

# Boost your retirement benefits and reduce your tax

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*As a member of an untaxed scheme you have advantages when it comes to making additional contributions to your super. In this factsheet, we'll talk about some smart strategies that could reduce your tax while you are still working, and possibly when you access your West State Super and/or Gold State Super.*



## Salary sacrifice

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. Salary sacrifice is a concessional (before tax) contribution.

Salary sacrifice works for two reasons. There's the potential for significant tax savings in the short, medium and long terms, however, it's the discipline of saving that will have the most impact on your super benefits at retirement.

## Tax benefits of salary sacrifice

- Potential to reduce your income tax because the tax you will end up paying (when you access your benefit) is likely less than the tax you would otherwise pay on your income
- As a Gold State Super or West State Super member your contributions are not taxed until you access your benefit

## How much can you contribute through salary sacrifice?

As West State Super and Gold State Super are constitutionally protected funds, concessional contributions made to these 'untaxed' funds are effectively not limited by the annual concessional contributions cap (\$25,000 for 2018/19 financial year) that apply to taxed funds, if WSS is your only fund to which concessional contributions are made.

## West State Super

You could potentially salary sacrifice up to 100% of your salary into your West State Super account if you were in a position to do so.

West State Super is a constitutionally protected untaxed fund. That means you only pay tax when you withdraw your benefit or roll your super into a taxed fund or retirement income stream. When you access your benefit your concessional contributions and earnings within your fund will be taxed concessionally (at 15%) up to the Untaxed plan cap limit, which is a total of \$1.48 million (2018/2019 financial year) for both Gold State Super and West State Super schemes.

Note: for contributions exceeding the Untaxed plan cap limit, additional tax will be applicable.

## Gold State Super

You can salary sacrifice up to an average of 5% of your salary into Gold State Super account. This is the maximum contribution you can make, within the defined benefit parameters.

If you have been contributing less than an average of 5% into your Gold State Super account, you may be able to increase your contributions (up to a 7% limit) to bring your average rate up to 5%.

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.

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## Salary sacrificing to other super funds

From 1 July 2017, concessional contributions made to an untaxed scheme will directly reduce the amount available for you to make further concessional contributions to a 'taxed' super fund (i.e. outside of Gold State or West State Super schemes).

## Considerations before salary sacrificing

Keep in mind that salary sacrificing will reduce your take home pay. Also, once you've made your contributions you can't access these funds until you've met a condition of release, for example, meeting your preservation age and subsequently retiring.

## After tax (non-concessional) contributions (NCCs)

Non-concessional contributions are personal after-tax contributions (regular or one-off) you make to your own super. For 2018/19, the maximum NCCs you can make is \$100,000 a year for all super funds (including untaxed schemes). If under the age of 65, you can also take advantage of the 'bring forward rule' and contribute up to \$300,000 over a three-consecutive year period. The 'bring forward rule' is automatically triggered in a financial year where you have made a NCC contribution above the annual cap. However, you will only be eligible to make a NCC in 2018/19 if your total superannuation balance is less than \$1.6 million, as at 30 June 2018, and your ability to use the bring forward rule may also be impacted by your total superannuation balance.

Note: When approaching the \$1.6 million superannuation balance there may be certain additional conditions applicable when contributing.

## Government co-contribution

You should also make sure that you're taking advantage of any available Government Co-contributions. If your income is \$52,697 or less per year (2018/2019), then you may be eligible to consider making an after-tax contribution of up to \$1,000 with the purpose of receiving the contribution of up to \$500 paid to your super fund by the Government.

## Low income super tax offset (LISTO)

The Government provides an additional super incentive for low income earners of up to \$500. How this works, is that the Government will provide a refund of the 15% contributions tax paid on concessional contributions, up to a maximum refund of \$500 if:

- you're adjusted taxable income does not exceed \$37,000
- you receive at least 10% of total income from employment and/or business activities.

## Eligible spouse contribution

You may be able to claim a tax offset of up to \$540, if you make a super contribution on behalf of your spouse. You can be any age; however, your spouse receiving the contribution must be either under age 65 or between 65-69 and meet the work test. If your spouse's income is under \$37,000, you can claim an offset of 18% of the contribution you make to your spouse's super, up to a maximum offset of \$540 for a contribution of \$3,000 or more.

## Super contributions splitting

Super contributions splitting allows you to transfer up to 85% of your concessional contributions (including SG, salary sacrifice and PCCs) to your spouse's super account on an annual basis. This strategy could enable you to access two tax-free low rate thresholds of \$205,000 for the 2018/19 financial year.

## Next steps

It's never too late to start saving on tax. As a member of Gold State Super and West State Super, you are at a significant advantage over other investors. Setting a plan and making the most of the tax advantages on offer to you is a smart way to prepare for retirement.



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

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