

Salary sacrificing to super – increase your super and save tax



We see creating and looking after your wealth as a lifelong commitment. That's why we offer regular financial advice and guidance throughout the different stages in your life. Together, we can build the financial wealth that lets you enjoy the truly important things in your life.

Increasing your super and saving tax is simple if you know how.

The principle of salary sacrificing to super involves you giving up pre-tax income (before you are entitled to that

income) and contributing the specified amount to superannuation. This reduces your taxable income, reduces your tax payments and increases your superannuation contributions for your retirement. In addition, superannuation

is taxed concessional (in both the accumulation and pension phase).

Is salary sacrificing to super for you?

Salary sacrificing can be a tax-effective way to make superannuation contributions. These contributions are paid before income tax is deducted from your salary.

For tax purposes they are treated like employer contributions. For example, they are subject to 15% contributions tax. These contributions, net of tax, accumulate in your preserved account. They also count toward the concessional contribution cap each year.

Salary sacrificing to super is even more effective for those on higher marginal tax rates.

By salary sacrificing you can not only save tax, but you can also increase your net wealth over a period of time. Be aware though, preservation rules apply. You must generally wait until retirement to access your money.

How salary sacrificing can benefit you

The table below illustrates the effect of salary sacrificing \$5,000 to superannuation on a salary of \$65,000.

| | No salary sacrifice | Salary sacrifice |
|--|---------------------|------------------|
| Annual gross salary | \$65,000 | \$65,000 |
| Salary sacrifice | \$0 | \$5,000 |
| Gross taxable salary | \$65,000 | \$60,000 |
| Less income tax* | \$14,325 | \$12,600 |
| After tax income (take home pay) | \$50,675 | \$47,400 |
| Employer super contributions (9%)** | \$5,850 | \$5,850 |
| Salary sacrifice super contributions | \$0 | \$5,000 |
| Total gross super contributions | \$5,850 | \$10,850 |
| Less 15% super contributions tax | \$878 | \$1,628 |
| Net super contributions | \$4,972 | \$9,222 |
| Net salary package (inc Super) after all taxes are paid. | \$55,647 | \$56,622 |

*2009/10 financial year. Includes 1.5% medicare levy

** Assumes employer continues to pay 9% of pre salary sacrifice contribution

A salary sacrifice amount of \$5,000 will generate an additional tax saving of \$975 per annum.

Note: Advice contained in this flyer is general in nature, and does not consider your particular situation or needs. Please do not act on this advice until its appropriateness has been determined by a qualified adviser.

For more information about salary sacrificing or to arrange a no-cost, no-obligation first consultation, please contact:

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