

# Compounding

## AMISTSUPER

AUSTRALIAN MEAT INDUSTRY SUPERANNUATION TRUST



Creates **greater interest** in super

**It's always easy to put things off. But one of the smartest decisions you can make is to start investing in superannuation sooner rather than later. The reason? So you can take advantage of compound interest—which can turn even small amounts of money into larger sums over time.**

### What is compound interest?

Essentially, compound interest is interest paid on interest. In other words, you're earning interest not just on the sums of money you actually deposit but, as time goes on, also on the interest you're earning on those deposits.

And the longer you invest, the greater the impact of compound interest, so it really pays to get started as soon as you can. Let's look at how this could work.

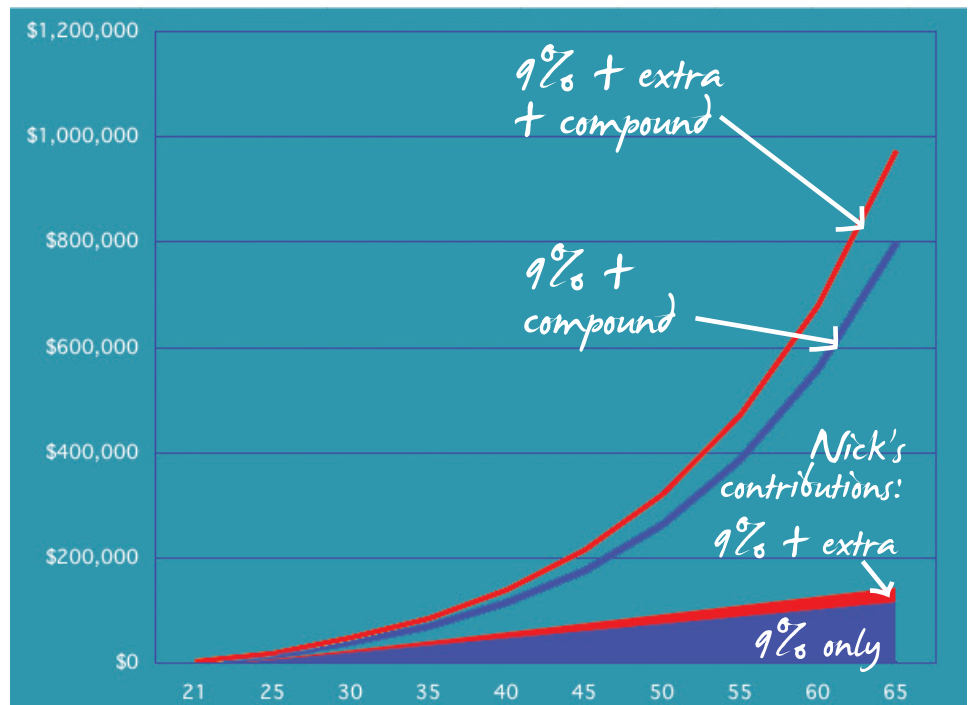
Nick is a 21 year old butcher who earns \$577 a week. His employer is contributing the compulsory Superannuation Guarantee (SG) 9% of his gross income into super, which is \$52 per week. Assuming no adjustments to this rate of saving take place over the years, by the time Nick retires at age 65, he will have contributed a total of \$121,500 to his super. But if we assume an average earning rate of 7% per year, Nick's account balance is more likely to be almost \$800,000!\*

And all Nick did was contribute the absolute minimum compulsory amount to his super. Compound interest and time did the rest.

That might sound like a lot of money now, but remember Nick's retirement is 44 years away and everything is likely to be much more expensive by then.

So rather than relying on contributing the absolute minimum amount to his super, Nick decided to deposit an extra \$10.50 per week. As a result, his total contribution would rise to \$147,900, but his account balance leaps to nearly a million dollars.\*

So by topping up his super by just over \$10 a week, Nick can retire on a million dollars. Thanks again to time and the magic of compound interest.



Just imagine if he saved a little more, or even if he took advantage of the Government Co-contribution Scheme, where the Government matches your after tax contributions to super dollar-for-dollar under certain circumstances.

It's true, getting started in super early really doesn't cost much but can make an enormous difference to your retirement savings and industry funds like AMIST Super charge low fees and return all profits to members, making them an even better value alternative.

\* Based on the assumption of 7% earnings compounded half yearly and not adjusted for inflation.



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