How to Make $1,739,586 in 15 Minutes

By Roger Keays, 28 March 2016

The title of this post is exaggerated. It will take you longer than fifteen minutes to make your $1,739,586 using this method. But that's only because it will take you at least fifteen minutes to read the post. Then you'll most likely ignore it and do nothing. You'll do nothing because you won't get your millions immediately. Instead, you will have to wait until you retire.



Have I put you off yet?

Well, for those of you who are still here, let me explain the concept. It's very basic and boils down to reducing the fees on your superannuation account. The money that was once going towards your fund manager's yacht, will instead slowly accumulate and eventually line your own pockets.

According to the Australian Bureau of Statistics, the average net income in Australia is a grotesque $80,000 p.a. The compulsory super contributions on top of this amounts to about $8,000 per year (and is increasing). Using these figures, we can do a comparison of the future value of a 23-year old's superannuation account at retirement.

We're going to make the following assumptions:

Age started working	23	
Inflation	2.5%	(RBA)
Income	$80,000 p.a.	(ABS)
Employer super contributions	11%	(wikipedia)
Expected return	8.5%	(ASX)
Age at retirement	65	(ABS)
Compounding interval	quarterly	

For this example, we using the same expected return for all the investment products. They're all stock market investments, so unless you believe your fund manager has a crystal ball, this is a valid assumption.

Now for the results. Here are seven different super funds, and the future value of our 23-year old's super if he invested in each. These were the funds I researched when setting up my own super account.

The only difference between these calculations are the administration and contribution fees of each fund. Administration fees are annual, and the contribution fee is applied to each super contribution made. The values are calculated from a starting balance of zero, and I've assumed the average income will grow at the rate of inflation.

Fund	Annual Fees ($)	Annual Fees (%)	Contribution Fee	Future Value	Inflation-adjusted
Sunsuper ASX200 Indexing	$52	0.15%	0.10%	$4,379,648	$1,527,563
Host Plus PASX300	$78	0.19%	0.14%	$4,316,199	$1,505,432
Qsuper Managed Funds	$0	0.63%	0.00%	$3,859,230	$1,346,048
Virgin Super ASX300	$52	1.00%	0.25%	$3,458,449	$1,206,261
Intrust Super Managed Funds	$73	1.10%	0.00%	$3,366,376	$1,174,147
Vanguard Super ASX300	$66	1.11%	0.20%	$3,353,208	$1,169,554
CFS Balanced Managed Funds	$0	1.88%	4.29%	$2,640,063	$920,818
			Difference	**$1,739,586**	**$606,744**

(Download the spreadsheet)

There you have it. By investing in a low-fee index fund instead of a typical managed fund, our 23-year will find himself $1.7 million richer when he retires. That works out to about $600,000 in today's money. I know, it's not much. Especially when you have to dig up your superannuation member number and open all those browser tabs to update your investment preferences. Actually, don't bother. It's too much of a pain. Besides, you could be on Facebook watching videos of cats doing backflips.

About Roger Keays



Roger Keays is an artist, an engineer, and a student of life. He has no fixed addressand has leftfootprints on 40-something different countries around the world. Roger is addicted to surfing. His other interests are music, psychology, languages, the proper use of semicolons, and finding good food.