Fact sheet

Grow your super using salary sacrifice

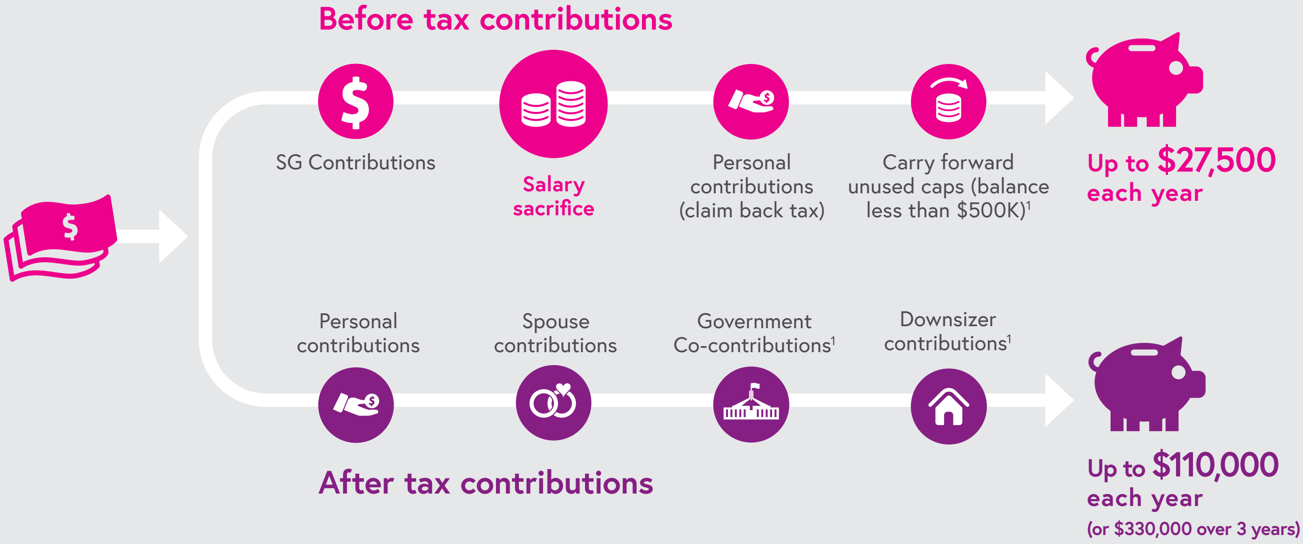
Every bit counts when it comes to saving for retirement

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 super.

	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**

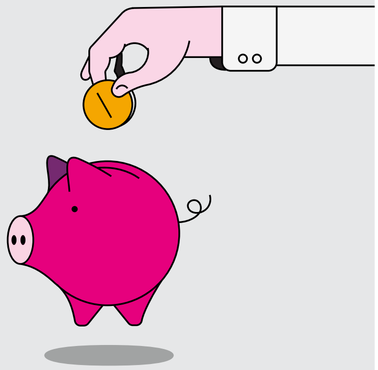
1. Based on SG of 10% for 2021/22 and then increase each financial year by 0.5% until it reaches 12% on 1 July 2025.
2. Based on 2021/22 income tax rates.
3. Investment returns are based on the Aware Super MySuper Life Cycle option, assumed to be CPI + 4% until age 55, reducing from CPI + 4% to CPI + 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.

Adding to super – 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 to super during the 2021/2022 financial year and beyond. Pat wants to know if they should add this amount as a before-tax or after-tax contribution.

This example shows that by making before-tax salary sacrifice contributions Pat has an extra **$665** due to tax savings (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, they could add around

$164,000

to their super with salary sacrifice, compared to just 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 Super 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 to your super using salary sacrifice

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 is in addition to your employer's SG contribution.) 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 more 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.

Making salary sacrifice contributions

Salary sacrifice

This is where your employer agrees to direct part of your before-tax income into extra superannuation contributions.

Step 1	Check if your employer offers salary sacrificing and ask them what they require for the agreement to take effect. Your Payroll or HR department should be able to help you with this. **If your employer doesn't offer salary sacrificing** you may be able to claim the tax back when you make personal after-tax contributions. For more information on how to do this read *Claim back tax for personal contributions.*
Step 2	Complete the one-page *Contributions by payroll deduction (salary sacrifice)* form (FSS010). This is available at **aware.com.au/forms**, or call us and we'll send you a copy.
Step 3	Provide your completed form to your Payroll Manager and they should do the rest.

Claim back tax for personal contributions

If you make personal contributions from your after-tax money you may be able to claim back some of the tax you've already paid when you complete your tax return.

To claim back, you need to follow the steps below. Remember to complete this before any transfer or withdrawal of benefit.

Step 1	Complete a *Notice of intent to claim or vary a deduction for personal super contributions* (FSS013). You can download the form at **aware.com.au/forms** or give us a call and we'll send you a copy.
Step 2	Make sure you provide your completed form to us before you lodge your tax return for that year and before the end of the financial year following the year you made the contribution.
Step 3	Send your completed form to us: • by email to **enquiries@aware.com.au**, • by post to Aware Super, PO Box 1229, Wollongong NSW 2500
Step 4	Once we receive your form we'll adjust the tax on your personal contributions.
Step 5	We'll send you a letter confirming we've adjusted your tax. You can then claim a full tax deduction from the ATO.

We're here to help

Contact us

Phone: 1300 650 873
8.30am to 6pm (AEST/AEDT)
8.30am to 5pm (AWST)
Monday to Friday
Int'l: +61 3 9131 6373
Email: enquiries@aware.com.au

Get advice

Phone: 1800 620 305
8.15am to 8.15pm (AEST/AEDT)
6:15am to 6:15pm (AWST)
5:15am to 5:15pm (AWDT)
Monday to Friday
Book: aware.com.au/advice
Email: clientservicecentre@aware.com.au

Visit us

Come and see us at one of our local offices around Australia for help with your super account, including setting up your account online.
aware.com.au/locations

QG2.3 Grow Super Sal Sac 10/21