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Superannuation changes and what they mean for you

The underlying principle behind super is easy to grasp. Put simply, you save now for your future. However, with all the rules surrounding super and the Government's continual tinkering with the system, it's understandable if you're a bit confused by the whole thing.

If you're an employee...

...the nine per cent super guarantee that your employer must pay for you will gradually increase to 12 per cent over the next seven years.

This means that you'll receive more savings for your retirement just by turning up to work. According to government projections, a 30 year old earning average full-time wages will have an additional $108,000 in retirement savings as a result of the increased super guarantee.*

Year commencing	Employer contributions
1 July 2013	9.25%
1 July 2014	9.5%
1 July 2015	10%
1 July 2016	10.5%
1 July 2017	11%
1 July 2018	11.5%
1 July 2019	12%

*Source: A tax plan for our future – www.futuretax.gov.au, The Treasury

If you're 50 years of age or over...

...your concessional super contribution cap has been reduced to $25,000 from 1 July 2012 (rather than $50,000). This means that when you salary sacrifice, any excess contributions you make above $25,000 will be taxed at the highest marginal tax rate.

This one-size-fits-all approach is currently scheduled to last for the next year or so. It has been proposed that on 1 July 2014, the concessional cap will revert to $50,000 if you have less than $500,000 in your super (however this has not been legislated).

If you're a high income earner bringing in $300,000 or more each year...

...the Government is looking to double your super contributions tax from 15 per cent to 30 per cent from 1 July 2012.As you may be aware, the 15 per cent contributions tax applies to concessional contributions, which are made up of the 9 per cent super guarantee contributions that your employer must make for you and any salary sacrifice contributions you make. The new contributions tax rate will apply to concessional contributions received by your super fund on and after 1 July 2012.

Integralife offers financial security and peace of mind via our services including:

Personal Solutions

- Financial planning
- Investment
- Superannuation
- Life insurances
- Income protection
- Gearing
- Self-managed super funds
- Cash flow and cash management
- Estate planning

Business Solutions

- Buy/sell cover
- Key person revenue cover
- Key person capital cover
- Business overheads cover
- Income protection
- Consultation with other business advisers

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It's important to remember that the definition of 'income' may include your taxable income plus employer super contributions and salary sacrifice contributions. The Government has confirmed that if your income excluding concessional super contributions is less than $300,000 per year but your concessional super contribution pushes you over $300,000, any amount exceeding the threshold will be taxed at the higher 30% rate.

If you earn less than $37,000 a year...

...your super account will receive a low-income super contribution rebate of up to $500.This means that any contributions tax you pay on your employer super contributions (and some of your salary sacrifice contributions depending on your employment income) will be refunded to you.

You don't even have to make a claim for the $500. Just complete your tax return and the ATO will do the rest!

If you earn between $31,920 and $46,920 per year...

...the Government is proposing to match 50 cents per dollar of any non-concessional contribution you make to your super, up to a maximum of $500 if you earn less than $31,920. If you earn more than this, the maximum benefit reduces until it cuts out when your income reaches $46,920. The Government's co-contribution is an incentive to encourage you to contribute to your super.

Again, you don't even have to make a claim for the co-contribution. Just complete your tax return and the ATO will do the rest!

To learn more about how the super changes may impact you, speak to your Integralife adviser today

We've outlined some super strategies below, which may help you achieve your super goals, depending on your salary level.

Earning less than $37, 000 per annum

Take advantage of the Government's super co-contribution scheme

The Federal Government has reduced the maximum co-contribution to $500 from 1 July 2012 but it's still a great way to boost your super. You get the maximum benefit of $500 if you contribute $1,000 and you earn under $31,920. The co-contribution benefit reduces as your income increases up to $46,920, where it cuts out altogether.

Receive the low income earner superannuation contribution

The Australian Government has introduced the new low income earner superannuation contribution. This is designed to refund the 15 per cent contributions tax that applies to pre-tax employer contributions (such as your normal superannuation guarantee contributions and any salary sacrifice contributions you make). It means people whose normal tax rate is lower than15 per cent will not be negatively impacted when receiving superannuation guarantee contributions from their employer. The maximum amount of the low income superannuation contribution each financial year will be $500.

Fund your life insurance through your super

Super can be a great way to pay for your insurance premiums. Chances are that you will have more money in your super fund than in your day-to-day bank account, so by paying your premiums through your super, you don't have to worry about your cash flow.

Consolidate your super

Consolidating your super into one account has the potential to:

- save you money – as you will only have one set of fees and charges
- make managing your investment strategy and options easier – as you will have only one set of paperwork or forms to complete.

There are a couple of things you should consider when you are looking at closing one or more of your super accounts – for example, you need to understand the fee structures, product features and insurance cover you are giving up when you close a particular account. We recommend you speak to your financial adviser for more information and assistance.

Earning $37, 000 - $80, 000 per annum

Salary sacrifice into super

By contributing some of your pre-tax salary into your super, you have the added benefit of not only growing your super faster, but you could save on tax! There is a limit to how much you can make in concessional super contributions each year ($25,000). Keep an eye on this limit, because the tax on excess contributions can be significant (46.5 per cent).

Split your contributions with your spouse

You can split your concessional contributions with your spouse, which means if your spouse has less income (or no income) they can increase their separate super savings faster than they would on their own. This may also lead to tax savings when you are both ready to access your retirement savings.

Make sure you're covered for the future

You should have a plan in place for you and your family in case anything should happen to you. You should regularly review your life insurance needs (including determining whether this insurance should be held inside or outside of super). There are different types of insurance cover to protect you in the event of serious injury, illness or permanent disablement, or to provide a lump sum to your beneficiaries in the unfortunate event of your death. Look into the different options to protect you and your family's financial well-being.

Co-contribution

Although you need to earn less than $31,920 to get the maximum benefit from the super co-contribution, anybody earning less than $46,920 can get some benefit. See the previous section for more details.

Earning more than $80,000 per annum

Salary sacrifice into super

If you're in a higher tax bracket and choose to contribute some of your pre-tax salary into your super, then you will not only grow your super faster but may potentially save on tax. However, you need to bear in mind that the $25,000 concessional contributions cap includes the superannuation guarantee contributions made by your employer and salary sacrifice contributions. Contributions in excess of this limit are taxed at 46.5 per cent, which can quickly wipe out the tax benefit of salary sacrificing in the first place.

Choose investments wisely

You should make sure that the investments you hold in your super account are right for you – take into account your financial goals, how long until you retire and how comfortable you are with risk. There are investments available to suit every risk appetite and timeframe – getting the right advice will help you choose.

Insure yourself

Think about what would happen if you passed away or if you could not work anymore. How would your bills get paid? Who would cover your mortgage repayments? This is especially important if you have your own business or are the major income earner in your family. Taking out appropriate insurance may be the easiest and smartest way for you to disaster-proof your finances. Contact your financial adviser for more information – it may not be as complicated or as expensive as you may think.

Splitting your superannuation contributions

If your spouse earns less than you or has less accumulated in their super, you should consider splitting you contributions with them. Your spouse can include a legal spouse or de-facto spouse.

Source: IOOF

Help is not far away

Whether it is leveraging government incentives, ensuring you have the right insurance cover or setting up the right investment strategy, your adviser at Integralife can help. Call Rick or Brian on 08 9791 6111

Investment Wisdom - The more you trade, the more you underperform

"Long ago, Sir Isaac Newton gave us three laws of motion, which were the work of genius. But Sir Isaac's talents didn't extend to investing: He lost a bundle in the South Sea Bubble, explaining later, "I can calculate the movement of the stars, but not the madness of men." If he had not been traumatized by this loss, Sir Isaac might well have gone on to discover the Fourth Law of Motion: For investors as a whole, returns decrease as motion increases."

From a letter of one of the world's most successful investors, Warren Buffett, to shareholders of Berkshire Hathaway, 2005