

## Comment

### Additional Superannuation Contributions -

A poor choice if you want to retire in style!

The recent changes to Superannuation contributions has caused a bit of a stir amongst Baby Boomers in particular who realise they need to do something quite substantial now to ensure they have sufficient wealth to support their lifestyle in retirement. This segment of the population enjoys buying toys and having great holidays on a regular basis. Karen Anderson of Prime Alliance said that after doing calculations for a number of her clients who have made inquiries regarding additional Superannuation contributions it was very obvious that this was not the best approach for most clients. The biggest negatives against putting money into Superannuation are firstly you cannot access the funds when you choose to take an early retirement and secondly you are not able to leverage off these funds. The secret to creating a substantial amount of wealth is LEVERAGE - using someone else's money to create more for you. Karen Anderson stated that it has been her experience over the past 7 years as a Financial Adviser that far too many recommendations are made to clients from a tax minimisation perspective rather than from a wealth creation perspective. Many clients purchase investments that are hurting them because they were advised to buy in order to minimize their taxes. Karen Anderson advises that in her opinion property is still the safest place to invest your money. It would also be one of the most tax effective investments in Australia. Many of Karen's clients are paying less than 15% tax on their entire income. Property is definitely the tool that provides the most leveragability as in many cases you can borrow 100% of the purchase price plus all the costs depending on your financial circumstances. "Our strategy for retirement was to acquire a number of properties over a period of time, pay off as much of the debt as possible and then retire off the capital growth." Many people still believe they would need to sell the property to access their wealth in retirement, which is absolutely not the case. If you structure your finances correctly and acquire properties that suit your financial profile and then give them time to grow, you would be able to take an early retirement and draw a tax free income each year from your property portfolio for the rest of your life. We asked Mrs Anderson who implements these strategies for her clients what would stop someone from taking this approach and her response was "fear which comes from a lack of understanding. Once people understand they do it as long as they have the courage to make a decision." Mrs Anderson said "the next biggest hurdle is complacency - this is a disease that is crippling Australians and will have at least half the population living in extreme poverty in retirement."

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