

Super Activity 1

Years 7-10

WHAT IS SUPERANNUATION?

Fact sheet

WHAT IS SUPER?

Have you ever saved up to buy something? Maybe you are putting money aside at the moment to buy a car or something that is important to you. **Superannuation**, often called super, is money you set aside during your working life to provide an income to live on when you retire from work. Most people start to contribute to super when they begin work and keep contributing until they retire. The money is invested in one or more super funds of your choice.

You must leave your super in your fund until you either reach a minimum age or meet strict requirements set by the government. Your super is invested in assets such as bank accounts, property or shares, which earn an income. This income is reinvested in your super fund and then earns more income. This process, where you can generate earnings from previous earnings, is called **compounding** and greatly increases your final super payout.

The government encourages super savings by offering tax concessions that are not available with other forms of saving. In addition, no tax is charged for most people when they retire at 60 or older and take their super as a regular pension or a lump sum.

The materials in Super have been designed to be used in a variety of ways. Each topic is designed as a stand-alone section to be explored by a whole class, small groups or individual students

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WHY IS SUPER IMPORTANT TO ME?

Super is important for you because the more super you accumulate during your working life, the higher your standard of living will be in retirement. In general, most Australians would like to have a higher income in retirement than that offered by the government age pension. Over time, the age pension will provide a basic safety net for older Australians, which will be supplemented or even replaced by the income generated from superannuation.

Demographic changes and greater life expectancy have increased the proportion of the Australian population in the retirement age group. Currently there are five people of working age for every person aged 65 and over but by 2047 that will reduce to just 2.4. The demand for government pensions and services will increase, and the number of people in the working age groups will fall. There will be significantly less people in the workforce contributing through taxes to government revenue and there will be a higher demand for government services.

HOW MUCH SUPER DO I NEED?

Australians are living longer, so we will need more super savings to support ourselves for that longer period after retirement. Life expectancy in Australia is currently 84.6 years for women and 80.5 years for men. (Australian Bureau of Statistics, 3302.0.55.001 - Deaths, Australia, 2015-2017). The Association of Superannuation Funds of Australia (ASFA) Retirement Standard benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. It is updated quarterly to reflect inflation and provides estimates of what singles and couples would need to spend to support their chosen lifestyle. This standard has been calculated for two income levels – a 'modest' basic lifestyle and a 'comfortable' lifestyle. The income required for these lifestyles as at September 2018 is shown in Table 1. Both budgets assume that the retirees own their own home outright and are relatively healthy.

Budgets for various households and living standards for those aged around 65 (September quarter 2018, national)

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
Total per year	\$27,595	\$39,666	\$43,200	\$60,843

Source: ASFA accessed at: www.superannuation.asn.au/resources/retirement-standard

Budgets for various households and living standards for those aged around 85 (September quarter 2018, national)

	Modest lifestyle		Comfortable lifestyle	
	Single	Couple	Single	Couple
Total per year	\$26,037	\$37,154	\$40,953	\$56,735

Source: ASFA accessed at: www.superannuation.asn.au/resources/retirement-standard

THE GROWTH OF SUPER IN AUSTRALIA

The system of saving through super has existed in Australia for a long time.

- ▶ Before 1970 super was generally limited to a minority of workers, such as higher paid white collar staff, public servants and members of the Defence Forces.
- ▶ From the 1970s super became more widely available as more industrial awards started to include superannuation clauses.
- ▶ From 1986 the Conciliation and Arbitration Commission approved industrial agreements that provided for contributions of up to 3% of wages and salaries to be put into approved super funds.
- ▶ By the early 1990s, 79% of employees had super coverage, including 68% of private sector employees.
- ▶ The government introduced the superannuation guarantee system in July 1992 to address issues with some employees having no super and some employers not complying fully with the legislation. This extended employee coverage and made it possible for employer contributions to be increased over time.
- ▶ By 2002–03 the contribution rate reached 9%. Despite the exceptions to the super guarantee scheme (see *How super works* for more details) recent years have seen widespread super contributions among the working population.
- ▶ On 1 July 2014 the super guarantee was increased to 9.5% and will gradually increase to 12%.

For tips on getting the most of your superannuation and retirement visit ASIC's MoneySmart website:

<https://www.moneysmart.gov.au/superannuation-and-retirement>



Super Activity 1: What is superannuation?

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TASK 1 SUPER IS SO WHY

Worksheet

YOU WILL:

YOU WILL NEED:

- ▶ interpret data to identify trends in relation to age and life expectancy
- ▶ predict future trends in relation to life expectancy
- ▶ make a judgment on the impact of Australia's demographic profile on your own retirement
- ▶ develop a persuasive speech

- ▶ *Fact sheet: What is superannuation?*

INTERPRET DATA TO IDENTIFY TRENDS

1. **Review** Figure 1 and identify trends in relation to the proportion of the population of 65 years of age over time (including projections into the future).

2. **Review** Figure 2 and identify trends in life expectancy in the last 30 years.

3. Based on these trends, **predict** the changes to life expectancy in the next 50 years.

4. **Explain** how you think Australia's ageing population and longer life expectancy will affect your chances of receiving an age-pension when you retire. Use statistics and your predictions to **justify** your decision.

Figure 1: Australia's population 65 and over, at 30 June (over time)

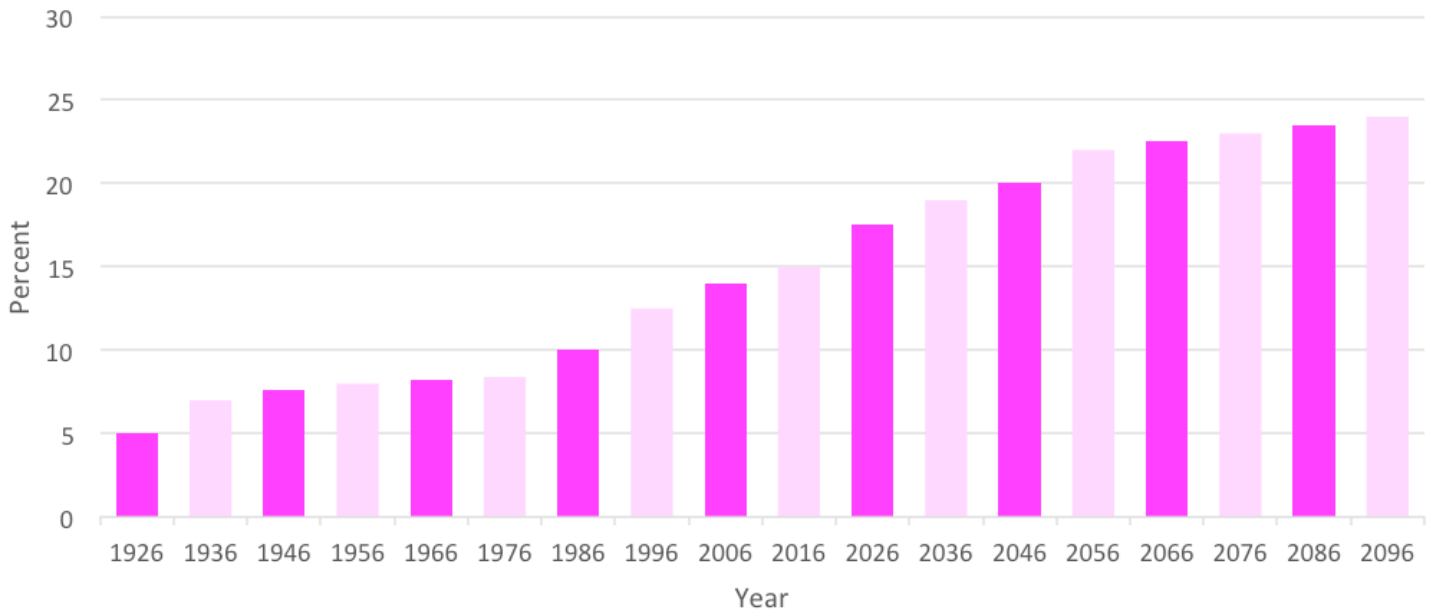
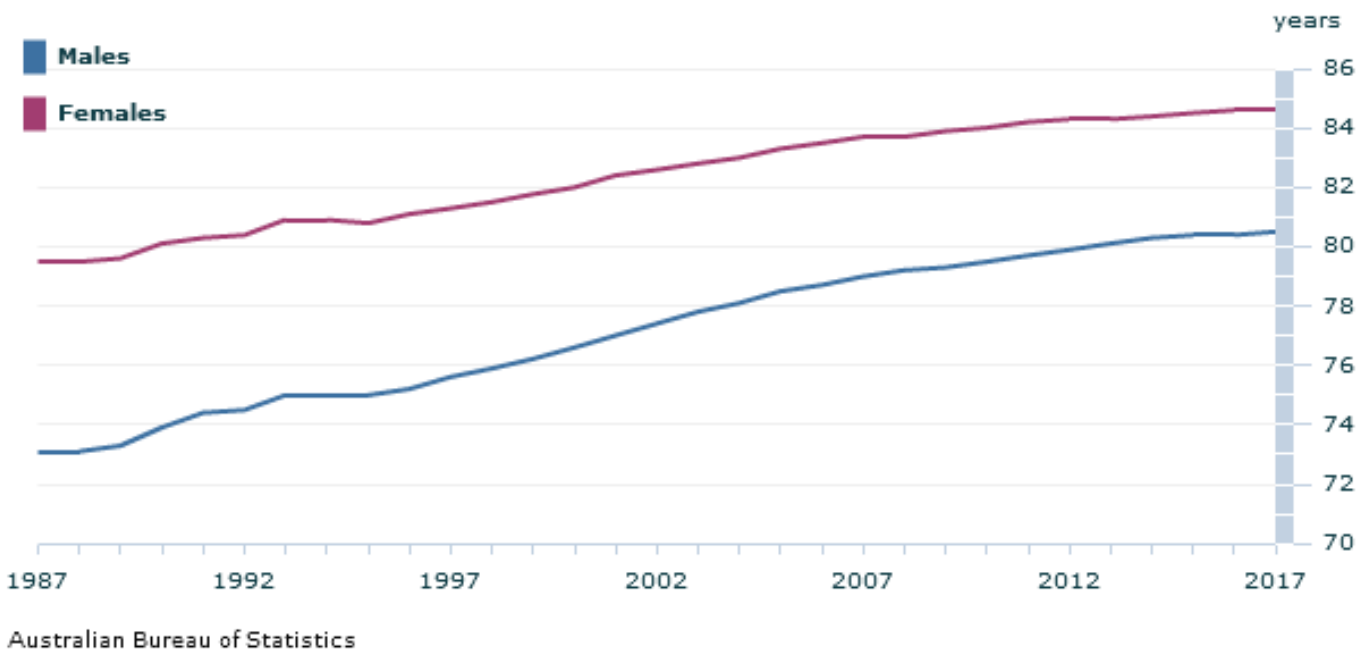


Figure 2: Life expectancy at birth – 1987-2017



DEVELOP A PERSUASIVE TEXT

- In 1992, the Australia Government introduced a superannuation guarantee system to ensure that all working Australians had savings for their retirement. You have been asked to develop a short speech to **persuade** an audience of young people entering the workforce about why this was an important initiative. When developing your speech, use information in the Fact Sheet and the data in Figure 1 and Figure 2. In developing your speech, consider what would happen to your generation at retirement if saving for retirement through the superannuation guarantee did not exist.

Guidelines for your persuasive speech

Use a Simple Structure – Have a clear beginning, middle and end to your speech and focus on key messages.

Know Your Audience – The most important aspect of creating a powerful speech is addressing who will be hearing it.

Use Creative, Visual Language – Use rhetorical questions (such as ‘Can you imagine a life with no money?’) that will intrigue the audience. Use statistics to convince them. Choose words that give them the message you are conveying.

A large rectangular writing area with rounded corners. It features a vertical red margin line on the left side. Along the left edge, there are four circular binder holes. The rest of the area is filled with horizontal grey lines for writing.

Super Activity 1: What is superannuation?

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TASK 2

SUPER IS SO WHAT

Worksheet

YOU WILL:

- ▶ make decisions on how you will budget if you have not saved enough for a modest retirement
- ▶ reflect on the consequences of not saving for retirement and consider action that you might take to avoid these

YOU WILL NEED:

- ▶ *Fact sheet: What is superannuation?*

Scenario

You have reached the age of retirement and have had an interrupted working life, so there were times when no contributions were being made to your superannuation fund. Because of this, and the fact that you did not make any voluntary contributions to your superannuation, you have less saved for retirement than you would like. You are single and your superannuation will provide you with an annual income of \$14,000 a year, considerably less than the ASFA predicts you need for a modest lifestyle. Imagine there is no age-pension.











You have less money than you need to live modestly in retirement. You will have to spend less money and make choices about what not to spend money on. What will you spend less money on? Will there be items you forgo completely? These are decisions you will have to make if you do not save enough for retirement through superannuation.

MAKE DECISIONS OR TRADE-OFFS

1. **Make decisions** on what you will spend your money on in retirement by completing the blank column in Table 1. This table, developed by ASFA, benchmarks the annual budget needed by Australians to fund either a comfortable or modest standard of living in the post-work years. You may have a zero entry against some items, or reduced expenditure against others. For example, you might have no travel expenses and use public transport instead of owning a motor vehicle. Remember you only have \$14,000 a year to live off and a modest retirement requires at least \$27,595.



Table 1: Lifestyle choices based on retirement income

	Comfortable retirement	Modest retirement	Poor retirement
	One annual holiday in Australia	One or two short breaks in Australia near where you live each year	
	Regularly eat out at restaurants. Good range and quality of food	Infrequently eat out at restaurants that have cheap food. Cheaper and less food than a 'comfortable' lifestyle standard	
	Owning a reasonable car	Owning an older, less reliable car	
	Afford bottled wine	Afford cask wine	
	Good clothes	Reasonable clothes	
	Afford regular haircuts at a good hairdresser	Afford regular haircuts only at a basic salon or pensioner special day	
	Take part in a range of regular leisure activities	Take part in one paid leisure activity infrequently. Some trips to the cinema	
	A range of electronic equipment	Not much scope to run air conditioner	
	Replace kitchen and bathroom over 20 years	No budget for home improvements. Can do repairs, but can't replace kitchen or bathroom	
	Private health insurance	Use public health system	

ASFA Retirement Standard: www.superannuation.asn.au/resources/retirement-standard

REFLECT

2. **Reflect** on the consequences of not saving enough for retirement. Explain what action you might take to avoid these consequences.

Super Activity 1: What is superannuation?

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TASK 3
SUPER IS SO TWEET**Worksheet****YOU WILL:**

- ▶ create short, powerful microblogs or 'tweets' promoting the importance of superannuation

YOU WILL NEED:

- ▶ *Fact sheet: What is superannuation?*

Twitter

Twitter is a very popular social tool. Through Twitter and 'tweeting' you can broadcast short burst messages, or microblogs to the world, with the hope that the messages are useful and interesting to someone.

The big appeal of Twitter is that is rapid and scan-friendly – you can track interesting tweeters and read their content at a glance. This is because every 'tweet' entry is limited to 280 characters or less.

The size of a 'tweet' means that the language you use has to be focused and clever so that they the message is powerful and easy to read.

Write short powerful microblogs

Write at least two tweets about why super is so important. Assume your tweets will be read by everybody.

