



## Package your super and pay less tax!

To ensure a comfortable lifestyle in retirement, the majority of Australians would be wise to supplement their employer's nine per cent Superannuation Guarantee (SG) contributions.

Salary packaging (also known as salary sacrificing) enables you to boost your super savings while potentially paying less tax.

Salary sacrificing into your super involves you sacrificing an amount from your pre-tax salary to make contributions to your super fund.

### Lower tax on contributions

For most superannuation members the rate of tax on super contributions is much lower than their marginal tax rate. The table below illustrates the difference.

### How much tax can salary packaging save you?

Taxable income + benefits	Marginal tax rate*	Maximum super tax rate**	Net tax saving on contribution
\$0 – \$6,000	0%	15%	Negative
\$6,001 – \$37,000	15%	15%	Nil
\$37,001 – \$80,000	30%	15%	15%
\$80,001 – \$180,000	37%	15%	22%
Over \$180,000	45%	15%	30%

\* Individual tax rates for the 2011/2012 financial year, excluding Medicare levy and the special flood levy for the 2011/2012 financial year only.

\*\* Within the concessional contribution cap limit.

### Low or no tax in retirement

When you convert your super into retirement income (whether it is a lump sum or a pension), you benefit from paying low or no tax. For those aged 55–59, a lump sum from your super is tax-free up to the tax-free threshold.

In contrast, a pension receives a 15 per cent rebate on the taxable component. If you are aged 60 or over, all payments made from a taxed super fund are tax-free.

### Lower tax on earnings

A super fund pays much less tax on investment earnings: up to 15 per cent compared to marginal tax rates, which can be as high as 45 per cent (plus Medicare levy).

Regular additions to your retirement savings in super could accumulate considerably more than investments outside super.

### Other super strategies

Two other strategies that you could consider in conjunction with salary packaging are making a personal (after-tax) contribution to qualify for the Government's Super Co-contribution scheme and contributing to a super fund on behalf of your spouse.

### How to get started

Before you take up salary packaging or any other super strategy, we recommend that you seek professional advice.

You need to be aware that salary sacrifice contributions to your super count towards your concessional contribution limit. For those aged under 50, this is \$25,000 pa per person. For those aged 50 and over, a transitional limit of \$50,000 pa applies until 30 June 2012.

**Important:** The Government has proposed from 1 July 2012, a 'catch up' concessional contribution cap will apply to people age 50 and over who have less than \$500,000 in superannuation (including pension accounts). This proposal was not made law at the time of publishing this document.

## Case study

The table below shows a salary packaging comparison for the 2011/12 financial year of two employees, each earning \$55,000 pa, who wish to make an additional personal (after-tax) super contribution of \$8,500 pa. One person contributes \$8,500 from take-home pay and the other through salary packaging.

	Not packaged \$	Packaged \$
<b>Gross salary</b>	<b>\$55,000</b>	<b>\$55,000</b>
Less pre-tax super contribution (net \$8,500 after 15% tax on contribution)	-	(\$10,000)
<b>Taxable salary</b>	<b>\$55,000</b>	<b>\$45,000</b>
Less income tax*	(\$10,875)	(\$7,725)
Plus low income tax offset	\$500	\$900
<b>Total income tax payable</b>	<b>(\$10,375)</b>	<b>(\$6,825)</b>
Less after-tax super contribution	(\$8,500)	-
<b>Net take home pay</b>	<b>\$36,125</b>	<b>\$38,175</b>
<b>Tax saving</b>	<b>-</b>	<b>\$2,050**</b>

Case study excludes employer SG for simplicity.

\* Includes Medicare levy and excludes the special flood levy for the 2011/12 financial year.

\*\*Tax saving is calculated as (\$10,375 - \$6,825) less \$1,500 contributions tax on \$10,000 pre-tax super contribution.

As shown, the person who salary packages saves \$2,050 in tax and has \$2,050 more in take-home pay.

To find out how you may benefit from salary packaging, contact your relationship manager or our client services team on **1800 333 500**.

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