

# Absolutelysuper

February 2011

An article from your super fund

## Fatten up Your Super in 2011

While the most common New Year's resolution is to lose weight and improve fitness, saving more money is up there as a close second. The most popular resolution involves improving health to gain personal satisfaction; the second involves losing immediate discretionary spending to gain longer term financial security. As you set your sights on what you hope to achieve in the new year, keep in mind that superannuation was set up to provide a tax efficient vehicle to grow your retirement savings.

Albert Einstein once described compound interest as the eighth wonder of the world and one of the most powerful forces in the financial universe. Essentially compound interest refers to interest earned on interest. So an annual return of 8% on \$100 brings the capital up to \$108 in the first year, \$116.64 in the second year and \$125.97 in the third year. Imagine the effect over 30 years as the interest on the interest grows into a substantial gain!

The term "salary sacrifice" refers to extra super contributions made by an employee out of his/her pre-taxed salary (called "concessional contributions" because a tax concession is received). These extra contributions, if within the cap, are taxed at 15% rather than at the employee's marginal tax rate. So an employee on a tax rate of 38.5% will save 23.5% in tax on every dollar contributed to super up to the cap which is \$25,000 annually for those under 50 and \$50,000 for those over 50. These caps include the 9% employer contribution and are set to change on 1 July, 2012. The price paid for these tax "concessions" is that the funds are locked away until a condition of release is satisfied such as reaching the required age (preservation age) and/or retirement from the workforce. The combination of extra contributions via salary sacrifice plus the tax savings magnifies the benefit of compound interest in time. Obviously, the earlier the contribution, the better for the magic of compounding.

The second method of adding extra contributions to your super account comes through after-tax or "non-concessional" contributions. This method of payment refers to money out of your pocket and attracts no contribution tax. There is a cap of \$150,000 per annum for these contributions with a proviso that an "averaging" procedure can be used up to age 65. This means that an extra two years' contributions can also be made bringing up the total to \$450,000 for three years. This type of contribution often comes about as a result of the sale of property or in the case of an inheritance benefit being received. Unlike money in the bank, lump sum deposits in your super account do not require your reporting investment earnings to the ATO

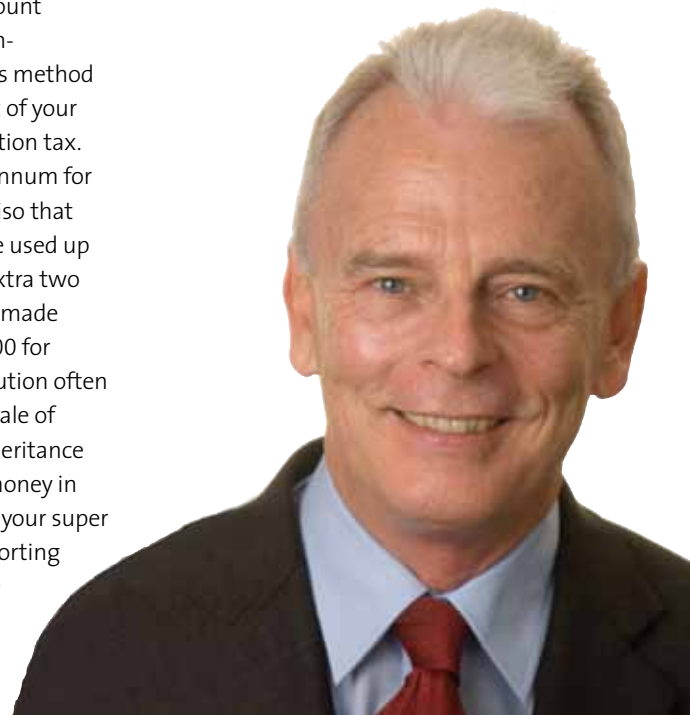
because the fund pays a flat 15% on all earnings. Again, this is a concessional rate when compared to a marginal tax rate of 31.5% or 38.5%.

So the phrase, "Let your money work for you" takes on a new light when considered in relation to the benefits of compound interest. Money accumulated during your working life will be working hard for you in retirement and the amount saved now will determine your general level of prosperity after you stop work.

The second most popular New Year's resolution, if accomplished, could result in an enhanced life style in retirement as the interest on interest provides an income stream to replace your salary.



**Bernard O'Connor**  
NGS Super



## How to contact us

Visit our website [www.ngssuper.com.au](http://www.ngssuper.com.au), or contact our Customer Service Team or your local relationship manager at any time. We're here to help you.

NGS Super Customer Service Team

**Telephone:** 1300 133 177

Phone number for callers outside Australia  
+61 3 8687 1818

**Fax:** (03) 8640 0813

**Email:** [administration@ngssuper.com.au](mailto:administration@ngssuper.com.au)

**Web:** [www.ngssuper.com.au](http://www.ngssuper.com.au)

Postal address

**GPO Box 4303**

**Melbourne VIC 3001**

### NGS Super Trustee Office (NSW)

**Jorjet Issavi**

Relationship Manager

**Email:** [jissavi@ngssuper.com.au](mailto:jissavi@ngssuper.com.au)

**Dee Duke**

Relationship Manager

**Email:** [dduke@ngssuper.com.au](mailto:dduke@ngssuper.com.au)

**Level 16, 99 Bathurst Street  
Sydney NSW 2000**

**Telephone:** (02) 9273 7900

### South Australian Regional Office

**Elaine Santos Facchino**

Relationship Manager

**Email:** [efacchino@ngssuper.com.au](mailto:efacchino@ngssuper.com.au)

**John Pedersen**

Relationship Manager

**Email:** [jpetersen@ngssuper.com.au](mailto:jpetersen@ngssuper.com.au)

**Level 1, 431–439 King William Street  
Adelaide SA 5000**

**Telephone:** (08) 8418 2400

### Western Australian Regional Office

**Kate Bell**

Business Development Manager

**Email:** [kbell@ngssuper.com.au](mailto:kbell@ngssuper.com.au)

**C/- Sharyn Long Chartered Accountants (SLCA)**

**Level 6, 216 St Georges Terrace**

**Perth WA 6000**

**Mobile:** 0488 188 344

### Victorian Regional Office

**Laurie Buchanan**

Relationship Manager

**Email:** [lbuchanan@ngssuper.com.au](mailto:lbuchanan@ngssuper.com.au)

**Level 5, 737 Burwood Road**

**Hawthorn VIC 3122**

**Telephone:** (03) 9811 0502

### Important information

The information in this article is general information only and does not take into account your objectives, financial situation or needs. Before making a financial decision, please assess the appropriateness of the information to your individual circumstances and consider seeking independent advice from a licensed or appropriately authorised financial advisor.