



PAY LESS TAX!

WITH SALARY SACRIFICE



Salary Sacrifice

Although your employer makes compulsory contributions (9% of salary) to your superannuation, it is generally considered that most people will still not have accumulated enough superannuation by retirement to provide them with a comfortable standard of living.

Just by topping up your super from your before tax salary could make a difference to your superannuation at retirement.

How does Salary Sacrifice work?

This is an arrangement whereby your employer pays part of your salary into your Superannuation fund, rather than actual wages. This lowers your taxable income as more of your salary is being paid into super instead of being taxed as income. The important thing is that the amount you sacrifice comes out of your pay before income tax has been deducted. It is then taxed as a contribution to your super fund but only at a rate of 15%.

Should Jenny Salary Sacrifice?

Jenny is 40 years old and her salary is \$55,000 a year. Jenny is considering making a \$5,000 salary sacrifice into her super.

The example shows that Jenny pays less in income tax and has increased her net income after superannuation (her combined net position) by \$1,025.

How much can you Salary Sacrifice?

Before you make any plans to salary sacrifice you should discuss it with your employer. Also, be aware that contribution caps apply and may affect the amount you choose to salary sacrifice.

Concessional (before-tax) contributions are capped at \$25,000 per member per annum. Any before tax contributions above \$25,000 may be taxed up to the highest marginal tax rate of 45% (excluding Medicare Levy).

For members aged over 50 a transitional amount of \$50,000 of concessional (before-tax) contributions per member per annum is allowed, for a period of five years up to 2012.

Jenny decides to:	Salary sacrifice \$5,000**	Does not salary sacrifice
Salary	\$55,000	\$55,000
9% SG	\$4,950	\$4,950
Salary sacrifice amount	\$5,000	\$0
Total contribution to super	\$9,950	\$4,950
Less contributions tax**	\$1,493	\$743
Net contribution to super	\$8,458	\$4,207
Taxable income	\$50,000	\$55,000
Less personal income tax*^	\$8,600	\$10,375
Net income (take home pay)	\$41,400	\$44,625
Combined net position	\$49,858	\$48,832

* Personal income tax rates based on rates for the 2010/2011 year including Medicare Levy of 15%.

** Contributions tax is payable on salary sacrifice and SG contributions at a rate of 15%.

^ Includes low income tax offset.

FOR MORE INFORMATION

If you are considering Salary Sacrificing into Super please call us on 1800 680 627. Alternatively, it's a good idea to talk to a Financial Planner to best take advantage of this strategy. To discuss this further or to arrange an appointment call Club Plus Financial Planning on 02 9376 9419 or email tracey.mcdonald@clubplussuper.com.au

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