The information in this document forms part of the Product Disclosure Statement dated 5 October 2021

SALARY SACRIFICE AND SAVE

Save a little now, benefit a whole lot later

FACT SHEET 2

5 OCTOBER 2021

The minimum employer contribution set out in the super guarantee (SG) legislation is currently 10%[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. The age pension eligibility age is dependent on your date of birth. If you were born:

- **before 1 July 1955**, you've already met the qualifying age for the age pension.
- **between 1 July 1955 and 31 December 1956** (inclusive) your age pension age is 66.5.
- **after 31 December 1956**, the qualifying age will be 67. This will take effect from 1 July 2023.

To find out more about the age pension, see our fact sheet ***Your super and the age pension*** at **ngssuper.com.au/PDS**

Make your own contributions to super

Whilst your employer is required to pay you at least the minimum SG rate, you can choose to save more in your super by making your own contributions into your NGS account. This could bring you closer to achieving the financial support and comfortable lifestyle you want in retirement. Even a small amount now could make a world of difference later and the sooner you start, the greater the end reward.

[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*** at **ngssuper.com.au/PDS**

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

Topping up your super

Salary sacrifice is just one of a number of ways to get started and it can be a tax-effective way to save for retirement.

If you make a contribution to your super using salary sacrifice, it will only be taxed at the concessional contribution tax rate of 15%[3] 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 at **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 limit on after-tax contributions if your total super balance[4] is less than $1.7 million at 30 June 2021 is:

- $110,000 per financial year or
- $330,000 over a 3-year period using the bring-forward rule if you are under age 67 (for one day during the year you trigger this rule) and eligible.

Where your total super balance at 30 June 2021 is $1.7 million or more, you are unable to make non-concessional contributions to your super.

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 make additional contributions by taking advantage of any unused concessional contributions using the carry forward rule.

The bring-forward rule explained

If you were aged 66 or less on 30 June 2021, you can take advantage of the bring-forward rule and contribute up to $330,000 over 3 years provided that:

- your total super balance as at 30 June 2021 is not greater than $1.48 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 67th birthday.

A further constraint on the bring-forward rule is that if your total super balance is close to $1.7 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 $1.7 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 $1.48m	3 years (3 x $110,000 = $330,000)
$1.48m – less than $1.59m	2 years (2 x $110,000 = $220,000)
$1.59m – less than $1.7m	1 year (1 x $110,000 = $110,000)
$1.7m or more	Nil

How the bring-forward rule works

The bring-forward rule is triggered if you make an after-tax contribution of $110,001 or greater in the financial year.

For example, based on a person aged 60 with less than $1.48 million in super you might choose to contribute:

- over a number of years – $250,000 in one year, then $80,000 in the next year, but in the third year you wouldn't be able to make any after-tax contributions at all as you will exceed the $330,000 limit or
- the maximum amount of $330,000 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.

[3] 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.

[4] Your total super balance is generally the total value of your super interests in both accumulation phase and retirement phase at the end of the previous financial year, noting that:
- for accumulation phase, this is generally the withdrawal value at 30 June
- for retirement phase, this is the balance of your personal transfer balance cap which is managed by the ATO.
You can view your total super balance through your Australian Taxation Office (ATO) linked account by logging into your mygov account at **my.gov.au**

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 (not when it is deducted from your pay) – 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 (including SG contributions) • salary sacrifice contributions • any personal contributions for which you claim a tax deduction. Your age and whether or not you meet 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[3]	You can contribute up to $27,500 p.a. to your super. 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 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 5 years. Amounts carried forward that have not been used after 5 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 take advantage of your unused concessional contributions cap if you are eligible to make concessional contributions and your total super balance at 30 June of the previous financial year was less than $500,000.

You can view your unused concessional contributions cap available to carry forward through your Australian Taxation Office (ATO) linked account by logging into your mygov account at **my.gov.au**

Transfer balance cap

A transfer balance cap[5] will be applied on the amount of super you can transfer into the retirement phase[6] once you choose to retire. While 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*** at **ngssuper.com.au/PDS**

[5] All individuals have their own personal transfer balance cap which is managed by the ATO. You can view your transfer balance cap through your Australian Taxation Office (ATO) linked account by logging into your mygov account at **my.gov.au**

[6] Retirement phase is where a super 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.

What else?

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

- contributions and investment earnings must be preserved[7]
- you may need to pay tax if a benefit is paid to you when you are under age 60.

Age restrictions

If you are 75 or over, we can accept super guarantee (SG) contributions from your employer only; by law we are unable to accept any voluntary contributions from you with the exception of a downsizer contribution.[8]

Saving for your first home

You can now make contributions to your super account that, if eligible, may 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**

Low income super tax offset

Low income super tax offset (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.

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

To get an understanding of the difference between after-tax and before-tax contributions, let's take a look at the two examples.

Example 1

Dave is 53 years of age and has a salary of $70,000 per year (before any deductions, including tax). He would like to boost his retirement savings by making some additional contribution to his super. He knows that he can afford to contribute approximately $12,200 from his annual after-tax income but would like to know whether he should contribute this money to his super before tax or after tax.

Scenario 1 — after tax	**Scenario 2 — before tax**
$11,794 after tax	$20,500 before tax

The table below shows Dave's tax situation for both scenarios.

	Scenario 1 After-tax contribution	Scenario 2 Before-tax contribution
Salary (assessable income)	$70,000	$70,000
Less super salary sacrifice	$0	$20,500
Adjusted taxable income	$70,000	$49,500
Less tax on taxable income	$13,217	$6,555
Less Medicare levy	$1,400	$990
Plus low income tax offset (LITO)	$0	$258
Plus low and middle income tax offset (LAMITO)	$1,080	$1,080
Tax payable	$13,537	$6,207
Net salary income	$56,463	$43,293
Less after-tax super contribution	$13,170	$0
Net income	**$43,293**	**$43,293**

The net income for both scenarios is the same — $43,293. However, Dave's before-tax contribution provides him with a more favourable outcome as:

- his income tax is reduced from $13,537 to $6,207 and
- he also saves $4,255[9] extra in his super (as his net contribution is $17,425 after applying the 15% contributions tax).

Dave's salary sacrifice contributions are included in his assessable income for the government 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.

[7] Preserved refers to money in your super savings that must be kept in a super 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**

[8] 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*** at **ngssuper.com.au/PDS**

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

Example 2

Debbie is 37 and has a salary of $40,000 p.a. (before any deductions, including tax) and wants to top up her super by making a contribution of $2,000. She's eligible for a government co-contribution[10] but 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 after tax and
- $0 before tax.

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

Debbie contributes:

- $1,000 after tax and
- $1,227 before tax ($1,043 after applying the 15% contributions tax).

Below is a table showing the tax situation of both scenarios.

	Scenario 1	Scenario 2
Salary (assessable income)	$40,000	$40,000
Less super salary sacrifice	$0	$1,227
Adjusted taxable income	$40,000	$38,773
Less tax on taxable income	$4,142	$3,909
Less Medicare levy	$800	$775
Plus low income tax offset (LITO)	$575	$636
Plus low and middle income tax offset (LAMITO)	$480	$388
Tax payable	$3,887	$3,660
Net disposable income	$36,113	$35,113
Less after-tax super contribution	$2,000	$1,000
Net income	**$34,113**	**$34,113**

Let's looks at how these two scenarios differ

In scenario 2, Debbie's:

- net income remains the same as scenario 1
- government co-contribution benefit of $500 remains the same as scenario 1
- income tax is reduced by approximately 6% i.e. $227 (from $3,887 to $3,660) and
- net benefit to super increases by approximately $43:
  - $1,043 salary sacrifice contribution (after contribution tax)
  - $1,000 after-tax contribution
  - $500 government co-contribution

  giving her a total contribution to super of $2,543

The calculations shown in this fact sheet are 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. For information on the government co-contribution, see our fact sheet ***Let the government top up your super*** at **ngssuper.com.au/PDS**

[10] For more information, see our fact sheet ***Let the government top up your super*** at **ngssuper.com.au/PDS**

Thinking of making extra contributions?

If you don't salary sacrifice through your employer, you may instead 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*** at **ngssuper.com.au/forms**

If you are thinking about making extra contributions try the **Moneysmart Super contribution optimiser** calculator to see what type of contributions you should make — salary sacrifice or after-tax (or a combination of both) — at **moneysmart.gov.au**

More information?

Contact us

You can contact us at **ngssuper.com.au/contact-us** or call us on **1300 133 177** Monday to Friday, 8am–8pm (AEST/AEDT).

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

Fax: **(03) 9245 5827**

Postal address:
GPO Box 4303
MELBOURNE VIC 3001

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 you 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*** at **ngssuper.com.au/advice**

Important information

You should consider all the information contained in the ***Product Disclosure Statement*** dated 5 October 2021 and incorporated fact sheets before making a decision about investing in NGS Super. You can also view our ***Target Market Determinations*** at **ngssuper.com.au/TMD**

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.

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