MERCER
MAKE TOMORROW, TODAY

GROW YOUR SUPER

Boost your super with salary sacrifice

Salary sacrificing is a simple and effective way of boosting your super and saving for retirement. And it comes with excellent tax advantages.

All you need to do is ask your employer to redirect some of your pre-tax pay and put it in to your super account. Even the smallest amount today can make a big difference to your tomorrow.

Tax effective

Putting some of your before-tax salary into super is an effective way of growing your retirement savings because the 'sacrificed' amount goes directly into super and is generally taxed at a rate of only 15% instead of being at your marginal rate.

If you earn between $80,000 and $180,000 a year, you pay up to 39% income tax. So if you contribute before tax money to super you pay a much lower tax rate on that amount. Salary sacrificing makes sense if your normal income-tax rate is higher than 15%.

You do not have to declare the investment earnings on your super in your personal income tax return each year. Instead, your super fund reports the earnings and deducts a maximum of 15%. This generally compares favourably to the tax that would apply to investment earnings outside of super.

How much can you salary sacrifice?

There are limits on how much you can contribute to your super on a concessional basis.

The concessional contributions cap for 2017/18 is $25,000 for all ages.

Excess concessional contributions are included in your assessable income and taxed at your marginal tax rate, though you'll get a tax offset to balance 15% contributions tax.

You can elect to withdraw up to 85% of any excess concessional contributions from your super.

It's always a good idea to get advice

There are a lot of things to consider when making a decision about salary sacrificing into super and in some cases it may not be the most appropriate strategy for you.

If you have any questions, or would like to speak to a Mercer financial adviser, call us on **1800 682 525**.

And for more information visit, **mercersuper.com/salary-sacrifice**

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How to set it up

Speak to your payroll or HR department to set up a salary sacrifice arrangement today. You'll need to tell them how much you want taken out each pay cycle, in either 'percentage' or 'amount'.

How much is enough?

It depends on your personal situation and how much you can afford to give up. But even the smallest amount can make a difference.

Here's an example of what it could look like for someone earning $100,000:

Set aside from your weekly take-home pay	Tell your employer to take out pre-tax	Income tax savings for retirement*	Bonus super at retirement*#
$50	$82 (4.3%)	$20,488	$127,869
$100	**$164 (8.5%)**	**$40,976**	**$255,738**
$150	$246 (12.8%)	$61,464	$383,607
$200	$328 (17%)	$81,952	$511,476
$250	$410 (21.3%)	$102,440	$639,345

Keep in mind that you generally won't be able access any money you salary sacrifice into super until you retire – it is essentially "locked away" or "preserved" until retirement.

#Assuming a marginal tax rate of 39% on your personal income. Every pay packet assumes you will be paid on a monthly basis.

* Returns based on an assumed rate of 6.6%pa paid in arrears. Actual dollar values used, with no adjustment for the effect of inflation. The amounts shown in the above case study are not predictions of actual outcomes as returns are likely to vary over time. The projected outcomes apply the following assumptions about returns over 20 years. Differences in returns (which may be positive or negative), and fees will alter the outcome. The case study is based on the following assumptions: contribution rate of $164 per week, investment return of 6.6% per annum. Starting age 45 and retirement age 65. This example also assumes concessional contribution caps have not been exceeded. Current at 1 June 2015. The example shown may not apply to your own situation, so we recommend that you consider your options carefully and seek financial advice about salary sacrifice. Salary sacrifice arrangements are subject to employer approval.

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