Clever ways to grow your super

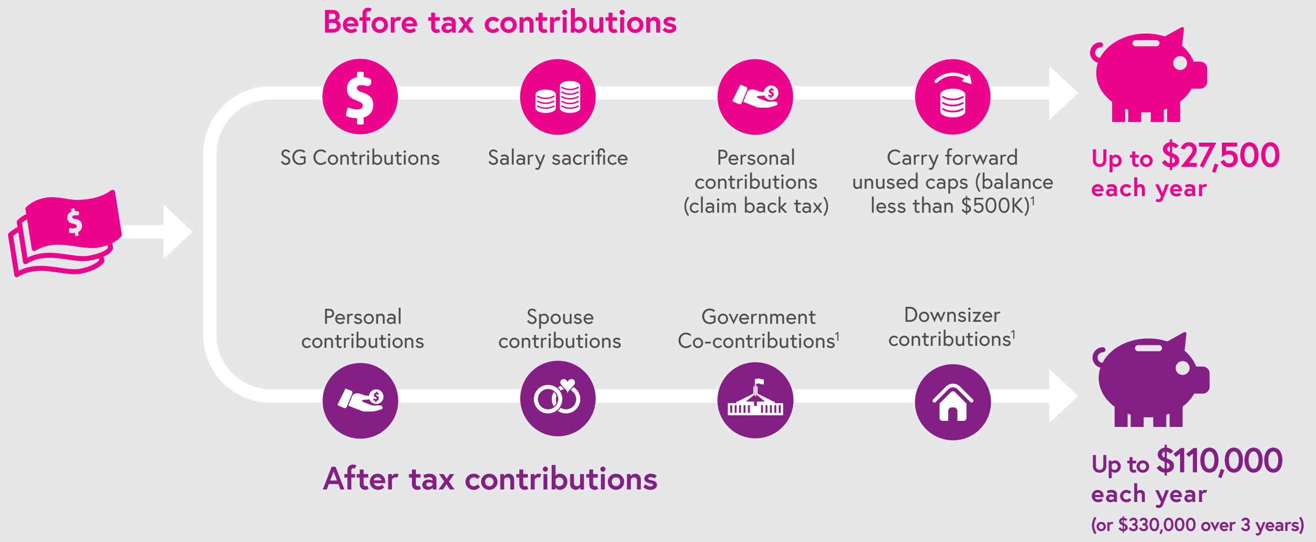
Every bit counts when it comes to saving for retirement

Your employer's compulsory Super Guarantee contributions may not be enough for the retirement you want. Luckily, there are plenty of ways to add to your super.

Before you start adding extra into your super it's a good idea to think about your broader financial goals and how much you can afford to put away, considering you won't be able to access the money until you retire. For example, if you're looking to buy a house soon, adding extra to your super may not be the right option for you just at the moment.

That said, consolidating and adding even small amounts to your super can make a big difference to how much you'll have when you retire. The sooner you start the easier it is to save what you need for the lifestyle you want.

Different ways to add to your super



[1] Not part of the annual limits.

The numbers – why you save more through super

The Keating government set up compulsory superannuation in 1992. Super has successfully given Australians more to live on when they retire without being fully reliant on the age pension.

Super saves you tax

Super's main advantage is you only pay around 15% tax on your pre-tax contributions and all your investment earnings. Money invested outside super is taxed at your marginal tax rate (up to 47% inc Medicare levy) – depending on your income.

This example shows how super saves you tax when compared to investing outside super (almost 30% over 22 years) and increases your savings.

Why you save more through super

Sam, age 45, is self-employed and takes a salary of $71,000 p.a. Sam decides to contribute the equivalent of SG to super each year. The example below compares what would happen if Sam chose to invest the same amount outside.

	Inside super	Outside super	Difference (Inside – Outside)
Salary	$71,000	$71,000	$0
SG amount invested (10%)[1]	$7,100	$7,100	$0
Tax rate (inc medicare levy)[2]	15%	34.5%	-19.5%
Less tax on amount invested	$1,065	$2,450	-$1,385
Net investment amount	$6,035	$4,650	$1,385
Investment return[3]	Aware Super MySuper	Aware Super MySuper	
Total after 22 years[4] (in todays dollars[5] and rounded to $1,000)	**$216,000**	**$167,000**	**-$49,000**

1 Based on SG of 10% for 2021/22 and then each financial year by 0.5% until it reaches 12% on 1 July 2025.
2 Based on 2021/22 income tax rates.
3 Investment returns are based on the Aware Supre MySuper Life Cycle option, assumed to be CPI + 4% until age 55, reducing from CPI + 4% to CPI + 3% between the ages 55-65 (inclusive) and CPI + 3% from age 65 onwards. CPI is assumed to be 2.5% p.a.
4 Based on someone age 45 and planning to retire at age 67.
5 Amounts stated in today's dollars, deflated using AWOTE of 3% p.a.

This example is for illustrative purposes only and is not intended to provide a forecast or guarantee on outcome.

Choose what's best for you

Before-tax contributions

Also referred to as 'concessional' contributions, before-tax contributions come from your pay BEFORE income tax has been calculated and deducted.

Your annual before-tax limit of $27,500 includes the compulsory Super Guarantee (SG) contributions from your employer and any salary sacrifice amounts you pay. You may also be able to claim back tax for some or all personal contributions you make up to the $27,500 annual limit.

You can also carry forward any unused before-tax limits for five years starting from July 2018, if your super balance is less than $500,000 at the start of the financial year.

After-tax contributions

Also referred to as 'non-concessional' contributions, you can make regular and one-off after-tax contributions from your net pay (ie after income tax has been deducted). And from any bonuses, inheritances or windfalls you receive.

You can also add up to $330,000 in one go if your balance is less than $1.48 million and you're under age 67, but you won't be able to make any more after-tax contributions for three years.

If you're on a lower income, making an after-tax contribution may also qualify you for the Government co-contribution.

Here's a table to help you compare and choose your best option.

	Before-tax contributions	After-tax contributions
Type of contributions	• Super Guarantee (SG) • Salary sacrifice You can also carry forward unused caps and may be able to claim a tax deduction on Personal contributions.	• Personal contributions • Spouse contributions • Government co-contributions • Downsizer contributions
How you contribute	Through your employer (Most employers offer salary sacrifice, but you can still make personal contributions and then claim back tax)	Using the App, by direct debit, electronic funds transfer (EFT), BPAY®, Raiz or by cheque directly into your account.
How much you can contribute (also known as 'contribution caps')	Up to $27,500 each year **Carry forward rule**: If your super balance is less than $500,000 as at the end of 30 June of the previous financial year, you can use any previously unused cap amounts since July 2018 for up to five years.	Depending on the total value of your super and income streams you can contribute • $110,000 each year, or • $330,000 in any 3-year period if you were 66 or younger at the start of the financial year. (Downsizer contributions don't count as part of the contributions cap.)
Are there any limits when making these contributions?	**Under age 18:** You must be employed or run a business. **Age 18 – 67:** Anyone can contribute. **Age 67 – 74:** You'll need to meet the work test or work test exemption. **Age 75 and over:** Limited to mandated SG.	**Under age 67:** No restrictions. **Age 67 – 74:** You must meet the work test or work test exemption. The total value of your super and income streams must be less than $1.7 million at the start of the financial year for you to be able to contribute.
What happens if you contribute more than the limit (the cap)?	The excess will be taxed at your marginal tax rate less a 15% offset. You can apply to have 85% of the excess contributions returned from the ATO.	You will be liable for a penalty and generally have the option of removing the excess.
How much tax do you pay on your contributions?	**15%** Generally, if your income plus your before-tax super contributions are more than $250,000, you'll need to pay an extra 15% tax on the contributions that take your income over $250,000. Additional tax at 32% will also be deducted if you do not provide your TFN.	**No tax**

Adding BEFORE you pay tax

Generally, if you work for a company or organisation, the law says your employer must pay 10% of your income into your super account. This payment is called the super guarantee (SG).

Salary sacrifice

Salary sacrificing means putting some of your income directly into your super before your employer calculates and deducts tax. This will increase your super, reduce your take-home pay and reduce your PAYG tax.

How it works

The money salary sacrificed into your super is generally taxed at 15% rather than at your marginal tax rate, which is usually higher than 15% (up to 47% inc Medicare levy). It also means you're contributing regular amounts - helping your super grow faster. All you need to do is tell your payroll office and complete the *Contributions by payroll deduction (salary sacrifice)* (FSS010) form available at **aware.com.au/forms**

Getting started

Decide if salary sacrificing will give you the best outcome. For example, salary sacrifice contributions don't count towards a government co-contribution, so including some after-tax contributions might give you a better result.

Then check if your employer offers salary sacrificing and ask them to explain the impact salary sacrificing will have on your overall salary package.

Claim back tax for personal contributions

If you make personal contributions, you may be able to claim back some of the tax you've already paid. Remember, there's a $27,500 annual limit for all before-tax contributions, including any personal contributions for which you claim a tax deduction.

To claim you'll need to send us a completed *Notice of intent to claim or vary a deduction for personal super contributions* (ATO form NAT 71121) form. The form is available at **aware.com.au/forms** or call us and we'll send you a copy.

We'll then send you the paperwork you need for your tax return. And we'll tax the personal contribution at 15% as we do with other concessional (before-tax) contributions, so you can claim a tax deduction from the ATO for the contribution amount.

Carry forward unused cap amounts

The carry forward rule means you can use any rolled over unused cap amounts for up to five years, if:

- your total super balance is less than $500,000 on 30 June of the previous financial year, and
- you have contributed less than the concessional cap in any year since 1 July 2018.

If you're aged

67-74

you must meet the

work test or work test exemption

to contribute

Work test – you need to have worked at least 40 hours in any consecutive 30-days during the financial year before the contributions are made.

Work test exemption – you need to have met the work test in the previous financial year and had a total super balance of <$300,000 on 30 June in the previous financial year, and not used this exemption previously.

Comparing before and after tax contributions

Pat is 35, has an annual income of $65,000 before tax and has surplus funds of $2,080 per year. Pat would like to add this $2,080 surplus to super during the 2021/2022 financial year and on. But should Pat pay this before or after tax?

This example shows that by including his tax savings into salary sacrifice, Pat has an additional **$665** in their end position.

FY 2021/22	With no additional contributions	Personal contribution (after tax)	With salary sacrifice (before tax)
Gross salary	$65,000	$65,000	$65,000
Less salary sacrifice contribution	$0	$0	$3,172
Taxable income	$65,000	$65,000	$61,828
Less income tax and Medicare levy	$11,787	$11,787	$10,645
Less after-tax contribution	$0	$2,080	$0
Net salary	$53,213	$51,133	$51,182
Net super contribution	$0	$2,080	$2,696
End position (salary plus super)	**$53,213**	**$53,213**	**$53,878**
Difference		***$0***	***$665***

When Pat retires, he could add around **$164,000** to his super with salary sacrifice, compared to over $127,000 with after tax contributions.

Assumptions:

- Income tax calculation based on 2021/22 rates
- Based on someone age 35 and planning to retire at age 67
- Personal and salary sacrifice contributions remain unchanged in real terms over the next 32 years
- Amounts stated in today's dollars, deflated using AWOTE of 3% p.a.
- Investment returns are based on the Aware Supre MySuper Life Cycle option, assumed to be CPI + 4% until age 55, reducing from CPI + 4% to CPI + 3% between the ages 55-65 (inclusive) and CPI + 3% from age 65 onwards. CPI is assumed to be 2.5% p.a.

Adding AFTER you pay tax

Personal contributions

Personal contributions are amounts you put into super from your after-tax pay. They can also be from things you've already paid tax on or don't need to pay tax on. So we won't deduct 15% tax as is normal for contributions paid by your employer (unless you claim a tax deduction on those contributions).

You can make once-off or regular contributions directly into your super account using the App, direct debit, electronic funds transfer (EFT), BPAY®, Raiz or by sending a cheque.

Spouse contributions

You can contribute to a spouse's super by making a personal after-tax contribution or by splitting your before-tax salary sacrifice contributions.

Personal spouse contributions

You can make a personal contribution to your spouse's super account with after-tax money and may get a tax offset of up to $540 if your spouse's income is $37,000 or less.

You can make contributions by BPAY®, EFT, direct debit or by cheque. Ask their super fund how they accept contributions.

Splitting super contributions

You can direct up to the lesser of 85% of your total concessional (before-tax) contributions for the previous (and in some cases, current financial year) or your concessional contributions cap for that year into a spouse's super fund if:

- your spouse is under 65, and
- your spouse hasn't reached their preservation age and permanently retired.

Government co-contribution

You may be eligible if you're aged 70 or under at the end of the financial year, earn $56,112 or less, and make a personal contribution into your super. For every $1 you contribute the government may co-contribute $0.50 to your super, up to a maximum of $500. Generally, they'll pay $500 if you've contributed at least $1,000 and you earn $41,112 or less. The maximum co-contribution amount reduces the closer you get to the $56,112 limit (for 2021/22).

To be eligible you need to:

- earn $56,112 or less (including any assessable income, adjusted fringe benefits and reportable super contributions).
- have less than $1.7 million in all your super accounts on 30 June of the previous financial year
- receive at least 10% of your income from an employer or self-employment, and
- be classified as a permanent resident (i.e. not have been a temporary resident during the financial year).

All you need to do is complete your tax return. The ATO will work out if you're eligible and automatically pay the co-contribution into your super account.

Downsizer contributions

If you sell your primary residence, you may be able to contribute up to $300,000 into your super from the sale. If you have a partner, you can both make downsizer contributions. Together, you could contribute up to $600,000, as long as the sale value of the home isn't less than your total downsizer contributions. These don't count towards your after-tax contribution cap.

Super rules allow you to contribute $110,000 to your super each year AFTER you've paid tax on it.

This includes any cash, bonuses, inheritances or windfalls you receive. You may also be eligible to add up to $330,000 in one go, but you won't be able to make any more after-tax contributions for three years.

To be eligible:

- you must be 65 or older when you make the downsizer contribution
- you must use the proceeds of selling your home for these contributions
- you must not have already made a downsizer contribution to your super by selling another home
- you or your partner must have owned the home for 10 years or more
- your home must be in Australia and can't be a caravan, houseboat or other mobile home
- the capital gain or loss must be fully or partially exempt from capital gains tax (CGT) under the main residence exemption, and
- you must make your downsizer contribution within 90 days of receiving the proceeds of sale (usually the date of settlement).

We're here to help

Contact us

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6:15am to 6:15pm (AWST)
5:15am to 5:15pm (AWDT)
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