The seven deadly sins of super

Whether it's sloth or gluttony, envy or greed, sinning with your super can lead to a less-than heavenly retirement.

Even if you're not up to speed on the rules of superannuation, avoiding the seven deadly sins of super will maximise your nest egg.

Pride – put it in your pocket

Pride has no place when it comes to super. Being too proud to ask for, or follow, the right advice can mean missing out on valuable investment opportunities. Worse still, innocent mistakes like making excess contributions could land you in hot water with the tax man (see 'greed'). So put your pride in your pocket and make a date with your adviser to check that your super strategy is on track to fund a quality retirement.

Sloth – the deadliest sin

Taking a slothful approach to your super means risking a cash-strapped retirement. The latest (March 2010) Westpac ASFA Retirement Standard, which benchmarks the annual budget needed to fund retirement, shows that it costs a couple around $53,000 annually to fund a 'comfortable' retirement. Unless you take an active interest in your super, your nest egg may be insufficient to fund this level of lifestyle.

In particular, consider making additional contributions in the transition to retirement. Take a close look at salary sacrifice – diverting part of your pre-tax income into super rather than taking the money as cash in hand. Or aim to make additional non-deductible contributions from your own pocket. If your annual income is below $61,920 you could be entitled to a government co-contribution in each financial year.

Track down any 'lost' super by checking the Tax Office Super Seeker (at www.ato.gov.au), and consolidate multiple accounts into one fund for simple management.

Wrath – emotion has no place in investing

The share market volatility of recent years has affected the nest eggs of most Australians, causing understandable concern. But don't forget that despite the last few years, quality shares remain an important superannuation investment because they have a very good chance of delivering strong long term returns.

It's never an easy time for investors when the share market hits a pocket of turbulence. However like any sensible air traveller, the smart advice is to buckle up tight and avoid the temptation to grab the parachute. Having a disciplined approach and being in a relationship with a trusted adviser who monitors your personal situation can help to ride out the tough times. Your adviser can show you how to spread your investments across different asset classes so you can receive worthwhile returns and income from your portfolio even in periods of uncertainty.

Envy – it's your super, not the Joneses

Comparing the performance of your super fund to those of friends or family can be a serious sin. Your goals for retirement and the strategies used to achieve them are uniquely yours. Over the very long-term period in which super is invested, there will be times when your fund streaks ahead while others languish, and vice versa. The key is to stick with your long-term strategy. Changing tack midstream because you're envious of someone else's super returns could unhinge the whole foundation of your retirement plans.

Gluttony – eating up too much now leaves the cupboard bare later

Gluttony can be a problem during the accumulation phase of super if we simply don't save enough but it's in retirement that we really need to pace ourselves. Developing a budget for retirement living will help you select the appropriate annual drawdown from an allocated pension – particularly with the government recently extending the ability to draw down less than the previous minimum pension levels for the current financial year (talk to your adviser for details). You need to resist the ravenous temptation to draw down too much too early and avoid prematurely gobbling up your nest egg.

Greed – pace yourself

While super can be great for tax-effective savings, if you're tempted to put too much away in super each year it could mean paying excess tax. If you're aged under 50, deductible (before-tax) contributions are limited to $25,000 annually. This total includes employer contributions plus salary sacrifice contributions, or personal contributions claimed as a tax deduction by self-employed workers. If you are aged 50 or over, the annual deductible contributions cap for the 2010/11 and 2011/12 financial years is $50,000. Any excess contributions are taxed at 31.5 per cent – that's in addition to the standard 15 per cent contributions tax.

Greed can also tempt us in other ways – so don't be lured into high risk investments that you may not fully understand in the hope of a higher return. It's the surest way to come undone.

Lust – better to lust for life, not money

Finally, love your super – but it's generally more satisfying to lust for life rather than money. What's important in planning your future is to understand and set your lifestyle goals and direct your wealth accordingly.

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