KeepinginTouch
your monthly update
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Make your super contributions count

Having an understanding of the different types of super contributions will help you to take advantage of some tax-effective 'top-up' strategies that can increase your retirement savings.

There are two main categories of super contributions:

- Concessional contributions, which are made from your pre-tax income and include compulsory employer contributions, salary sacrifice contributions and contributions for which you intend to claim a tax deduction (if you are self-employed)
- Non-concessional contributions, which are those made from your after-tax income, either for you or on behalf of your spouse.

The main difference between the two is that they are taxed differently, so it is important that you consider each type before looking to 'top-up' your super.

You should speak to a financial adviser if you need more clarification around the two categories of super contributions.

The benefits of salary sacrifice

Using salary sacrifice to contribute to super, as additional concessional contributions, is one of the easiest and most tax-effective ways to save for your retirement.

It really is very easy.

You simply need to tell your employer to pay an additional amount into your super fund before any income tax is deducted, on top of what they are required to contribute as part of your superannuation guarantee.

This means that, rather paying income tax on the amount that you salary sacrifice, your contribution into super is taxed at a maximum of 15%.

So depending on your tax bracket, this could prove to be a considerable saving – and in some cases, if it reduces your gross income so that you move down a tax bracket, it can potentially save you even more.

It's certainly worth thinking about.

Two 'after-tax' strategies

The main benefit of adding to your super using your after-tax income is that you may save some tax on investment earnings, as compared to investing the same amount in a managed fund or direct shares outside super.

However, there are a couple of Government incentive schemes that also make it worthwhile to use your after-tax income to give your super a boost.

The first is the **co-contribution scheme**, where for every dollar that you contribute from your after-tax income, the Government will put half that amount again, up to a maximum of $500.

Not everyone is eligible, and there are a number of income and work tests that will determine what you may be entitled to, but this is an excellent incentive that only takes one contribution to super to benefit from.

Another scheme involves a **tax offset** (or tax deduction) if you make an after-tax contribution into your spouse's super fund.

As an example, if you contribute $3000 each financial year, you will receive the maximum tax offset of $540, which you can then use to offset against your own assessable income.

Don't wait until 30 June

While there are advantages to using these and other contribution strategies for super, the Government does have limits on how much you can contribute each financial year, as concessional and non-concessional contributions.

These contribution limits were increased in 2014 so now, more than ever, is the time to act.

Don't wait until the end of the financial year to 'top up' your super.

We can help you to decide on an appropriate contribution strategy that you can use throughout the year to help build up your retirement savings.

To find out more, please contact our office to make an appointment.

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Financial Services Partners Pty Ltd
Level 23, 242 Pitt Street, Sydney, NSW 2000, Australia
ABN 15 089 512 587 AFSL 237590
T 1800 006 216 W www.fspadvice.com.au

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