Keeping in Touch
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# Get smart - get the retirement you want

Saving for a stylish retirement doesn't have to mean missing out now. With a bit of clever planning, you can maintain your current lifestyle while still maximising what you put away for the future.
Using super to your advantage is the key to a comfortable retirement.

While people generally put a lot of thought into their shares, picking the highest paying savings account, and maintaining and improving an investment property, it's a pity many people don't pay the same attention to their super.

## Getting the most out of your super

One of the main advantages of super is its tax treatment. For starters, up to a certain cap (and provided you quote your TFN to your fund), any pre-tax money you contribute into super (including compulsory employer contributions) is only taxed 15% instead of your marginal tax rate.

For people on the highest tax rate this means they are effectively able to invest 34% (incl Medicare Levy) more into super than if they had invested 'after tax' money into some other form of investment.

If you wait until after age 60 to withdraw money from super either as a lump sum or income stream, you won't pay another cent in tax on this money.
On top of this, any income generated on this money will generally also be taxed at 15%, rather than your marginal tax rate.

With all these benefits it follows that the more you put into super, the more you're likely to benefit.
That's why extra salary contributions to super is such a smart savings strategy. It is as simple as having your employer divert part of your gross income into super rather than giving it to you in the hand.

But it's important to know the caps to help you maximise your super savings each year, and stop you from paying unnecessary tax.

For those under age 50, this cap is $30,000. For those over 50 it is $35,000. If you exceed this cap, penalties may apply.

## Don't wait until the last minute

The new maximum after-tax contribution cap is now $180,000 per annum.

If you are under 65 at 1 July in the year of contribution, this can be averaged over three years by making a contribution of up to $540,000.

If you exceed the cap, the excess will be hit with the maximum tax rate of 49%.

This means it's necessary to start contributing sooner to build sufficient super assets, rather than leaving it to the last minute.

## Clever top-ups

There are some clever ways to consistently top-up super over time without having to limit your lifestyle.

For example, when you get a pay rise you could consider contributing some or all of the extra money into super via salary sacrifice.

You wouldn't even notice the difference in your pay packet.

While making extra contributions to your super will save you tax, if you earn under $49,488 an after-tax contribution could mean you are eligible for a government co-contribution.

## Transition to retirement

If you are between preservation age and 65 and eligible to 'transition to retirement', one popular strategy is to continue working your current hours, salary sacrifice a proportion of your money into super and draw an income from an non-commutable income stream. This could have many benefits.

The money you salary sacrifice into super up to the relevant age based cap and any future earnings would generally be taxed at 15% instead of your marginal tax rate.

Additionally those between preservation age and 59 would be able to access the 15% pension rebate while those aged 60 and over would be able to receive tax-free pension income.

These are just a few of many super strategies designed to help you maximise retirement savings without sacrificing your lifestyle. A financial adviser can help you make sure you have all your bases covered and suggest strategies to ensure you're getting smart your super potential.

To find out more, please contact us for an appointment.

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