

Perpetual Superannuation Limited

# SALARY SACRIFICING INTO SUPER

## SALARY SACRIFICE OFFERS A TAX EFFECTIVE WAY OF BOOSTING YOUR RETIREMENT SAVINGS.

### 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 allowing you to save for your retirement by making regular contributions which can be tax effective.

### 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 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, this compares favourably to receiving the additional income which will, generally, be taxed at your marginal tax rate which may be as high as 47% including the Medicare levy.

You can also 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?

- Reduce 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%.<sup>1</sup>
- Your assessable income, and therefore your personal income tax liability, is reduced.
- Improve your ability to accumulate wealth. With a lower rate of tax applied to 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 able to withdraw their money from superannuation tax free, making it an attractive option to fund retirement.

- Additional contributions can assist to cover insurance premiums paid through superannuation in a way to effectively manage your cash flow.

<sup>1</sup> Individuals will have to pay an extra 15% tax on some of, or all of their 'taxable contributions' if their income, plus 'taxable' contributions are greater than the \$250,000 threshold.

Perpetual 

### CASE STUDY - TAKING ADVANTAGE OF SALARY SACRIFICING

Adrian, 39, is currently employed on a base salary of \$80,000 plus \$7,600 employer super guarantee contributions. Adrian is considering salary sacrificing into superannuation providing he can continue to meet his annual living expenses of \$50,000. The table below shows the difference Adrian can make by salary sacrificing \$16,000 per annum.

	NO SALARY SACRIFICE	SALARY SACRIFICE
Gross Salary	\$80,000	\$80,000
Less Salary Sacrifice	Nil	\$16,000
Taxable Income	\$80,000	\$64,000
Net Tax (includes Medicare levy)	\$19,147	\$13,627
<b>Net Income (A)</b>	<b>\$60,853</b>	<b>\$50,373</b>
<b>SUPERANNUATION</b>		
Employer Super Guarantee	\$7,600	\$7,600
Salary Sacrifice Contribution	Nil	\$16,000
Total Contribution	\$7,600	\$23,600
Less Contributions tax	-\$1,140	-\$3,540
Net Increase in Super (B)	\$6,460	\$20,060
<b>Total Net Benefit to Adrian (A+B)</b>	<b>\$67,613</b>	<b>\$70,433</b>

Overall Adrian is \$2,820 better off by salary sacrificing into Super. While Adrian has reduced his after tax income, he has substantially increased his super balance. Overall, his net wealth (salary plus super) has increased as a result of his salary sacrifice strategy.

### STRATEGY CONSIDERATIONS

Confirm with your employer that they allow salary sacrificing and how this will impact your super-guarantee contributions.

- Ensure you calculate how much your contributions will total for the financial year, taking into consideration contribution caps. The annual concessional (before-tax) superannuation contribution cap is \$25,000.
- 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 meet a condition of release.

This information has been prepared by Perpetual Superannuation Limited (PSL) ABN 84 008 416 831, AFSL 225246, RSE L0003315 (as Trustee for the WealthFocus Super Plan and Pension Plan ABN 41 772 007 500). The PDS for the WealthFocus Super Plan and Pension Plan, issued by PSL, should be considered before deciding whether to acquire or hold units in the fund it contains general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider whether the information is suitable for your circumstances and we recommend that you seek professional advice. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information is believed to be accurate at the time of compilation and is provided by Perpetual in good faith.

PL01082\_PSSSIS2\_0717

### MORE INFORMATION

Adviser Services 1800 062 725  
 Investor Services 1800 022 033  
 Email [investments@perpetual.com.au](mailto:investments@perpetual.com.au)  
[www.perpetual.com.au](http://www.perpetual.com.au)

