Maximising your Gold State Super (GSS) scheme benefit

StatePlus

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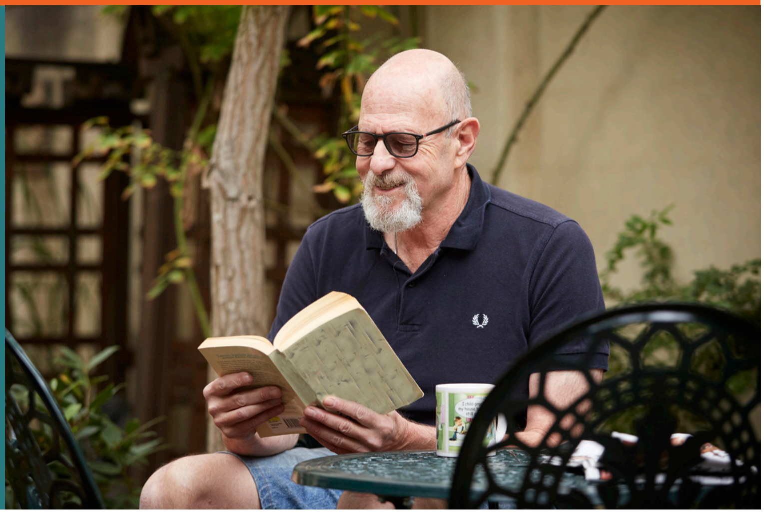
Public sector defined benefit schemes like Gold State Super (GSS) provide good prospects for a comfortable retirement. But they are complex which means it can be easy to miss opportunities to get the most out of them.



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In this factsheet, we'll take a look at:

- Maximising your contributions
- Leaving your employer before normal retirement
- Maximising your benefit on retirement
- Your retirement income

Maximising your contributions

Contributing an average rate of 5% will help you get the most out of your defined benefit

With Gold State Super, your super benefit payment will be calculated using a formula. This formula is based on:

- Your contribution rate;
- Your final remuneration; and
- Your length of GSS membership.

One way to maximise your benefit is to make sure you're contributing an average of 5% of your salary each year. If you're contributing 5%, your employer effectively contributes at a rate of 15% per year which is significantly more than the standard 9.5% most Australians get.

You can catch up if you're behind

As a member of Gold State Super you must make member contributions. You generally have the option of contributing 3%, 4%, 5%, 6% or 7%. However, you can only increase your contributions to the 6% or 7% if your average contribution level to date is below the maximum 5% average allowed to help you catch up.

You can find out your average contribution by reviewing your most recent statement from GESB. To change your contributions, you'll need to liaise with your Payroll team to make amendments. You can choose to make your contributions under a salary sacrifice arrangement or as after-tax contributions.

It's worth noting that different arrangements apply for police officers, industrial commissioners and stipendiary magistrates who can contribute at higher rates in certain periods.

Salary sacrifice

Another way to increase your contributions is through a salary sacrifice arrangement. In simple terms salary sacrifice gives you the opportunity to contribute more to your super in a tax effective way. It's an arrangement with your employer where you redirect part of your before tax salary into a super fund. It means reducing your take home pay so that you can benefit from extra contributions into your super. To find out more, you can read our *Boost your retirement benefits and reduce your tax* fact sheet.

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Leaving your employer before normal retirement

You'll need to decide whether to take a lump sum or defer your benefit

The minimum retirement age for a GSS member is 55. If you leave your employer:

- before reaching your minimum retirement age because of redundancy or resignation; or
- before age 60 because of invalidity

You will need to make a decision about what to do with your scheme benefit. In most cases, your benefit will defer, locking in your defined benefit calculation at that stage, but in some cases, you may need to decide whether to take a lump sum or defer your benefit.

This is an important decision and we recommend that you get personal advice from a financial planner before you make a decision. There are a number of factors to consider before making a decision, including:

- Your age;
- Your exit date;
- The value of your benefit; and
- Any tax implications.

The table below provides a summary of exit options when you leave employment before normal retirement.

Resignation	Redundancy	Invalidity
You have the option to: **Defer your benefit.** This means your money will stay in Gold State Super until you retire (or you're eligible to access the money) but you won't be able to make any further contributions to Gold State Super.	You have the option to: **Defer your benefit.** This means your money will stay in Gold State Super until you retire (or you're eligible to access the money) but you won't be able to make any further contributions to Gold State Super. In many cases your deferred benefit will be of greater value than a lump sum taken immediately after leaving your employer. **Take your benefit as a lump sum.** It's likely that the majority of your money will need to be rolled over into another super fund to comply with super legislation.	You have the option to: **Take your benefit as a lump sum.** It's possible that the majority of your money will need to be rolled over into another super fund to comply with super legislation.

The table provides a summary only and not an exhaustive list of options. For example, in some cases a portion of your benefit may be taken as a lump sum instead of deferring, and accessing your benefit prior to retirement age may increase your tax liability.

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Maximising your benefit on retirement

What age should you retire?

As a member of GSS, there are important questions to think about before deciding when to retire, including:

Have your maximised your contributions?

Ensuring you have an average contribution rate of 5% into your GSS will ensure you make the most from your benefit.

Will your age have an impact on the benefit you receive?

In some cases, your benefit could be higher depending on the time you decide to retire from the workforce. This is because tax is applicable when you access your benefit and varies depending on your age.

Have you met a condition of release?

You are entitled to access your GSS from preservation age (between 55 and 60 depending on your date of birth). It's important to note however that additional tax may apply if you are under age 60

Do you want to take an Age Pension (it may be age dependent)?

If you intend on utilising an element of the Centrelink Age Pension into your retirement income, be sure to take into account when / if you will be eligible to receive income at that point. Access to superannuation benefits commences between age 55-60 (depending on your year of birth) however, the Age Pension won't commence until age 67 if you were born on or after 1 July 1957.

Are you reaching your limits?

If you're nearing your $1.48m untaxed plan cap lifetime limit, or the $1.6m transfer balance cap for account-based pensions (2018/2019 financial year), it may be worthwhile reviewing your options to ensure you are making the most of your current GSS benefit, and whether there might be additional ways of maximising your contribution options.

Are you thinking about leave?

Accrual of annual and long service leave is a common factor for GSS members, and it often poses the question 'should I take the leave before retiring or should I get it paid out?' Taking the leave will not only extend your GSS service, but you will also benefit from super being paid whilst you are still employed. However, depending on how much leave you have accrued, you may wish to receive the amount as an additional payment when retiring - it really depends on your circumstances.

How will your benefit be taxed (especially if you're under 60)?

Tax will apply when you access your benefit. The tax rates can be complex, and it may be worth speaking to a financial planner as it is important you understand how tax will impact your benefit.

Essentially, the amount of tax you pay will depend on your age. You'll pay more tax if your benefit is accessed prior to preservation age. Once you reach preservation age tax concessions apply. However, the most tax effective way to access your benefit will be after reaching age 60. Rolling over your benefit to a taxed scheme prior to accessing it can save you further tax.

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Your retirement income

Lump sum or rollover?

Remember, with any GSS benefit you will have concessional tax liability of 15% on any untaxed components up to the untaxed plan cap which is $1.48 mil for 2018/2019. Untaxed amounts over this amount are taxed at 45%. This tax will need to be paid at the time of accessing your benefit (either taking a cash lump sum, rolling over your benefit or commencing an account-based pension). Further, Medicare levy of 2% on the untaxed component will also apply if you take a cash lump sum.

As a member of GSS, your retirement benefit will be paid as a lump sum. You have the option to:

- Take your lump sum as cash; or
- Roll it over into another super fund or account-based pension

A lump sum gives you the ability to access your money when and as you need it, for example, if you want to make a big purchase such as a car or an overseas holiday. If you're looking for regular income you have the option to use your lump sum to purchase an account-based pension.

You'll need to think about a number of factors to decide which option is best for you, such as:

- How much income vs capital do you need?
- How stable is your health and family medical history?
- What is your plan for passing on your estate and how could the payments impact your estate planning?
- What are your plans for your life in retirement?
- Could financial markets, tax or Centrelink benefits influence your decision?

What is an account-based pension?

If you are no longer working and meet a condition of release, an account-based pension is a popular way to provide yourself with a regular income in retirement. You can start your account-based pension with a lump sum amount from your super.

Your pension provider will invest that money and provide you with regular pension payments, which could be fortnightly, monthly, quarterly, half-yearly or annually*. You're required to withdraw a minimum amount each year depending on your age, and your account-based pension will last until your balance is exhausted.

You can also access your cash when you need to, as you have the ability to withdraw lump sums from your account-based pension, plus, once you are over the age of 60 your benefit will be tax free**.

*depending on the provider of the account-based pension.

**no further tax on what you draw down from the pension and investment returns on your capital.

To find out more about how we can help you, call us 9214 4141. Our local WA experts can provide personal advice on your GESB benefit.

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