

Your Contribution Basics



The industry fund for the people who care

healthsuper 



Your future is worth saving for now.

Health Super is an industry fund for workers in Health and Community Services.

As a member of Health Super, our goal is to provide you with peace of mind knowing that we're working hard to help you make the most of your retirement savings.

And because Health Super is an industry fund, you can also be assured that your best interests is our top priority.

Health Super's products and services are designed to offer you value, through low fees and good service. Most of all, we're here to assist you to prepare for the retirement lifestyle you desire.



Here's what you need to know:

- Contributing to your super, even just a little bit, can really boost your savings.
- You can make regular or one-off additional contributions into your super.
- You could receive tax benefits when you make contributions to your super.
- There are maximum limits that apply to before and after-tax super contributions.
- If you make an after-tax super contribution and meet the eligibility criteria, you could receive a Co-Contribution from the Government.

Super should be an integral part of your financial plan. Now more than ever, it's a tax effective method of wealth creation in retirement. Super benefits paid after age 60 are generally no longer taxed – for most that means a tax free retirement.

Even though you may not actively contribute to your super, other than through compulsory employer contributions (Superannuation Guarantee (or SG)), or regularly monitor its progress, it's still important that you take control of your super. Remember, your super can be a significant nest egg for your retirement.

If you can spare the money, contributing regularly to your super can really boost your savings over time and what's more, you could also be eligible for some great tax benefits.

Here are two easy ways you can top up your super.

1. Salary sacrifice (also known as before-tax contributions)

Salary sacrifice is an arrangement between you and your employer that enables you to transfer part of your before-tax income into your super account to take advantage of potential tax benefits.

Salary sacrifice payments are paid before tax is deducted from your salary, whereas member contributions or personal contributions are paid from your salary after tax has been deducted. Salary sacrifice contributions are therefore treated like employer contributions and a tax rate of 15% is applied (provided the fund has your tax file number).

This is the key to salary sacrifice. You divert part of your salary to super and only incur the 15% super contribution tax as opposed to the alternative of paying marginal tax rates on the amount you sacrifice. That means you are investing money into super with your before-tax money.

How much can I sacrifice?

Check out the table on the next page to consider various scenarios and the impact salary sacrificing can have on your take-home pay, your super and tax.

See how much you could save in tax if you took advantage of the low 15% concessional tax rate on super contributions by choosing to salary sacrifice.



Salary sacrifice is an arrangement between you and your employer that enables you to transfer part of your before-tax income into your super account.

Example of salary sacrifice and the impact on your fortnightly pay

Please note this is a guide only and applies only if your salary is between \$37,001 and \$80,000 p.a. and your marginal tax rate is 31.5% (including Medicare levy).

Column 1 Select the amount of reduction in fortnightly take-home (after-tax) pay you can afford.	Column 2 Find out the equivalent salary sacrifice amount. This is your fortnightly (before-tax) salary sacrifice amount that you will have to provide to your Payroll/HR Officer.
How much reduction in my fortnightly take-home (i.e. after-tax) pay can I afford?	What's the equivalent before-tax amount?
\$10	\$15
\$20	\$29
\$30	\$44
\$40	\$58
\$50	\$73
\$60	\$88
\$70	\$102
\$80	\$117
\$90	\$131
\$100	\$146
\$120	\$175
\$140	\$204
\$160	\$234
\$180	\$263
\$200	\$292

Please note: if the reduction in fortnightly take-home pay causes you to drop tax thresholds, the tax saving may be different. In addition, this guide does not take into account any offsets available to a super fund which may reduce the tax rate applied to members. It also does not take into account other taxes (e.g. taxes that may be payable when you withdraw your super or extra taxes on contributions which exceed maximum limits) which may reduce the amount shown under column 5.

<p>Column 3</p> <p>Find out the amount you'll have in super after 15% tax has been applied.</p>	<p>Column 4</p> <p>Find out the amount that you will have salary sacrificed into your super in one year.</p>	<p>Column 5</p> <p>Find out how much tax you could have saved in one year. This column shows the tax you could save in one year by salary sacrificing compared to being taxed at your marginal tax rate.</p>
<p>How much will I have in super after the low 15% tax rate is applied?</p>	<p>How much will I have salary sacrificed in one year?</p>	<p>How much tax have I saved in one year?</p>
\$12	\$323	\$63
\$25	\$645	\$125
\$37	\$968	\$188
\$50	\$1,291	\$251
\$62	\$1,613	\$313
\$74	\$1,936	\$376
\$87	\$2,258	\$438
\$99	\$2,581	\$501
\$112	\$2,904	\$564
\$124	\$3,226	\$626
\$149	\$3,872	\$752
\$174	\$4,517	\$877
\$199	\$5,162	\$1,002
\$223	\$5,807	\$1,127
\$248	\$6,453	\$1,253

An example of how salary sacrifice can work

Let's look at Jane, who decides to salary sacrifice \$10,000 from her \$65,000 annual salary.

	Example with salary sacrifice	Example without salary sacrifice
GROSS SALARY	\$65,000	\$65,000
Less salary sacrifice into super	\$10,000	\$0
Taxable salary	\$55,000	\$65,000
Income tax (including the Medicare levy)	\$10,875	\$14,025
Super contribution	\$10,000 (less 15% tax of \$1,500)	
TOTAL TAX PAID (contributions tax & income tax)	\$12,375	\$14,025
Net salary	\$44,125	\$50,975

In summary, Jane will:

- Reduce her total tax bill by \$1,650 (\$14,025 – \$12,375)
- Increase her contribution to super by \$8,500 (\$10,000 – contributions tax)

Note: the \$8,500 net super contribution is a preserved benefit which can only be accessed once a condition of release has been met. From 1 July 2009, salary sacrifice super contributions will be counted when determining whether you are entitled to various Centrelink benefits.

Contributions tax of \$1500 is based upon the assumption that we have your tax file number. This example does not take into account any other taxes (eg. taxes that may be payable when you withdraw your super or extra taxes on contributions which exceed maximum limits). Nor does it take into account your personal circumstances, so it may therefore be beneficial for you to obtain taxation or other professional advice. Contact Centrelink for information about the impact of salary sacrifice contributions on Centrelink benefits.

You should speak to your employer to determine whether you're able set up a salary sacrifice arrangement.

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Limits on before-tax contributions

Super contributions, including Superannuation Guarantee (SG), salary sacrifice and personal deductible contributions for persons under 50 are capped at \$25,000 per financial year. The limit will be indexed in future years.

The limit on contributions for those aged 50 or over is \$50,000 as at 1 July 2010 and is available until 30 June 2012.

Any contributions over these limits will be taxed at the highest marginal tax rate plus the Medicare levy.



2. After-tax contributions

Making an after-tax contribution to your super allows you to choose whether you want to contribute a little or a lot each pay period. By contributing small amounts regularly, your super could add up over time and potentially make a big difference to your retirement savings.

Or you can just make a once-off contribution into your super – maybe you have received a bonus or an inheritance.

Every contribution you make can really boost your savings and by starting sooner, the effects of compounding earnings can benefit your account balance over the long-term.

To project your income in retirement and show the effect that extra contributions could have on your super, use the online calculators available at healthsuper.com.au

If you're interested in this option to boost your super, you will need to provide us with your Tax File Number (TFN). If you're unsure whether we have your TFN recorded, please call us on 1800 331 719 or check your member benefit statement.



Limits on after-tax contributions

After-tax contributions in excess of \$150,000 each year will be taxed at 46.5%. If you're under age 65, you can still 'roll up' three year's worth of contributions into a single year (that is, a total contribution of \$450,000 per three year period).

Please refer to our website at healthsuper.com.au for more information about this limit.



Important Note

Your super benefit, including contributions you make and any investment earnings, generally can't be accessed until you reach your preservation (retirement) age.

If you make an after-tax contribution

We've got some good news about your super that we think you should know. You could be eligible to receive a Co-Contribution from the Federal Government of up to \$1,000.

If your 'total income' is less than \$31,920, the Government will match every dollar you contribute, up to a maximum of \$1,000. The Co-Contribution reduces for incomes over this threshold and ceases for total incomes of \$61,920 and above.

Are you eligible?

You are eligible to receive the Government Co-Contribution, if you meet the following criteria:

1. 10% or more of your total income (accessible income and reportable fringe benefits) is from eligible employment, for example, as an employee running a business or both;
2. Your total income is less than \$61,920, including reportable fringe benefits, assessable income and reportable superannuation contributions;
3. You are a permanent resident of Australia and under 71 years of age;
4. You make an after tax contribution to your super account; and
5. You lodge your income tax return for the financial year in which you made your contribution.

Review the table to the right to see an illustration of how much you could receive. Please note, the following thresholds apply in the 2011/2012 financial year and are subject to indexation for future years. Visit ato.gov.au for up to date information.

If you contribute this to your super				
2011-2012	\$1,000	\$800	\$500	\$200
and your total income is	the Government Co-Contribution you will receive is			
\$31,920 or less	\$1,000	\$800	\$500	\$200
\$33,920	\$933	\$800	\$500	\$200
\$35,920	\$867	\$800	\$500	\$200
\$37,920	\$800	\$800	\$500	\$200
\$39,920	\$733	\$733	\$500	\$200
\$41,920	\$667	\$667	\$500	\$200
\$43,920	\$600	\$600	\$500	\$200
\$45,920	\$533	\$533	\$500	\$200
\$47,920	\$467	\$467	\$467	\$200
\$49,920	\$400	\$400	\$400	\$200
\$51,920	\$333	\$333	\$333	\$200
\$53,920	\$267	\$267	\$267	\$200
\$55,920	\$200	\$200	\$200	\$200
\$57,920	\$133	\$133	\$133	\$133
\$59,920	\$67	\$67	\$67	\$67
\$61,920	\$0	\$0	\$0	\$0

So how does it work?

Let's consider Jane, who earns \$42,000 per year:

- Jane makes a \$500 after-tax contribution to her Health Super account before June 30.
- She then lodges her tax return after 1 July.
- The ATO then works out that Jane's eligible for the Government Co-Contribution and pays an extra \$500 into her Health Super account.

It's that simple! And the best part is she doesn't pay any tax on the Government Co-Contribution.

Other important things you may need to know about the Government Co-Contribution

Are you eligible?

Provided you meet the eligibility criteria and make an after-tax contribution during the financial year, you will receive a Government Co-Contribution. Please note, spouse contributions, salary sacrifice contributions and taxable contributions e.g. employer contributions do not count for the purposes of the Co-Contribution.

When will it be paid?

The Government Co-Contribution is paid into your super account usually within a few months of the end of the financial year.

Health Super reports all after-tax contributions received from members to the ATO by 31 October (following the end of the financial year). This together with lodgement of your income tax return enables the ATO to determine your eligibility for a Government Co-Contribution.

Do you need to apply?

No. Providing you're eligible, all you need to do is make an after-tax contribution and lodge a tax return.

Do your Defined Benefit contributions count?

Yes. If relevant to you, any after-tax contributions made to your defined benefit account may count.

How will you know you have received the Co-Contribution?

If you're eligible, the ATO will send you a letter with details of the amount to be paid into your super account. It will also be shown on your annual statement for the financial year in which it is received by Health Super.

Unless you nominate a particular super fund to the ATO, your Co-Contribution will be paid into the fund where you make your regular contributions.

How will the Co-Contribution be taxed?

The Co-Contribution is not subject to any tax when paid into your Health Super account.

Other important things you may want to know about making additional contributions to your super

Who can top up their super?

If you're under 65 years of age you can top up your super at any time.

If you're aged 65-74, you must have worked at least 40 hours in a period of no more than 30 consecutive days. You only need to demonstrate this once each financial year.

If you're 75 and over, you're not eligible to make any personal contributions.

Are you self-employed?

If you're self-employed and wish to claim a tax deduction for your super contributions, please call us on 1800 331 719 and we will then send you a form. Once this form is complete and you receive acknowledgement from Health Super, you can then claim a tax deduction from the ATO.

How do you make a contribution to your super?

We make it as easy as possible for you to make a contribution to your super, by providing you with a choice of four simple options, including:

1. Regular after-tax or before-tax contributions – just ask your employer to deduct your nominated amount (either a dollar or a percentage) from your salary each pay period and put it into your super. Alternatively, you can download the *Boost my super* form from healthsuper.com.au and return it to your HR/Payroll department so they can process your request.
2. Lump sum payments – to make a one off payment, all you need to do is complete the *Boost my super* form which can be downloaded from healthsuper.com.au and return it to us with a cheque for the amount you wish to contribute.
3. Direct debit amounts – to top up your super directly from your nominated bank account, complete the *Direct Debit application* form, which can be obtained from healthsuper.com.au
4. BPAY – to make a contribution into your Health Super account, please use the following reference numbers:

BPAY® into super



Billers Code: 64840
Ref: your member number

We're here to help

It's important to get your super right. We understand that everyone has different needs. Contact us to see how we can help you make the most of your super.

1800 331 719

Monday to Friday 8:30am – 6.00pm AEST

enquire@healthsuper.com.au

Log on to our eSuper service

healthsuper.com.au

Locked Bag 2900

Collins Street West VIC 8007

We're an industry fund



We're recognised



We care



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