

## Make the sacrifice for super

Salary sacrificing is a very tax-effective way to increase your super.

Salary sacrificing is the term used to describe the act of diverting pre-tax income into your superannuation account, expense payments or to pay for work related goods such as a laptop or car lease. For our purposes, we'll look at super.

By putting some of your pre-tax income into your super, you avoid paying tax on this money at your marginal rate. However it is taxed at 15% (contributions tax) which is lower than the marginal rate of those earning above \$35,000. It generally means more will be going into your super than if you tried contributing from your net (after-tax) income. And salary sacrificing has the effect of lowering your effective income and your overall tax burden.

### Possible restrictions

You need to talk to your employer and have a written arrangement in place before you can start salary sacrificing. If you're employed, best do this at pay review time. Your employer may offer you the opportunity to salary sacrifice into superannuation. However, there is no legal requirement for them to do so at this time.

There are no legal limits to the amount that can be sacrificed but it must not breach an industrial award or workplace agreement.

However, employers will resist allowing salary sacrifice contributions of more than \$25,000 a year, (\$50,000 for people aged 50 and over until 2012) which includes your Superannuation Guarantee (SG) contributions (which are 9% of your salary or wages). If your employer salary sacrifices more than your allowable limit for concessional contributions, you will personally have to pay additional tax on these contributions.

Some of the advantages and disadvantages of salary sacrificing are:

### Advantages

- You can reduce your taxable income. Instead of paying tax on your income at your marginal tax rate, you are paying a maximum of 15% on contributions to your super.
- The interest you earn in superannuation is taxed at a maximum of 15%.
- You are giving your super a boost and this will provide for a more comfortable lifestyle at retirement.

### Disadvantages

- Contributions will be taxed within your super fund at 15%. Tax may be payable when you withdraw benefits from your fund.
- Salary sacrificing could reduce the amount of SG employer contributions to be paid by your employer. This needs to be clarified in your negotiations with your employer.
- As per the budget changes, salary sacrificed income is now included for Government Co-Contribution eligibility purposes.
- The funds you contributed will be preserved in Super until you meet a condition of release.

Your Personal Money Coach or Financial Adviser can advise if this is the right strategy for you and how much you should consider sacrificing.

SSS090707

**Any questions? Call 1800 046 166 or visit: [www.moneysolutions.com.au](http://www.moneysolutions.com.au)**