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SE Smart Money

HD Zen and the art of saving

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Investing in a do-it-yourself superannuation fund shares many of the characteristics of yoga. You may think that's a stretch, but for anyone who wants results – either financially or physically – super and yoga both require commitment, focus, flexibility, resilience, concentrated effort and a dedication to continuous improvement. Apply those attributes long enough and you should end up richer/stronger – in theory, at any rate. With all the talk lately of a government tax grab from the super sector, one has to wonder what the eventual impact on our retirement savings will be.

TD The parallels between super and my exercise of choice became apparent to me earlier this month after I started a 21-day yoga challenge. I'd been "turning up to the mat" for about a dozen years before I moved to Melbourne three years ago. Since then I had been sidetracked by Pilates and other distractions. I'm sure those things have their place, but I missed the holistic mind/body/spirit combination that a good yoga school or teacher is capable of delivering. My body missed it, too, so the idea that three weeks of yoga might help break me back into the habit held high appeal.

When the challenge kicked off at Elsternwick's Yoga Tree, the 90-minute classes were tough, but they got easier as the days passed and the muscle memory kicked in. But within a week my dreams of ticking off 21 days straight took a blow when I arrived for my class to learn it was already full. It didn't matter I'd paid a sitter to cover me for a couple of hours, or that I had the 21-day challenge to fulfil. There simply wasn't enough room and I couldn't join in.

I left in a huff, already drafting in my head an email expressing my displeasure to the operators that they had failed to return the commitment I had made to them – financially, mentally and just by showing up – to their 21-day course. I quickly realised, however, how completely un-zen-like my reaction to the setback had been – clearly I needed to do more yoga. And that's when the connection between yoga and super occurred to me (which probably means I need a good therapist, too).

We commit to super (well, we're forced to, but it's for a good reason) so we can pay for our retirement rather than having to fall back on the taxpayer-funded pension. Ultimately that's empowering because it gives us control. So it is with yoga, in its delivery of overall health, vigour and mental acuity. But it's not useful when someone trips us up on either of those paths, as happened to me on my 21-day effort.

Super, meanwhile, seems under constant threat, but particularly lately. Its $1.5 trillion retirement savings pool is an obvious target for those wishing to plug budget holes, and that's unlikely to change as the coffers swell to a forecast $8.6 trillion by 2040. When Treasury takes aim at that irresistible target it's not surprising that the largest segment of super, self-managed super funds, remains front and centre of its sights. Its $475 million pool of capital comprises more than 30 per cent of all super savings and is growing fast.

But there are dangers in messing with something that works so well, particularly if the motivations are quick fixes and have the wrong intentions.

Australia's super system is consistently rated among the top three in the world in Mercer's well-considered Global Pension Index of Retirement Income Policy. Our regime is considered affordable, sustainable and robust, as evidenced by its resilience through the biggest financial market test of many people's lifetimes, the global financial crisis.

People investing in it, however, are working on a savings plan to cover a significant part of their lifetime. In building it, many already have an adult lifetime of risk to deal with.

"Adding tax as a risk [in super] is politically irresponsible and shows indifference to the citizenry."

I love those words. They appeared in the opinion pages of this newspaper just over a week ago, and were written by John Piggott, one of this country's most respected economists. Apart from being an expert on the challenges Australia faces in terms of its ageing demographic, he's been part of a ministerial super advisory committee and was a member of the 2009 Henry review of taxation.

It's "convenient politically", Piggott says, that the impact of taxes on super wouldn't be immediately apparent on pay packets. So applying them wouldn't be fair. A more equitable solution would be to add an extra layer of marginal income tax at the top end where some believe people get off too lightly.

Piggott's advice on making any changes to super makes great sense. Deal with it outside an election context, don't rush the process and go for bipartisan support. The goal should be to end up with something stable. In yoga, that would be akin to the mountain pose, or Tadasana.

I reminded myself of that while I tried to calm myself after my interrupted yoga schedule the other day. Fortunately, my sitter was able to stay an extra hour so I could join the next class. To further test my resolve, however, that class was Bikram style, which, for those who aren't up on these things, is a system of yoga performed in a hot room. The heat thing has never appealed to me. Now I know why.

It's all sweating and heaving and panting and more sweating. I swear I almost passed out twice from the hideousness of it all. The impact was not unlike how my super must have felt when the GFC struck.

Anyway, I survived both attacks by revising, adapting and pushing on, always seeking balance. Today I'm still on track to achieving my goals with super and yoga. I can only hope for a sensible approach from this government or the next in preserving the integrity of our super system. And whatever they do, I will strive to have the wherewithal to react in a right-minded way.

Namaste!

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