

## A little sacrifice can go a long way - boosting your super through salary sacrifice

There are several ways to make additional contributions to your super on top of the compulsory contributions your employer pays into your account. One of those ways is salary sacrifice - an often tax-effective way of making extra contributions to your super.

### How does it work?

Salary sacrifice is when you choose to have your employer pay some of your salary into your super account rather than receive it as take-home pay. The salary you 'sacrifice' is paid directly into your super before income tax is deducted. That is, the amount you agree to sacrifice will be automatically taken out of your before-tax (or gross) salary and placed into your super account. This will not only boost your super balance, but also reduce your taxable income, and therefore the tax you pay.

You'll need to find out from your employer whether salary sacrificing is available to you and if there are any conditions. But if you can, salary sacrifice is a great way to grow your retirement nest-egg.

### What are the benefits?

By salary sacrificing, you may be able to reduce the total tax you pay and increase your total combined take-home pay and super contributions (see the case study on the following page). Salary sacrifice contributions are subject to 15 per cent contributions tax. This means if your taxable income is more than \$37,000, the 15 per cent contributions tax is generally lower than the tax you would pay if you received the money as an income.

### Does salary sacrifice work for everyone?

No, salary sacrifice may not be effective in all circumstances. There may be limited or no tax advantage for you if your income is less than \$37,000, for example.

### Are there limits on what I can salary sacrifice?

Yes. For the 2011/12 financial year, your employer contributions and your salary sacrifice contributions combined are capped at \$25,000 p.a. if you are under 50 and \$50,000 p.a. if you are 50 or more. Contributions above the cap will be taxed at the highest rate of 46.5 per cent, (including Medicare). The cap of \$50,000<sup>1</sup> for members 50 or more applies until June 30, 2012.

<sup>1</sup>In May 2011, the Government announced that from July 2012 the higher concessional contributions cap for people turning 50, or aged more than 50, will only apply if their total super balance is less than \$500,000. For more information visit [www.ato.gov.au](http://www.ato.gov.au).

### Case study

Neil's salary is \$60,000. By salary sacrificing \$5,000, i.e. putting \$5,000 into his super fund before it is taxed, he pays less income tax and increases the combined value of his pay and super contributions.

	Amount (\$) with salary sacrifice	Amount (\$) without salary sacrifice
Gross income	\$60,000	\$60,000
Salary sacrifice	-\$5,000	\$0
Taxable income	=\$55,000	=\$60,000
Tax payable (income tax)*	-\$10,875	-\$12,450
<b>TAKE HOME PAY</b>	<b>+\$44,125</b>	<b>+\$47,550</b>
Extra super contribution	+4,250**	\$0
<b>COMBINED TAKE-HOME PAY + EXTRA SUPER CONTRIBUTIONS</b>	<b>\$48,375</b>	<b>\$47,550</b>

\*Based on 2011/12 tax rates and includes the 1.5 per cent Medicare levy

\*\*Extra super contribution: \$5,000 - \$750 (contributions tax) = \$4,250.

As you can see by salary sacrificing \$5000, Neil's combined take-home pay and super contributions are higher, and he pays \$825 LESS TAX.

### How can I find out if salary sacrifice is right for me?

To see if salary sacrifice could work for you, visit our website at [sunsuper.com.au](http://sunsuper.com.au) and use our salary sacrifice calculator. While you're there check out our award-winning Retirement Modeller calculator to help calculate how much money you will need in retirement.

### How do I salary sacrifice?

The first step is to find out from your employer whether salary sacrifice is available to you, and if it is, ask them about the steps you need to take to arrange it.

Sunsuper can provide you with the help and advice you need, whether you have a simple question or would like to consider your total financial situation. Our member advice specialists<sup>2</sup> can answer most of your questions about your Sunsuper account quickly over the phone on **13 11 84**. If it's something more complex, you can arrange a meeting with a financial planner who can give you advice on many aspects of your finances—not just your Sunsuper account.

<sup>2</sup>Simple advice about super is provided at no additional cost. More detailed advice may incur a fee. All advice is provided by representatives of either Sunsuper Pty Ltd or Sunsuper Financial Services Pty Ltd (ABN 50 087 154 818, AFSL No. 227867), a wholly owned subsidiary of Sunsuper.