Growing your super through salary sacrifice

Paying extra into your super could save you tax and help you retire with more

Salary sacrifice is an arrangement you set up through your employer and for many people is a tax-effective way to grow their super.

How does salary sacrificing work?

Making a before-tax contribution to your super is known as 'salary sacrifice'. This is where you choose to give up or 'sacrifice' part of your before-tax salary and add it directly to your super account.

Doing this will not only grow your super balance, but could also reduce your taxable income, and therefore the total taxes you pay.

Also keep in mind that a salary sacrifice arrangement only relates to future salary, not past earnings. For example, you can salary sacrifice a pay bonus only if you entered into an agreement before you became entitled to your bonus.

Is salary sacrificing into your super right for you?

Making before-tax contributions to super will generally mean you pay less tax if you are a middle-to-high income earner. This is because the tax you pay on your super is less than the tax you pay on your income from salary.

If this describes you, then salary sacrificing into your super could reduce the income tax you pay and give your super savings a boost*.

* You should consider your debt levels before adding to your super.

Not as effective for low-income earners
If you earn below $37,000 there may be limited advantage in a salary sacrifice arrangement because the tax rate on your salary is only a few percentage points more than the tax on your super contributions.

A Government co-contribution could be a more effective way to boost your super.

To be eligible for a Government co-contribution, you need to add to your super after tax and earn less than $51,813. The co-contribution itself is not taxable either when it goes into your super, or when you withdraw your super.

Further eligibility criteria apply. For more information visit **australiansuper.com/CoContribution**

Know your tax limits

The Government limits the amounts you can contribute to super. If you go over the limits, you may pay extra tax.

Tax you pay on before-tax contributions up to the limit

Your income	Limit on super before you pay extra tax	Tax payable
Less than $250,000 per year	$25,000 a year	15%
More than $250,000 per year	$25,000 a year	30%

Tax for high-income earners
If you're a high-income earner with an adjusted taxable income of more than $250,000 a year, the tax on your before-tax contributions is 30%.

If your income is less than $250,000 a year, but by including your before-tax contributions the total is more than $250,000, the 30% tax rate will apply to the part of your before-tax contributions that are over $250,000.

For example, if your income is $230,000 and your before-tax contributions are $25,000, you only pay the 30% tax rate on $5,000.

Here's how salary sacrificing can save you tax

Reduce your taxable income

With some of your salary going into super, you'll lower your taxable income and that could save you from paying higher rates of tax.

Pay a lower tax rate on contributions

You also pay just 15% tax on your contribution into your super provided your adjusted taxable income is below $250,000.

Getting started

Speak with your employer about setting up a salary sacrifice arrangement. Then log in to your account at **australiansuper.com** and complete an online application.

Find the best way to add to your super

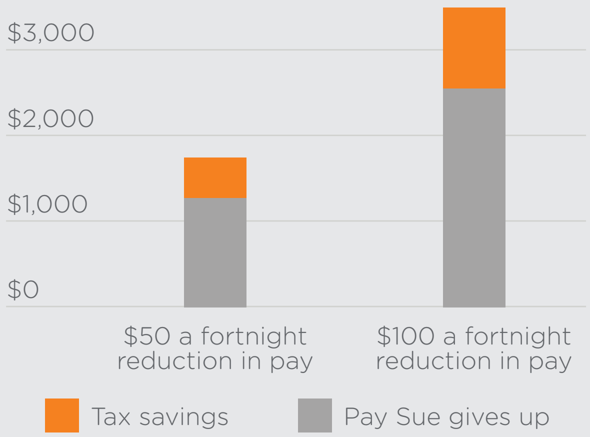
Use our Contributions Adviser calculator at: **australiansuper.com/calculators**

Case study

How Sue grows her super making salary sacrifice contributions

45-year-old Sue earns $110,000 a year. She won't get theGovernment co-contribution, but by giving up $50 a fortnight (as an $82 salary sacrifice contribution), she saves $510 tax and adds an extra $1,810 into super a year.

And by giving up $100 a fortnight (as a $164 salary sacrifice contribution), Sue saves $1,020 tax and adds an extra $3,620 more into super a year.



This case study is provided for illustration purposes only and is not a representation of the actual benefits received or fees and costs that may be incurred. Key assumptions: Contributions tax 15%, SG 9.5%, individual tax rate 37% (plus the Medicare levy). Results have been rounded to the nearest $10.

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