in what you're contributing, what would be the impact if you put more in, and if you got better returns, what impact is that going to have on your retirement balance. I'm a massive fan of adding just a little bit extra every month, kind of like you could treat it like the Netflix bill that you get every month, like 15 or 20 bucks a month, just put a little bit extra in. It's going to make a huge difference, just like paying off your mortgage in little bits earlier than expected. It all makes a big difference in the end.

Owen:
So, Kate, we've covered a lot in this episode on super. Thank you for watching. If you want to go and check out the Rask Education sort your super out online course, totally free. It'll help you go through these things in a little bit more detail. Otherwise, follow our action steps. Check out the resources, and we'll see you in the next episode. Kate, as always, it's a pleasure. Thanks for joining me.