



Salary Sacrifice – the smartest way to get more out of your pay 2010/11



 **legalsuper**



LOOK HERE IF YOU EARN
\$37,001 – \$80,000

LOOK HERE IF YOU EARN
\$80,001 – \$180,000

LOOK HERE IF YOU EARN
OVER \$180,000



Andrew Proebstl
Chief Executive
legalsuper

Interested in paying less tax?

Salary sacrifice is a smart way to build up your super savings. You pay 15% tax to salary sacrifice dollars into super. If you earn more than \$37,000, this is less than the comparable tax you pay to put the same dollars into your pocket.

Super is important. When you retire, your super, combined with other assets you have at that time, will pay for your retirement.

How comfortable a lifestyle do you want in retirement? Salary sacrifice will help increase your super and can mean you pay less tax.

There is no doubt that super is a very attractive investment. The advantage of tax-free super when turning 60 is hugely significant. It means that, if you salary sacrifice into super, when you turn 60 you will pay no tax if you cash out your super. If you start a superannuation pension, you pay no tax on both the investment earnings and pension you receive.

I hope you enjoy reading this guide. Its purpose is to inform you about salary sacrifice in an easy-to-read way. We have included some quick reference tables designed to illustrate how it works, and also listed the steps involved to commence salary sacrifice contributions.

If you have any feedback, please let me know at aproebstl@legalsuper.com.au

Andrew Proebstl
Chief Executive



legalsuper at a glance

legalsuper is:

- a \$1.4 billion industry superannuation fund dedicated to the legal community
- independently rated Platinum, AAA and 5 Heron Quality stars*
- consistently delivering above average returns
- providing many additional benefits and choices to members

As an industry fund, legalsuper means:

- no commissions paid to agents
- portability if you change jobs
- no entry or exit fees
- regular communication
- all profits go to members
- low administration fees
- outstanding insurance

Benefits and choices include:

- 11 investment choices including an S&P/ASX200 shares option
- 2 pension options: retirement and transition to retirement
- outstanding insurance for death & total and permanent disablement plus income protection
- personal advice
- workplace seminars
- online access to your account
- access to banking products and health insurance discount

* Three of Australia's top independent ratings agencies have separately assessed legalsuper. SuperRatings, SelectingSuper and The Heron Partnership all awarded legalsuper their top rating.

Salary Sacrifice at a glance

- You arrange to salary sacrifice with your employer;
- You are directing gross (before-tax) salary into super;
- The salary you direct into super is taxed at 15%, regardless of how much you earn;
- The tax benefit of salary sacrifice derives from this 15% tax, which in many cases is less than your marginal tax rate on the income sacrificed;
- You can only sacrifice future salary;
- In most cases, salary sacrifice is a regular amount; however, it can be arranged on an ad-hoc basis, for example, you can salary sacrifice an annual bonus payment;
- Limits apply, and you should ensure that you do not exceed them (see page 14);
- All superannuation contributions are preserved until you meet a condition of release, such as reaching your retirement age.

Key questions to ask your employer

Will you let me salary sacrifice into super?

Not all employers offer salary sacrifice to their employees.

Am I able to start or stop at any time?

This is important, in case your circumstances change.

Can I change amounts at any time?

For example, you may wish to increase the amount if you receive a pay rise. Likewise, you may wish to decrease the amount if you reduce your working hours.

Is there an administration cost?

Some employers charge a fee to administer salary sacrifice arrangements.

Are there any limits to how much I can salary sacrifice?

Some employers impose a limit to the amount you can sacrifice (please also see page 14).

If I salary sacrifice, how will you pay my future Superannuation Guarantee (SG)?

This is important – if you earn \$60,000 and sacrifice \$5,000, then your employer may pay SG on \$55,000 rather than the \$60,000 that you actually earn. Confirm what your employer will do.

Understanding potential tax savings

Whilst the key purpose of salary sacrifice is boosting your super, you may also enjoy tax savings.

The following table lists the 2010/11 marginal tax rates that apply to your income, and the equivalent tax if you elect instead to sacrifice dollars into super:

Every dollar of taxable income in this range:	is taxed into your pocket at:	or by salary sacrificing, you pay tax at:
\$0 – \$6,000	0%	15%
\$6,001 – \$37,000	15%	15%
\$37,001 – \$80,000	30%	15%
\$80,001 – \$180,000	37%	15%
\$180,000+	45%	15%

Example

Jacki earns \$60,000. She pays the following tax:

- On every dollar earned between \$0 and \$6,000, she pays no tax.
- On every dollar earned between \$6,001 and \$37,000, she pays 15% tax.
- On every dollar earned between \$37,001 and the \$60,000 that she earns, she pays 30% tax.

Alternatively, she can sacrifice some of her salary straight into super and pay 15% tax.

In Jacki's case, dollars earned between \$37,000 and her salary of \$60,000 can either be taxed at 30% (into her pocket) or 15% (into super).

So by choosing to salary sacrifice some or all of the dollars earned in this range, Jacki will pay less tax and boost her super.



SALARY SACRIFICING
IS AN EASY WAY TO
REDUCE TAX AND
BOOST MY SUPER

Margaret
legalsuper member

Frequently asked questions

Will legalsuper impose any conditions if I salary sacrifice?

Absolutely none. There is no fee to salary sacrifice, and you can change amounts whenever you want to, provided your employer lets you.

What do you mean by saying that I can only sacrifice future income?

If you sign a salary sacrifice agreement with your employer today, it is only income earned from today onwards that can be salary sacrificed.

Will the tax rates change?

Whether or not tax rates change depends on decisions made by the Government.

What is the maximum amount I can contribute?

See limits on page 14.

Why may I pay less tax if I salary sacrifice into super in comparison to having the same salary paid directly into my pocket?

The Government offers a concessional tax rate for super funds as an incentive to encourage people to build up their super.

Will making salary sacrifice contributions mean I receive a Government co-contribution?

No. Salary sacrifice contributions are before-tax contributions, and will not qualify you to receive a Government co-contribution. Please read legalsuper's information sheet about the Government's co-contribution scheme for further details.

Please email Mark Higgins at mhiggins@legalsuper.com.au to request a co-contribution information sheet.

How much to salary sacrifice if you earn between

\$37,001 – \$80,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

SALARY \$37,001 – \$80,000

Remember: every dollar paid into your pocket in this income range is taxed at 30%, compared to 15% if you salary sacrifice it into super)

Step 1: I can afford to reduce each take-home pay by:	Step 2: So I ask my employer to salary sacrifice:	Step 3: This means my super fund receives:
\$35.00	\$50.00	\$42.50
\$70.00	\$100.00	\$85.00
\$105.00	\$150.00	\$127.50
\$140.00	\$200.00	\$170.00
\$175.00	\$250.00	\$212.50
\$210.00	\$300.00	\$255.00
\$245.00	\$350.00	\$297.50
\$280.00	\$400.00	\$340.00
\$315.00	\$450.00	\$382.50
\$350.00	\$500.00	\$425.00
\$385.00	\$550.00	\$467.50
\$420.00	\$600.00	\$510.00
\$455.00	\$650.00	\$552.50
\$490.00	\$700.00	\$595.00
\$700.00	\$1,000.00	\$850.00



LEGALSUPER'S LOW FEES
MEAN I GET MORE SUPER

Emily
legalsuper member

LOOK HERE IF YOU EARN
\$37,001 - \$80,000

Nicole earns \$50,000

Step 1

Nicole works out that she can afford to reduce her take-home pay by \$70.

Step 2

Nicole arranges with her employer to salary sacrifice \$100 each pay.

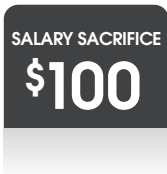
Step 3

Nicole's super fund receives \$85 after tax.

It has cost Nicole \$70 to save \$85 – this represents an immediate 21% increase.

Important point: Each dollar salary sacrificed in this income range generates an immediate 21% increase in super compared to what it has cost you.

Example



How much to salary sacrifice if you earn between

\$80,001 – \$180,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

SALARY \$80,001–\$180,000

Remember: every dollar paid into your pocket in this income range is taxed at 37%, compared to 15% if you salary sacrifice it into super)

Step 1: I can afford to reduce each take-home pay by:	Step 2: So I ask my employer to salary sacrifice:	Step 3: This means my super fund receives:
\$31.50	\$50.00	\$42.50
\$63.00	\$100.00	\$85.00
\$94.50	\$150.00	\$127.50
\$126.00	\$200.00	\$170.00
\$157.50	\$250.00	\$212.50
\$189.00	\$300.00	\$255.00
\$220.50	\$350.00	\$297.50
\$252.00	\$400.00	\$340.00
\$283.50	\$450.00	\$382.50
\$315.00	\$500.00	\$425.00
\$346.50	\$550.00	\$467.50
\$378.00	\$600.00	\$510.00
\$409.50	\$650.00	\$552.50
\$441.00	\$700.00	\$595.00
\$630.00	\$1,000.00	\$850.00



I SAVE TAX AND
GROW MY SUPER WITH
SALARY SACRIFICE

Prue
legalsuper member

Anne earns \$90,000

Step 1

Anne works out that she can afford to reduce her take-home pay by \$126.

Step 2

Anne arranges with her employer to salary sacrifice \$200 each pay.

Step 3

Anne's super fund receives \$170 after tax.

It has cost Anne \$126 to save \$170 – this represents an immediate 34% increase.

Important point: Each dollar salary sacrificed in this income range generates an immediate 34% increase in super compared to what it has cost you.

Example

LOOK HERE IF YOU EARN
\$80,001 – \$180,000

SALARY SACRIFICE

\$200



COSTS YOU

\$126



SUPER INCREASE

\$170

IMMEDIATE
34%
INCREASE

How much to salary sacrifice if you earn

OVER \$180,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

SALARY OVER \$180,000

Remember: every dollar paid into your pocket in this income range is taxed at 45%, compared to 15% if you salary sacrifice it into super.

Step 1: I can afford to reduce each take-home pay by:	Step 2: So I ask my employer to salary sacrifice:	Step 3: This means my super fund receives:
\$55.00	\$100.00	\$85.00
\$82.50	\$150.00	\$127.50
\$110.00	\$200.00	\$170.00
\$137.50	\$250.00	\$212.50
\$165.00	\$300.00	\$255.00
\$192.50	\$350.00	\$297.50
\$220.00	\$400.00	\$340.00
\$275.00	\$500.00	\$425.00
\$330.00	\$600.00	\$510.00
\$385.00	\$700.00	\$595.00
\$440.00	\$800.00	\$680.00
\$495.00	\$900.00	\$765.00
\$550.00	\$1,000.00	\$850.00
\$825.00	\$1,500.00	\$1,275.00
\$1,100.00	\$2,000.00	\$1,700.00

LOOK HERE IF YOU EARN
OVER \$180,000



LEGALSUPER'S WIDE CHOICE
OF INVESTMENT OPTIONS
LETS ME TAKE CONTROL
OF MY SUPER

Damien
legalsuper member

Graham earns \$200,000

Step 1

Graham works out that he can afford to reduce his take-home pay by \$275.

Step 2

Graham arranges with his employer to salary sacrifice \$500 each pay.

Step 3

Graham's super fund receives \$425 after tax.

It has cost Graham \$275 to save \$425 – this represents an immediate 54% increase.

Example

Important point: Each dollar salary sacrificed in this income range generates an immediate 54% increase in super compared to what it has cost you.

SALARY SACRIFICE
\$500


COSTS YOU
\$275


SUPER INCREASE
\$425

IMMEDIATE
54%
INCREASE



Limits that apply

The following table lists the limit on deductible (concessional) contributions that apply for the period 1 July 2010 – 30 June 2011.

Deductible contributions include salary sacrifice, Superannuation Guarantee (SG) and employer additional contributions.

Age	2010/11 limit on deductible contributions
Up to 49	\$25,000
50 and over	\$50,000

It is important to keep in mind these limits, as excess contributions are taxed at the highest marginal tax rate (currently 45%, plus Medicare levy).

When can I access my salary sacrifice contributions?

Salary sacrifice contributions are preserved, just like all other contributions received by a super fund – they are required by law to be retained within super until you reach your ‘preservation age’.

Date of birth	Preservation age
Before 1 July 1960	55 years
1 July 1960 to 30 June 1961	56 years
1 July 1961 to 30 June 1962	57 years
1 July 1962 to 30 June 1963	58 years
1 July 1963 to 30 June 1964	59 years
After 1 July 1964	60 years

So if you were born in 1966, you cannot have your super paid to you until at least 2026 (some exceptions may apply).

What next?

To start making salary sacrifice contributions to legalsuper, simply follow these steps:

Step 1

Make sure that you've got a legalsuper account.

If not, please download our Product Disclosure Statement (PDS) and 'Join legalsuper' form at www.legalsuper.com.au or call 1800 060 312 to request a form or email us at mail@legalsuper.com.au

Step 2

Check with your employer that you will be able to salary sacrifice, and if so, clarify what the process is.

Step 3

Use the tables we have printed to help you work out how much you can afford to reduce your take-home pay.

Step 4

Complete your employer's paperwork, confirming the amount of **before-tax salary** you want to sacrifice.

Step 5

Watch your super grow!

Thank you for reading this guide. We hope that you find it useful. We would welcome any feedback that you may have at feedback@legalsuper.com.au

For account or other membership enquiries:

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To make enquiries about one of the following:

- legalsuper becoming the default super fund for your workplace;
- conducting a superannuation information seminar at your workplace; or
- to arrange a personal visit from one of our client service managers;

contact Chrissie Heyn on (03) 9602 0107 or by email at cheyn@legalsuper.com.au

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The tax rates published in this guide were correct at the time of publication. The tables shown do not take into account any movement into a lower tax bracket as a result of salary sacrifice. Therefore, in some instances the amount shown as Step 1 of each table may vary, due to the operation of marginal tax rates.



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