PACKAGE YOUR SUPER AND PAY LESS TAX!

Apt.
WEALTH PARTNERS

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Superannuation is your savings for your retirement. While the Government will be gradually increasing the super guarantee payments made by your employer on your behalf from 9.5 per cent to 12 per cent by 2025, these contributions alone may not be sufficient to support your retirement lifestyle. There are, however, strategies that can help you boost your super savings.

Salary sacrificing not only helps to boost your superannuation savings but reduces the amount of tax you pay as well.

Lower tax on contributions and earnings

To encourage Australians to save more for their retirement, superannuation enjoys a concessional rate of tax. Contributions to, and earnings within, super are taxed at up to just 15 per cent[1]. For most Australians, this rate is much lower that the marginal rate of tax that applies to investments outside super as illustrated in the table opposite.

The salary packaging comparison box overleaf illustrates the overall tax saving that can be achieved on contributions alone by implementing a salary packaging strategy.

By making regular salary sacrifice contributions to super you'll only pay the concessional rate of tax on the amount that goes into super and your taxable income will be reduced by the amount you sacrifice. So, you'll not only increase your retirement savings, but you will pay less in tax as well.

Are there any restrictions on a salary sacrificing strategy?

As a result of the generous tax concessions that apply to super contributions, there are limits on the level of contributions you can make. Concessional contributions (those contributions only attracting 15 per cent tax) include your employer's superannuation guarantee contributions as well as any salary sacrifice contributions you choose to make, and are limited to $30,000 per person per year for those aged less than 50. The concessional contribution cap is $35,000 for those aged 50 or over.

For low income earners with an adjusted taxable income of up to $37,000 you may be eligible for the low income superannuation contribution (LISC) from the Government. The LISC refunds the 15 per cent contributions tax you pay on your SG contributions and is paid on any salary sacrifice contributions you make.

How much tax can salary packaging save you?

Taxable income + benefits	Marginal tax rate[2]	Super tax rate[1]	Net tax saving on contribution
$0 to $18,200	0%	15%	Negative
$18,201 to $37,000	21%	15%	6%
$37,001 to $80,000	34.5%	15%	19.5%
$80,001 to $180,000	39%	15%	24%
$180,001 to $300,000	47%[3]	15%	32%
$300,000 and above	47%[3]	30%	17%

Low or no tax once retired

When you convert your super into a retirement income (either as a lump sum or pension) you benefit from paying low or no tax. If you are 60 or over, all payments made from a taxed super fund will be tax-free.

Other super strategies

Two other strategies that you could consider in conjunction with salary sacrificing are the Government super co-contribution and contributing to a super fund for your spouse.

How to get started

Before you take up salary sacrificing or any other superannuation strategy, seek professional advice; a financial adviser can help to develop a super strategy that suits your situation.

1. A contributions tax of up to 30 per cent applies for individuals with income over $300,000 per annum.
2. Individual tax rates for the 2016/17 financial year including Medicare levy.
3. Includes Medicare levy.

Ask your Apt Wealth Partners financial planner for more information.