

## Salary sacrificing into super

It's unlikely you'll be able to rely solely on the Government's compulsory 9% super contribution to fund your lifestyle in retirement.

### Why invest more into super?

No matter how old you are or what stage you're at in your working life, you need to ensure you have a solid plan in place to achieve your retirement goals.

Your superannuation fund will likely be the primary means for achieving this goal. Super is a very attractive investment vehicle primarily due its high tax effectiveness, which improves your ability to accumulate wealth.

But will you have enough in super to fund your lifestyle in retirement?

### Increase your super by salary sacrificing

One of the most tax-effective ways to top-up your super is to salary sacrifice additional contributions. Many employers now offer salary sacrificing, allowing employees to redirect a portion of pre-tax salary into super.

By salary sacrificing to super, your money only attracts the super contribution tax rate of 15% within the concessional cap.

You can make additional contributions to your superannuation out of your after-tax salary, but personal income tax would have been paid on this money.

### What are the benefits?

- ▶ **Minimise your tax liabilities.** Salary sacrificed contributions to a complying super fund are not subject to income tax or fringe benefits tax (FBT).

Money contributed to superannuation within the concessional cap attracts a tax rate of just 15%.

Your assessable income, and therefore your personal income tax liability, is reduced.

- ▶ **Improve your ability to accumulate wealth.** With less tax applied to your super contributions, you will have more money in super to accumulate wealth than if you were to invest outside of super.



- ▶ **Look forward to withdrawing your super tax free.** People aged 60 and over are now able to withdraw their money from superannuation tax free, making it an attractive option to fund retirement.

### Points to consider

- ▶ **Limits on concessional contributions.** Under the current system annual caps limit the amount of pre-tax contributions that can be made on your behalf. These contributions include salary sacrifice, super guarantee and personal deductible contributions. Table 1 outlines the age-based caps on tax-deductible contributions.

Table 1 – Concessional contributions

Date	Cap per annum			
	Age Under 50	Age 50 to 64	Age 65 to 74 <sup>1</sup>	Age 75 and over
Amount	\$25,000	\$50,000 <sup>2</sup>	\$50,000 <sup>2</sup>	Cannot contribute

<sup>1</sup> Must be gainfully employed for at least 40 hours during any consecutive 30 day period in the financial year prior to making the contribution.

<sup>2</sup> Applies until 30 June 2012. After this date, the cap is \$25,000.

► **Your work entitlements may be affected.** Salary sacrificing into superannuation may reduce your leave entitlements such as annual leave.

Further, some employers may base their superannuation guarantee obligations on the reduced salary amounts. Ask your employer if this applies to you.

► **Your ability to salary sacrifice may be restricted.** Your employer may have specific rules regarding salary sacrifice arrangements including salary sacrifice contributions into superannuation.

Awards or workplace agreements may also restrict your ability to salary sacrifice into super. Again, check with your employer.

► **Super money is preserved until your retirement.** While superannuation is an effective and tax-efficient way of investing for your retirement, you can't access your super money until you retire after reaching preservation age.

### Case study – Taking advantage of salary sacrificing

Adrian, 39, is currently employed on a base salary of \$80,000 plus \$7,200 employer super guarantee contributions. Adrian is considering salary sacrificing into superannuation providing he can continue to meet his annual living expenses of \$50,000. Table 2 shows the difference Adrian can make by salary sacrificing \$14,890 per annum.

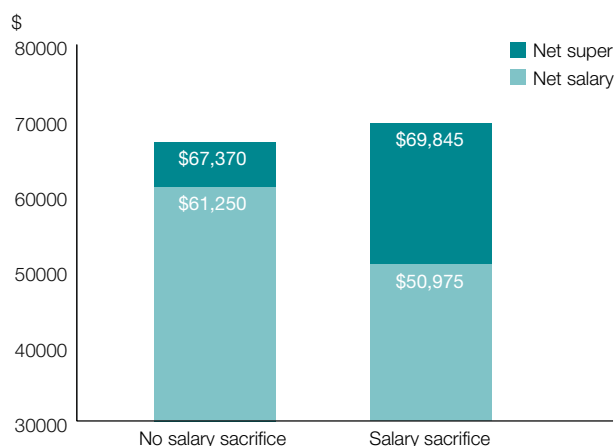
**Table 2 – Adrian's salary sacrifice strategy**

	No salary sacrifice	Salary sacrifice
Salary	\$80,000	\$80,000
Employer contribution	\$7,200	\$7,200
Contributions tax (15%)	(\$1,080)	(\$3,330)
<b>Net super contributions (A)</b>	<b>\$6,120</b>	<b>\$18,870</b>
Salary	\$80,000	\$80,000
Less sacrificed amount	\$0	(\$15,000)
Total taxable income	\$80,000	\$65,000
Less tax	(\$17,550)	(\$13,050)
Medicare levy	(\$1,200)	(\$975)
<b>Net salary (B)</b>	<b>\$61,250</b>	<b>\$50,975</b>
<b>Net benefit (A+B)</b>	<b>\$67,370</b>	<b>\$69,845</b>

**Note:** Assumes 2010/11 tax scales.

**Overall, Adrian is \$2,475 better off by salary sacrificing into super.** Chart 1 illustrates that while Adrian has reduced his after-tax income, he has substantially increased his super contributions. Overall, his net package (salary plus super) has increased as a result of his salary sacrifice strategy.

**Chart 1 – Increased in Adrian's net benefit**



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