



# Salary Sacrifice into Superannuation

## What is superannuation salary sacrifice?

It is the option, for you as a FuturePlus Super member, to have your employer make additional contributions into your super fund from your pre-tax salary.

Any such arrangement must be by way of an agreement between you and your employer. Members are advised to obtain financial advice prior to entering into such an arrangement.

## Why would I choose to salary sacrifice?

If you elect to salary sacrifice, you may obtain a tax advantage by foregoing taxable income now in return for improved superannuation benefits in the future.

Superannuation contributions are generally taxed at a lower rate than the marginal tax rate you pay on your regular salary. So by salary sacrificing, you could increase the net value of your wealth because your Pay As You Go (PAYG) tax may be reduced.

## Will it benefit me?

Only under an "effective" salary sacrifice arrangement for superannuation can you increase your superannuation benefits and reduce your assessable income by an amount similar to the sacrificed amount (some employers take a portion of the amount for administration expenses).

Whether salary sacrifice will be of benefit to you or not depends on your individual circumstances. You will need to seek professional financial advice prior to making your decision. Salary sacrificing to superannuation is not for everyone.

Due to the recently introduced incentives for low income earners (i.e. Government co-contribution) and the availability of rebates in relation to 'spouse' contributions it may not always be more tax efficient to contribute to superannuation via salary sacrifice. For more information on the Federal Government co-contribution, please contact Member Services on 1800 067 059.

## When can I have access to the money?

Generally, all superannuation contributions must remain within the superannuation system until you retire from the workforce. The age at which you may get your super depends on Federal Government laws.

## Can the FuturePlus Super accept salary sacrifice contributions?

The Fund allows existing members of FuturePlus Super to salary sacrifice into their Fund.

## Do employers have to allow salary sacrifice contributions?

No. The decision for an employer to allow these contributions is by agreement between the employer and the employee. Employers may place conditions on salary sacrifice contributions (e.g. maximum percentage of salary that may be sacrificed). You should check with your pay office or your union.

## Could salary sacrificing affect any other entitlements?

Salary Sacrifice could affect your employee entitlements (superannuation, allowances, penalty rates, overtime, etc). These may be based on your after-Salary Sacrifice salary. Some awards have been varied to use the pre-salary sacrifice salary. You need to check with your union or employer.



## How much does it cost?

There are no entry fees into FuturePlus Super and your account is subject to normal fund fees. Details can be obtained from Member Services on 1800 067 059.

## What should I do now?

- 1 Decide if you can afford to give up part of your take home pay now in return for improved superannuation benefits in the future.
- 2 Check with your employer or union to see if superannuation salary sacrificing is allowed.
- 3 Phone Member Services on 1800 067 059 to see if it's right for you.

## Need further information

If you would like an application form to choose an option, or want further information, please contact Member Services on 1800 067 059 or visit our website at [www.chifley.com](http://www.chifley.com)

## Salary Sacrifice example

The following example compares the tax payable by a person earning \$40,000 pa pre-tax salary (Situation 1), with the same person salary sacrificing \$5,200 pa, thereby reducing their pre-tax salary to \$34,800 pa (Situation 2). This example is based on the 2004/2005 tax rates.

	Situation 1	Situation 2
Gross Salary	\$40,000	\$40,000
Amount Salary Sacrificed	\$0	\$5,200
Taxable salary	\$40,000	\$34,800
Less Income Tax	\$7,860	\$6,300
Less Medicare Levy <sup>1</sup>	\$600	\$522
Tax Paid <sup>2</sup>	\$8,460	\$6822
Net Salary	\$31,540	\$27,978
Gross Super Payment	\$0	\$5,200
Tax on Super <sup>3</sup>	\$0	\$780
Net Super Payment	\$0	\$4,420
Total Tax Paid	\$8,460	\$7602
Total After Tax Benefit	\$31,540	\$32,398

In the above example the person in situation 2 has saved \$858. The \$858 tax saving effectively is money that the person has added to their super.

### Salary Sacrifice example notes

- 1 Normally, the Medicare levy is at 1.5% of your taxable income.
- 2 Differing gross salaries will yield varying tax outcomes. Income tax is calculated with the following table (these rates are current at time of printing).

Tax brackets (\$)	Tax rates
0 - 6,000	Nil
6,001 - 21,600	0 + 15% on the balance
21,601 - 63,000	2,340 + 30% on the balance
63,001 - 95,000	14,760 + 42% on the balance
95,001 plus	28,200 + 47% on the balance
The Medicare Levy <sup>1</sup>	1.5% <sup>3</sup>

## How else can you maximise your superannuation?

Salary sacrifice may be one way of making your superannuation more effective. In addition, there are a number of Government incentives that may encourage you to save for your retirement. See information below for further details.

### Government superannuation incentives

#### Spouse Contributions

Does your spouse\* earn under \$10,800 pa?

If so, you could contribute to your spouse's superannuation and get a tax rebate (also called tax offset) of 18% for the first \$3,000. The maximum rebate you can claim is \$540 per year.

The rebate is 18% of one of the following (whichever is less):

1. \$3,000 (reduced by \$1 for every \$1 by which the spouse's assessable income and reportable fringe benefits for that year exceeds \$10,800, and is not available when the low income spouse's assessable income is \$13,800 or more per annum).
2. The total of the spouse superannuation paid. For example, if your spouse receives less than \$10,800 a year and you pay \$2,000 into a super account for them, you will get a rebate of \$360.

\* A 'spouse' includes another person who, although not legally married to you, lives with you on a bona fide domestic basis as your husband or wife, but does not include a person who lives separately and apart from you on a permanent basis. Source: ATO

## “There are a number of Government incentives that may encourage you to save for your retirement”

To be eligible to claim the rebate for your spouse, the superannuation contributions must:

1. Be made on behalf of a spouse who is under age 65 and an Australian resident;
2. Be made after-tax; and
3. Not be claimed as a tax deduction by the member who is paying the superannuation.

This means that the Government is compensating you for paying into your spouse's super!

If your spouse earns more than \$13,800, you can still contribute to their super, but you will not be eligible for the rebate.

### Co-contributions

The Government's superannuation co-contribution, introduced on 1 July 2003, is intended to assist eligible individuals to save for their retirement.

From 1 July 2004 you qualify for a co-contribution if:

- You make personal undeducted superannuation contributions to a complying superannuation scheme;
- You make these superannuation contributions (that will qualify for a co-contribution) directly into your account - salary sacrificed contributions or contributions to your spouse's account do not qualify;
- Your "Total Income" (as determined by the Australian Taxation Office) is less than \$58,000 in the year you are seeking co-contributions;
- 10% or more of your total income is from eligible employment;
- You are less than 71 years of age;
- You are a permanent resident of Australia; and
- You lodge an income tax return.

The co-contribution is a matching contribution, one dollar fifty for every dollar subject to a maximum of \$1,500 a year. This maximum starts reducing once your assessable income exceeds \$28,000 (down to zero once your income reaches \$58,000).

**See the table below for examples.**

Co-contribution examples							
Assessable Income	\$28,000	\$33,000	\$38,000	\$43,000	\$48,000	\$53,000	58,000
Maximum co-contribution amount* (After Tax)	\$1,000	\$833	\$667	\$500	\$333	\$167	\$0
Government co-contribution	\$1,500	\$1,250	\$1,000	\$750	\$500	\$250	\$0

\* Maximum amount that is counted for the Government's co-contribution based on income level.

### Important Notice

The information contained in this factsheet is of a general nature only. It does not take into account a client's particular investment objectives, financial situation or needs. Before making an investment decision, you should seek professional advice. Chifley Financial Services Limited (ABN 75 053 704 706) as an Australian Financial Services Licensee (AFSL 231148) on behalf of the FuturePlus Super (ABN 76 829 356 693) accepts no responsibility for any loss, cost or expense arising from use of the information in this fact sheet. Current as at 1 July 2005.

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