

Question & Answer

Q. Would my money be better in a bank?

With the turbulent time the stock market has experienced over the past year, the question is some times asked as to whether member's would receive a better return if their superannuation was placed in a bank account.



A. Superannuation has better long-term returns

Superannuation is a long-term investment. Therefore, you should concentrate on the average returns over the past 3-5 years rather than a monthly or yearly return. The Schemes have consistently outperformed the banks over the last three - five years.

If you had placed your \$10,000 in a bank account (term deposit) in 1997 (the year the Schemes were established) it would have grown to \$11,200. That assumes you were able to track down the highest rates on offer from the 4 major banks for each year since 1997.

That same \$10,000 placed in either the Local Government or Energy Industries Superannuation Schemes would have grown to between \$12,200 for the Cash Plus option up to \$13,500 for the High Growth Option". This means that you end up with more money in your superannuation account and, when you retire, more money in your pocket.

Tax Advantages

The money you make (your investment return) from your super is generally taxed at a lower rate than ordinary earnings from bank accounts.

The returns credited to members by super funds have already had the tax on the earnings deducted - with a bank account; you have to pay tax on the interest at your marginal tax rate.