



Understanding your super

After your home, your super is likely to be your most valuable asset – it's your income for retirement. How much you save during your working life will determine how much you will have in retirement and the things you will be able to do, so the earlier you start understanding your super, the better.

For many years super rules were complex and difficult to understand, but that has now changed; super is simply an investment for your future, and the same principles apply to your super as they do to your non-super investments. One significant difference between the two is that your super is not immediately accessible.

To encourage you to save for your retirement, super is concessionally taxed at up to just 15 per cent, subject to your fund holding a valid tax file number. This compares to a non-super investment which is taxed at your marginal tax rate (which can be as high as 46.5 per cent*). Because of the concessional rate of tax, there are limits on how much you can contribute each year; understanding these limits will help you make the most of every opportunity.

* Including Medicare levy.

Concessional contributions

Concessional contributions are contributions made with your pre-tax money and include the compulsory nine per cent your employer contributes on your behalf, as well as any additional salary sacrifice contributions you choose to make. A single limit of \$25,000 pa per person applies to everyone, including the self-employed.

If you are aged 50 or over, or from the year you turn 50, up until 30 June 2012, there is a transitional limit in place that doubles the contribution limit. This transitional limit allows you to contribute up to \$50,000 pa per person. From 1 July 2012 the Government has announced the introduction of a 'catch up' concessional contribution of \$50,000 for members with superannuation balances less than \$500,000.

It's important to keep track of the level of contributions you make during a financial year; excess contributions are taxed at 46.5 per cent (including the 15 per cent contributions tax) and count towards your non-concessional contribution limit. Excess contributions tax can be paid from the monies in your super account.

Non-concessional contributions

Non-concessional contributions are contributions made with after-tax money. Therefore, because you have already paid your marginal rate of tax, the limit is higher than that for concessional contributions. An annual limit of \$150,000 applies to everyone.

If you are under age 65, you can bring forward two years' worth of contribution limits and contribute up to \$450,000 in one year (or \$900,000 for couples).

Certain payments are excluded from the annual limit:

- proceeds from the sale of small business assets up to a lifetime limit of \$1.155 million
- structured settlements or orders for personal injuries relating to permanent disablement.

Single contributions in excess of the annual limit will not be accepted, unless utilising the bring forward rule.

Withdrawals from super

There are no longer limits on the amount of super you can receive during your lifetime, whether it's a lump sum or a pension. When you turn 60, your super is tax-free.

No compulsory cashing of super

There's also no longer a limit on the length of time you can keep your money in super; you can leave it there indefinitely. Remember though that while super is taxed concessional, it's still taxed at 15 per cent more than a pension. When you convert your super savings into a pension, the earnings become tax-free as well.

Tax file numbers

Tax file numbers (TFNs) are used to monitor excess contributions. If you have not provided your TFN to your super fund, you will incur penalty tax. However, you do have up to four years from the date of contribution to provide your TFN to your super fund to qualify for a refund of that penalty tax.

Please note that you can't apply to have the tax refunded once you have left Spectrum Super. It's important therefore, that you supply your TFN before taking your super out of Spectrum Super.

If you have any questions or wish to find out more about your super, please call Spectrum Super Customer Service on **1800 333 500**.

Spectrum Super is issued by IOOF Investment Management Limited (IIML)

ABN 53 006 695 021 AFSL 230524 as Trustee of the IOOF Portfolio Service Superannuation Fund ABN 70 815 369 818.



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