Incorporating qiecsuper division

This document forms part of the Product Disclosure Statement dated 1 April 2020

SALARY SACRIFICE AND SAVE

Save a little now, benefit a whole lot later.

FACT SHEET 2

1 JULY 2020

The minimum employer contribution set out in the Superannuation Guarantee (SG) legislation is currently 9.5%[1] of your salary[2]. For many Australians, this is the only amount being saved for their future retirement.

Planning to rely on the Age Pension?

The Age Pension provides a safety net for a basic standard of living. It may not be enough to provide you with the kind of lifestyle you want when you stop working. What's more, the Age Pension eligibility age will be dependent on your birth date as reflected in the below table.

Age Pension age for those born after 30 June 1952	
New Pension age	**Affects people born**
65.5	From 1 July 1952 to 31 Dec 1953
66	From 1 Jan 1954 to 30 June 1955
66.5	From 1 July 1955 to 31 Dec 1956
67	From 1 Jan 1957 onwards

Make sure you have the financial support and comfortable lifestyle you want in retirement — consider topping up your super with extra contributions to boost your super savings.

Salary sacrifice is just one of a number of ways to get started.

A Transfer Balance Cap (currently $1.6 million) will be applied on the amount of super you can transfer into the retirement phase[3] once you choose to retire. This applies as a total across all your super accounts and not per fund. This cap will be indexed each year.

Whilst it is important to be aware of this transfer balance cap, there continues to be no limit on the amount you can hold in your *NGS Accumulation account* that is concessionally taxed at 15%, regardless of your age.

For more information, you can read our fact sheet ***Fees, costs and tax*** available at **ngssuper.com.au/PDS**

[1] The SG is proposed to increase in subsequent years until the rate reaches 12% by July 2025. For more information, refer to our fact sheet ***Opportunities and limits for super contributions*** on our website at **ngssuper.com.au/PDS**

[2] Ordinary time earnings – More information is available from the Australian Taxation Office (ATO) website, **ato.gov.au**

[3] Retirement phase is where a superannuation income stream or pension is paid, and the earnings are tax free. Please note, Transition to Retirement income streams are not in the retirement phase.

Topping up your super

Salary sacrifice can be a tax-effective way to save for retirement. Putting a regular amount from your pay into your super is a great way to grow your super.

If you make a contribution to your super using salary sacrifice, it will only be taxed at the concessional contribution tax rate of 15%[4] when received by us. In contrast, you could pay as high as 47% tax on your take-home pay.

Salary sacrifice contributions will count towards your income when assessing your eligibility for certain Government benefits, including the Government co-contribution. More information is available from the ATO website **ato.gov.au**

Before we go into how salary sacrifice contributions work, let's take a quick look at the difference between before-tax and after-tax contributions.

Non-concessional (after-tax) contributions

After-tax contributions are made from money from which you've already paid tax. They might come from your after-tax pay or from other income you've earned or savings elsewhere. These contributions aren't taxed again if you put them into super, only their investment earnings will be taxed.

The annual limit on after-tax contributions is:

- $100,000 p.a. provided your Total Super Balance[5] is less than $1.6m, or
- $300,000 over a three-year period using the bring-forward rule if you are under age 65 (for one day during the year you trigger this rule) and eligible, or
- Nil where your Total Super Balance[5] as at 30 June the previous financial year is greater than $1.6m.

The bring-forward rule explained

If you were aged 64 or less on 30 June 2020, you can take advantage of the bring-forward rule and contribute up to $300,000 over 3 years provided that:

- your Total Super Balance[5] as at 30 June the previous financial year is not greater than $1.4 million; and
- you can satisfy the work test (being gainfully employed for 40 hours in 30 consecutive days during the financial year) for any contributions made on or after your 65th birthday.

A further constraint on the bring-forward rule is that if your Total Super Balance[5] is close to $1.6 million, you will only be able to bring-forward the annual cap amount for the number of years that would take your balance to reach $1.6 million. Please see our fact sheet ***Opportunities and limits for super contributions*** for more details.

See table below for further clarification.

Super balance at previous 30 June	Contribution and bring-forward amount available
Less than $1.4m	3 years (3 x $100,000 = $300,000)
$1.4m – less than $1.5m	2 years (2 x $100,000 = $200,000)
$1.5m – less than $1.6m	1 year (1 x $100,000 = $100,000)
$1.6m or more	Nil

How the bring-forward rule works

The bring-forward rule is triggered if you make an after-tax contribution of $100,001 or greater in the financial year.

For example, based on a person aged 60 with less than $1.3m in super

- you might choose to contribute $250,000 in one year then $50,000 in the next, however in the third year you wouldn't be able to make any after-tax contributions at all as you will exceed the $300,000 limit.
- Alternatively, you might choose to make $300,000 in after-tax contributions in one year and in the following two years no further after-tax contributions would be allowed.

If you are interested in making a large contribution and would like to discuss the timing that would meet your requirements, we have representatives who can provide you with general advice and explain the options available.

The work test and work test exemption

If you have reached age 67 but are under age 75, you are required to work at least 40 hours in 30 consecutive days in the financial year to be eligible to make concessional or non-concessional contributions.

However, if your Total Super Balance at the previous 30 June is less than $300,000, you will be exempt from this work test for 12 months from the end of the financial year in which you last met the work test. This exemption applies once only.

During the financial year in which the work test exemption applies, if eligible you may be able to contribute additional contributions by taking advantage of any unused concessional contributions using the carry forward rule.

Concessional (before-tax) contributions

Super contributions made from your pay before income tax is deducted are referred to as before-tax or concessional contributions. Importantly, concessional contributions are counted in the financial year that your super fund receives them – so you need to take that into account when considering making additional contributions.

The following table provides a summary.

Type of contribution	Tax rate	Details
Before-tax (concessional)		
These include: ▪ employer contributions; ▪ salary sacrifice contributions; ▪ any personal contributions for which you claim a tax deduction. Your age and you meeting the work test (explained on page 2), may impact your ability to make concessional contributions. See our fact sheet ***Opportunities and limits for super contributions*** for more details.	▪ 15% if you earn less than $250,000 or ▪ 30% if you earn more than $250,000[4].	You can contribute up to $25,000 p.a. to your super from your before-tax income. In addition, you may also be able to contribute any unused concessional contributions if eligible (see **Carry-forward** note below).
	Excess contributions (above your cap) All excess contributions will include an interest charge and will be: ▪ included as taxable income, and ▪ taxed at your personal tax rate less a 15% tax offset.	If you exceed the limit, you can choose: ▪ to withdraw up to 85% of your excess contributions from your account or ▪ leave it in your super account and it will count towards your after-tax contributions cap.

Carry forward any unused concessional contributions cap

You can carry forward any unused amount of your concessional contributions cap on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

The first financial year in which you could carry forward an unused concessional contributions cap from the previous financial year was 2019/20.

You will only be able to carry forward your unused concessional contributions cap if your Total Superannuation Balance[5] at 30 June of the previous financial year was less than $500,000.

Example: Sally's employer contributions in 2018/19 were $10,000; in 2019/20 they were $12,000 and her Total Superannuation Balance at 30 June in the previous years was under $500,000. However, her Total Superannuation Balance on 30 June 2020 was above $500,000, therefore, she is not able to take advantage of the carry-forward rule in 2020/21. The table below provides further details on how this works.

Description	FY 2018/19	FY 2019/20	FY 2020/21
Superannuation balance at 30 June of the prior financial year	**Under** $500,000 at 30/6/2018	**Under** $500,000 at 30/6/2019	**Over** $500,000 at 30/6/2020
Eligible to carry forward an unused concessional cap amount from the previous financial year?	**No[6]**	**Yes**	**No**
General annual contributions cap	$25,000	$25,000	$25,000
+ Sally's unused concessional cap amount carried forward from the **previous** financial year, if eligible	$0	$15,000[6]	$0[7]
= Sally's concessional cap amount for the financial year: (a)	**$25,000**	**$40,000**	**$25,000**
– Concessional contributions made in financial year: (b)	$10,000	$12,000	$14,000
= Sally's total unused concessional cap at the end of the financial year (that can be carried forward if eligible): (a) – (b) + any unused concessional cap from the previous financial year that could not be carried forward.	**$15,000**	**$28,000**	$11,000 +$28,000 **= $39,000**

If Sally's total super balance at 30 June 2021 is once again below $500,000, she will be able to use her unused available cap accrued amount of $39,000, which is her accrued unused cap amount for the previous eligible years.

[4] For individuals with a combined income exceeding $250,000, a portion of your concessional contributions will be taxed at the rate of 30%. This high income tax threshold will be assessed by the ATO as part of your annual tax return. Combined income refers to the sum of your taxable income plus concessional contributions.

[5] Your Total Superannuation Balance is the total value across all your super funds determined as at 30 June each year. You can view your Total Superannuation Balance through your linked ATO account at **my.gov.au**

[6] The first year of eligibility to carry forward an unused concessional cap amount from the previous financial year was in 2019/20.

[7] Sally is not eligible to carry forward her $28,000 unused concessional cap to the 2020/21 financial year as her Total Superannuation Balance was over $500,000 at 30/6/20.

What else?

Whether you're considering before-tax or after-tax contributions, remember that:

- contributions and investment earnings must be preserved[8]
- you may need to pay tax if a benefit is paid to you when you are under age 60.

Contribution rules when aged 75+

If you are 75 or over, we can accept superannuation guarantee contributions from your employer only; by law we are unable to accept any voluntary contributions from you with the exception of a Downsizer contribution[9].

Thinking of making extra contributions?

If you are thinking about making extra contributions and want advice on which contribution type you should make (before-tax or after-tax), consider obtaining professional advice to understand how this works for your personal situation.

We offer single-issue advice limited to your NGS Super account at no cost:

- over the phone through our Financial Advice Helpline, or
- through our Customer Relationship Managers who may be able to meet face-to-face.

Alternatively, try the *Moneysmart Superannuation Contribution Optimiser* calculator to see what type of contributions you should make – salary sacrifice or after-tax (or a combination of both) **moneysmart.gov.au**

It is important to check that your employer 9.5% super guarantee contribution will not be impacted by any salary sacrifice. For most employers it does not — but it's best to check first.

Alternatively, you may claim a tax deduction for personal contributions (subject to the concessional contribution limit and your eligibility to contribute). You will need to notify us of your intent to claim a tax deduction on the personal contribution prior to any withdrawal from your super account and prior to lodging your tax return. You can do this by completing a ***Notice of intent to claim or vary a deduction for personal super contributions form*** available at **ngssuper.com.au/forms**

Are you saving for your first home?

You can now make contributions to your super account that, if eligible, may be able to be released to purchase your first home. For more details, please see our Information sheet ***First home super saver scheme*** at **ngssuper.com.au/PDS**

[8] Preserved refers to money in your super savings that must be kept in a superannuation fund until a condition of release occurs, for example if you retire after attaining your preservation age or turn 65. Further details can be found in our fact sheet ***Gaining access to your super*** at **ngssuper.com.au/PDS**

[9] A Downsizer contribution is a contribution to super from the sale of your home if you are over age 65 and meet the eligibility requirements. Existing contribution caps and restrictions do not apply to a downsizer contribution. Further information can be found in our Information sheet ***Downsizer Contribution*** available at **ngssuper.com.au/PDS**

How do before-tax and after-tax contributions compare?

To get an understanding of the difference between after-tax contributions and before-tax contributions (illustrated for the 2020/21 financial year)[10], let's take a look at the examples of Dave and Debbie.

Example 1

Dave makes additional contributions

Dave is 53 years of age and has a salary of $70,000 per year (before any deductions, including tax). He has decided that he would like to boost his retirement savings by making some additional contribution to his superannuation. He knows that he can afford to contribute approximately $11,500 from his after-tax income but would like to know whether he should contribute this money to his super from before-tax or after-tax income.

Dave's taxation situation would be as follows, depending whether he makes after-tax or before-tax contributions:

	After-tax contribution	Before-tax contribution
Gross salary	$70,000	$70,000
Less salary sacrifice contribution	–	$18,350 *(before tax)*
New taxable income	$70,000	$51,650
Less income tax and Medicare Levy	$14,617[10]	$8,061[10]
Net income	$55,383	$43,589
Less after-tax super contribution	$11,794	–
Net income	$43,589	$43,589

In this situation, Dave could:

- contribute $11,794 after tax, or
- contribute $18,350 before tax (which would result in a net contribution of $15,597 after applying the 15% contributions tax).

The net income for both scenarios is the same — $43,589. However, Dave's before-tax contribution provides him with a more favourable outcome as:

- his income tax is reduced from $14,617 to $8,061, and
- he also saves $3,803[11] extra in his super.

Does Dave get a co-contribution?

Dave's salary sacrifice contributions are included in his assessable income for the co-contribution income test, which means his income is well over the co-contribution earning limit. Regardless of whether Dave made an after-tax contribution, he would not qualify for a co-contribution.

Low income superannuation tax offset (LISTO)

LISTO provides support for low-income earners to ensure they do not pay more tax on their super contributions than on their take-home pay. You will be eligible for a LISTO contribution to your super fund if your adjusted taxable income is $37,000 or less. The LISTO contribution is equal to 15% of the total before-tax (concessional) contribution for an income year, capped at $500.

[10] Based on current marginal tax rates, 2% Medicare Levy , Low Income Tax Offset and Low and Middle Income Tax Offset, but without consideration being made for any other tax rebates or offsets that you may be eligible for or any other taxable income you may receive, which could affect your eligibility for any Government co-contribution benefit.

[11] No investment earning assumptions have been made in the above calculations.

Example 2

Debbie makes additional contributions; she's also eligible for a Government co-contribution

Debbie is 37 and has a salary of $35,000 per year (before any deductions, including tax) and wants to top up her superannuation by making a contribution of $2,000. She's unsure whether to make this contribution to her super from her before-tax or after-tax salary.

Scenario 1 – all after-tax contributions

Debbie contributes $2,000 from her after-tax income and is also eligible for approximately $500 in a Government co-contribution. By making an after-tax contribution, Debbie's contribution to super is $2,500.

After-tax contribution	
Gross salary income	$35,000
Less income tax and Medicare Levy	$3,192
Net disposable income	$31,808
Less after-tax super contribution	$2,000
Net income	$29,808

Scenario 2 – combination of before-tax and after-tax contributions

Alternatively, if Debbie makes an after-tax contribution of $1,000 and a before-tax contribution of $1,266 ($1,076 after applying the 15% contributions tax) she would receive the same net income as she does if she makes only an after-tax contribution. In addition, Debbie will receive the benefit of a Government co-contribution of $500.

Salary sacrifice (before-tax) and after-tax contributions	
Gross salary income	$35,000
Less salary sacrifice contribution	$1,266 (before tax)
New taxable income	$33,734
Less income tax and Medicare Levy	$2,926
Net disposable income	$30,808
Less after-tax super contribution	$1,000
Net income	$29,808

Let's looks at how these two scenarios differ

In scenario 2, the following occurs:

- Debbie's net income remains the same as scenario 1
- her income tax is reduced from $3,192 to $2,926 (a saving of $266), and
- she will continue to receive the same Government co-contribution benefit of $500.

Debbie's contribution to super also increases:

- $1,076 Salary sacrifice contribution (after contribution tax)
- $1,000 after-tax contribution
- $500 Government co-contribution.

Additionally, as she is eligible for a LISTO payment, she also receives back the contribution tax of $189.90, giving her a total contribution to super of $2,765.90.

More information?

Contact us

You can contact us at **ngssuper.com.au/contact-us** or call us on **1300 133 177** between 8.00am and 8.00pm (AEST or AEDT), Monday to Friday.

Phone number for callers outside Australia **+61 3 8687 1818**

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GPO Box 4303
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If you are thinking about making extra contributions and want advice on which contribution type you should make (before-tax or after-tax), consider obtaining professional advice to understand how this works for your personal situation.

We offer single-issue advice limited to your NGS Super account at no cost:

- over the phone through our Financial Advice Helpline, or
- through our Customer Relationship Managers who may be able to meet face-to-face.

Further, we offer low-cost tailored advice through NGS Financial Planning.

To make an appointment phone us on **1300 133 177** or complete the ***Financial planning enquiry form*** on our website at **ngssuper.com.au/financial-planning**

Important information

You should consider all the information contained in the ***Product Disclosure Statement*** dated 1 April 2020 and incorporated fact sheets before making a decision about investing in NGS Super.

The information provided in this fact sheet 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 professional advice.

NGS Financial Planning Pty Ltd, ABN 89 134 620 518, is a corporate authorised representative #394909 of Guideway Financial Services Pty Ltd, ABN 46 156 498 538, AFSL #420367 and offers financial planning services on behalf of NGS Super ABN 73 549 180 515.

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