

Superannuation ("Super") is a way of saving money to allow for benefits for when you retire, if you become invalid or for your beneficiaries upon your death. Tax concessions and other government benefits currently make investing in Super one of the best long term investment vehicles. Your savings grow because money is paid in regularly, which your Super fund invests on your behalf.

Employer Contributions

Most people begin saving Super when they start work and their employer starts paying Super for them. If you are working, your employer is required to contribute at least 9% of your salary to your Super fund on your behalf. To be eligible, you must be:

1. Paid at least \$450 (before tax) in a calendar month, and
2. (a) Aged between 18 and 65, or
(b) Aged under 18 and working at least 30 hours a week, or
(c) Aged between 65 and 70 and working at least 10 hours a week

Concessional Contributions

These are contributions that may be tax-deductible to the contributor whilst the receiving fund pays a fixed 15% tax on the contribution.

Concessional Contributions typically include employer contributions, employer salary sacrifice contributions or personal contributions by self-employed persons.

The annual limit for concessional treatment is \$25,000 (indexed) or for those aged 50 or more \$50,000 until 30 June 2012.

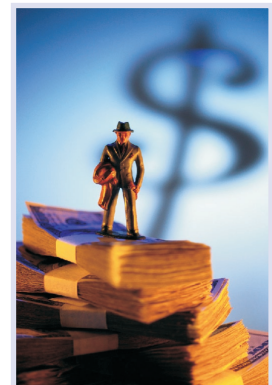
Non-concessional Contributions

Contributing to Super from your own money (after tax) is called 'non-concessional' contributions and if you can spare the money you can really boost your investment.

Your Super fund gets tax concessions on investment earnings, so you may be able to save more by investing through super than by investing in the same assets outside super. Up to a certain limit, Non-concessional Contributions don't get taxed when your fund receives them.

The contribution limit before the highest rate of tax is applied is \$150,000 (indexed) each year, or if you are under age 65 you can contribute up to \$450,000 over three years.

Between ages 65 and 74 you can generally contribute to super whenever you like, so long as you meet the 'gainful employment' test. You will meet the test if you have worked at least 40 hours within a period of 30 consecutive days during the particular financial year. Contributions aren't generally allowed after you reach age 75.



Costs and Fees

You must pay for these funds to look after your Super, so fees will come out of your account. And because it's an investment, the Government will also take out some tax. However, as the Government wants us to save for retirement, your Super is not taxed as highly as other types of investments. Sometimes your Super fund gives you insurance cover in case you die or become disabled. You will pay for this insurance from your Super account. The general equation for your Super balance can be viewed as:

Compulsory contributions + Voluntary contributions + Earnings - Government taxes - Fees and other costs - Insurance premiums = Your Balance

Accessing Super

Super benefits are generally paid when you retire. They may also be paid:

- in the event of your death;
- if you suffer total and permanent disablement;
- if you are a temporary resident permanently leaving Australia (strict rules apply: refer to www.ato.gov.au for more details);
- in cases of severe financial hardship (as defined by Government regulations); or
- on compassionate grounds (as defined by Government regulations).

You may also receive your benefit before retirement if you have reached your preservation age, and take the benefit as a non-commutable income stream.

Retirement

The Australian Government defines you as retired if you have:

- Retired permanently from work and have reached your preservation age, or
- Reached the age of 60 and subsequently changed jobs or are not currently employed, or

- Reached the age of 65.

Preservation age is the Government specified age at which you can gain access to your Superannuation benefits, provided you have permanently retired from the workforce. Preservation age varies according to birth date:

Date of Birth	Preservation Age
Before July 1960	55
1 July 1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
After 30 June 1964	60

Pensions and Lump Sum withdrawals

If you make withdrawals from your Super fund you could be affected in a number of ways including:

- paying lump sum tax (if you're under 60)
- losing other tax benefits (if you're under 60)
- losing social security benefits

It is advisable to seek advice in relation to costs and loss of benefits prior to making any withdrawals.

Salary Sacrificing Super

Salary sacrifice is an arrangement where you agree to forego part of your future salary or wages in return for your employer providing benefits of a similar value. The contractual agreement with your employer to alter your salary package is called a 'salary sacrifice arrangement'. Your employer may be willing to arrange for you to set up a salary sacrifice arrangement to increase your super contributions. Refer to our Fact Sheet on Salary Sacrifice for further details.

Government Co-Contributions

The Super co-contribution in an Australian Government Initiative to help low to middle income earners save for their retirement. It was introduced from 1 July 2003.

If you are eligible and make personal Super contributions to a complying Super fund or retirement savings account, the Government will match your personal Super contribution with a co-contribution up to certain limits. Refer to <http://www.ato.gov.au> for details of the current limits and conditions.

Self-managed super funds

A self-managed super fund (SMSF) is a superannuation fund established for 1-4 people with the fund be controlled by trustees/directors who are also members of the fund. The members are usually related.

The ATO regulates self-managed super funds (SMSFs) and if you want to set up and manage your own SMSF, there are many factors you need to consider including:

- Consider your options and seek professional advice;

- Ensure you have sufficient assets, time and skills to manage your own fund;
- Follow the super and tax laws and understand the risks;
- Tailor your trust deed and investment strategy to suit the members of your fund;
- Be sure you can meet your record keeping and reporting obligations;
- Make sure you understand your annual auditing obligations.

There are strict rules that govern how you can use an SMSF and how you can invest your money. It can be difficult, so at times you might need to consult with professionals and advisers which can add to the cost of managing your fund.

If you are considering establishing a SMSF it is recommended to seek professional advice from either a Financial Adviser or an Accountant.

Disclaimer

This Fact Sheet has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs.

Before making any investment decision based on this advice, you should consider, with or without the assistance of a financial adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances.



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