



## How salary sacrificing into super could work for you

An effective way of building your super savings (and potentially reducing your taxable income) is through salary sacrificing – that is, asking your employer to put some of your before-tax income directly into your super fund. The amount you salary sacrifice is on top of the Super Guarantee (SG) contributions your employer must pay which increased to 10% on 1 July 2021.

### Why should I consider salary sacrificing into super?

#### Build your super faster

Making extra payments into your super can help build your super savings more quickly. What's more, the longer you have your money invested, the more you will enjoy the benefits of compound interest. For your super account, this means the investment return is generated on the returns you've already earned.

#### Pay less income tax

If you choose to reduce your before tax income by salary sacrificing into super, you may be able to reduce what you pay in income tax for the financial year. You only pay 15% tax on contributions made through a salary sacrifice arrangement if you earn under \$250,000 a year or 30% if you earn over \$250,000 a year. This tax is likely to be less than your marginal tax rate, which you can find on the Australian Taxation Office (ATO) website.

#### How much should I contribute?

Every year, you can make up to \$27,500 of concessional contributions to your super without incurring extra tax. Some people can contribute more if they are eligible for 'Carry-forward unused concessional contributions'.

It's important to note that other contributions count toward your concessional contributions and can include SG contributions made by your employer and contributions you make using after tax dollars and where you claim a tax deduction.

To work out the right amount for you:

- Check to see how much super your employer pays.
- Work out your day-to-day expenses now to decide how much you reasonably put aside for retirement (even if it's only a small amount – every bit counts).

Make sure that the total of your concessional contributions don't go over your concessional contributions cap, or you could end up paying extra tax.

### How Kevin saved on tax

Kevin earns \$1,100 a week (\$57,200 a year) before tax. He decides to salary sacrifice \$40 a week. This means his income tax will be calculated on the \$1,060/week he now receives (\$55,120 a year).

If Kevin didn't salary sacrifice, the estimated tax on his salary of \$57,200 would be \$8,979. After salary sacrificing, he only has to pay \$8,230 in tax. The money he put into super is only taxed at 15%, rather than Kevin's marginal rate, which is 32.5%.

### How Janine stayed on budget and under the contributions cap

Janine earns a salary of \$120,000. Her employer pays an SG of 10% of her salary, which is \$12,000 a year. Janine can make up to \$15,500 worth of concessional contributions into her super through salary sacrifice without going over the concessional contribution cap of \$27,500.

Janine works out that she can afford to sacrifice \$80 a week of her before-tax salary – that's \$4,160 a year. In total, she'll make \$16,160 in concessional contributions, which keeps her under the \$27,500 cap.

Over 10 years, at this rate Janine would have boosted her super by an extra \$41,600.

### How do I set up salary sacrifice?

It's always a good idea to speak to your financial adviser and see if a salary sacrifice arrangement is right for you.

Things to consider if you decide to salary sacrifice into super:

- Check your employer offers salary sacrifice.
- Decide how much you'd like to sacrifice into super.
- Notify your employer and get the agreement in writing
- Make sure you don't exceed the concessional contributions cap

### What else you should know

Before you salary sacrifice, it's important to remember that super is a long term investment and you can't access this money until you reach age 65, or meet another condition of release (such as financial hardship). If your employer doesn't offer salary sacrifice, there are other ways you can contribute into super and your financial adviser can assist with pointing you in the right direction.

Source: Colonial First State

If you need a hand with your superannuation, or have questions around whether salary sacrificing might be a good option for your situation, give Shaun and Vicky a call on **4927 4588 (Rockhampton)** or **4939 1766 (Yeppoon)**.



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