

## **SALARY SACRIFICE FOR RETIREMENT SCHEME MEMBERS**

### **WHAT IS SALARY SACRIFICE?**

Salary sacrifice is when you contribute to your superannuation account from your pre-tax salary. This means that the money is deducted from your salary before any income tax is deducted, thereby reducing the amount of salary that you are paying income tax on, but also potentially reducing the amount that you are paid as your normal 'take home' pay. It is important to note that when you salary sacrifice into super, these contributions are taxed at 15% (except if you earn over \$250,000 then some or all of your concessional contributions will be taxed at 30%).

When salary is sacrificed into super, the contributions are preserved in the fund and you cannot access them until you satisfy a condition of release. There are certain advantages and disadvantages to salary sacrificing into superannuation. If you think that this is an option that you would like to pursue, we would advise that you consider your own circumstances and consider consulting one of our financial planners to see if this option is right for you.

### **How can you make salary sacrifice contributions?**

Salary sacrifice contributions can only be made on your behalf by your employer as a deduction from your pre-tax salary. You will first need to find out if your employer offers employees the option of making salary sacrifice contributions as this is not a mandatory requirement.

If your employer does offer employees the option of making salary sacrifice payments and you would like to contribute this way, you will need to arrange this with your employer.

### **What are your contribution options with salary sacrifice?**

As a member of the Retirement Scheme, you may elect to contribute between 1% and 9% of your salary which is referred to as a 'Defined contribution'. This contribution is used to accumulate benefit points on your account which count towards your final benefit. For a more comprehensive explanation, please refer to the PDS available at [activesuper.com.au/PDS](https://activesuper.com.au/PDS).

You also have the option of making salary sacrifice contributions over and above the maximum 9% into your Other Contributions Account which are referred to as 'Optional top up contributions'.

### **How much can you salary sacrifice?**

Because salary sacrifice contributions come from your pre-tax income, they are classed as concessional contributions and therefore are restricted by the concessional contributions cap. Concessional contributions comprise all taxable contributions paid into your account and including any amounts paid by your employer.

The standard concessional cap is \$27,500 per annum and applies to all members.

Contributions within the cap are taxed at 15%, except if your annual income exceeds \$250,000, when some or all of your concessional contributions may be taxed at 30%.

From 1 July 2018, if your total superannuation balance is less than \$500,000, and you have not used your full concessional contributions cap, you may be able to access your unused concessional contributions caps on a rolling five year basis. Unused carry forward amounts will expire after five years.

### **What are some implications of salary sacrificing?**

Salary sacrifice can be a tax effective way for low and middle income earners to contribute to super. For members who earn over \$18,200 (where the income tax rate exceeds 15%), there may be a tax saving by salary sacrificing into your super.

However, while there may be a reduction in the overall amount of tax that you pay to maintain the same net amount contributed, you may need to increase the amount that is salary sacrificed.

For example; if you previously contributed \$100 from your post-tax salary and now contribute this same amount under a salary sacrifice arrangement, your net contribution will be \$85 after the deduction of tax ( $\$100 - (\$100 \times 15\%) = \$85$ ) instead of \$100. To contribute a net amount of \$100 as a salary sacrifice amount, you would therefore need to contribute \$117.65.

Another thing to consider is the impact this may have on your take home pay. Depending on your pre-tax salary and how much you want to contribute, this may result in a reduction in your post-tax amount.

Before making a decision to salary sacrifice into super, you need to consider how it will affect your current financial situation.

## NEED FURTHER INFORMATION?

If you would like further information please call Member Services on 1300 547 873 between 8.30am and 5.00pm, Monday to Friday.