

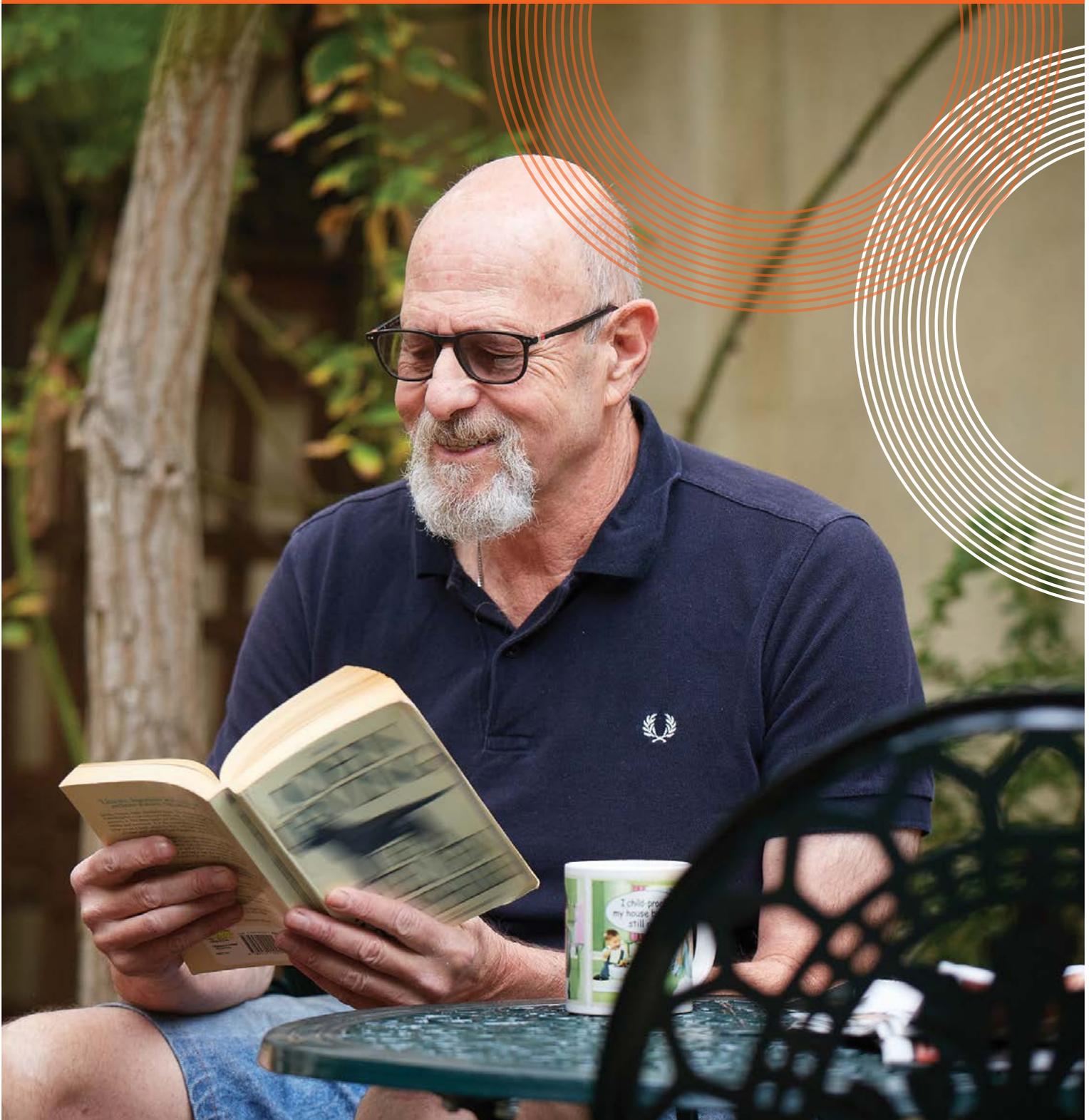
# Reduce your tax

## Secrets to retirement success for GESB members



Formerly State Super Financial Services

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# Reduce your tax

## Welcome to the *Reduce your tax* guide for GESB members

**This guide is packed with practical tips and resources to help you get smart about tax. We put you on the inside track with your West State Super and Gold State Super, and help you make the right decisions for you.**

You'll be in-the-know and well equipped to answer some important questions:

- How can I boost my retirement benefit and reduce the tax I pay?
- How much can I contribute through salary sacrifice?
- What tax strategies are available to me?
- How can pre-1 July 1983 service help me boost my super?

While the content in this guide focuses on West State Super and Gold State Super, much of it also applies to GESB Super members.



# Getting to know your scheme

As a member of an untaxed scheme you have advantages when it comes to making additional contributions to your super.

There are 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.

## *GESB Secret*

**If you're with West State Super, you have significant advantages when it comes to reducing tax and boosting your retirement benefits.**



The West State Super (WSS) fund is an exception to the rule for pre-tax contributions. For most other funds, an annual cap (\$25,000 for 2018/19) applies for pre-tax payments into super.

There is no annual limit on pre-tax payments into WSS but rather a lifetime limit of \$1.48 million (2018/19) that you can accrue concessional. So, you can make substantial tax savings with salary-sacrificed contributions throughout your working life.

### **Transition to Retirement (TTR) strategy**

If you're working past preservation age, you can take advantage of a Transition to Retirement (TTR) strategy that may boost your super and make greater tax savings. Income from your TTR pension after 60 is tax free and concessional taxed between preservation age and age 60.

By contributing more to your super than you're drawing from your TTR, your tax liability can be lower and your super keeps growing with minimal impact on your overall income level.

The advantages of this strategy can be significant, so it's important to continue making pre-tax contributions through your public sector employer.

# Boost your benefits and reduce your tax

## Salary sacrifice

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 applies 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 concessional (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.

## 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 (for 2018/19) 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.



## What other tax strategies are available?

### 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:

- your adjusted taxable income does not exceed \$37,000 (for 2018/19)
- 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 (for 2018/19), 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.



# Talk to a local GESB expert

Making decisions about your retirement, both financial and non-financial can feel overwhelming.

Sometimes, it's good to just have a face-to-face conversation and have your questions answered.

## Free seminar and Q&A

To put your questions to a GESB expert, join us for a free seminar and Q&A to get practical, easy to understand information that could make a big difference to your retirement.

### What you'll learn

- Whether to maximise your benefit or pay off your mortgage early
- How to boost your benefit and save on tax
- Things to consider when transitioning to retirement
- How to manage (and grow) your money once you've retired.

Our GESB experts will be on hand to show you how to maximise the benefits of your West State Super (WSS), Gold State Super (GSS) or GESB Super scheme.

To find a seminar near you, visit [www.stateplus.com.au/WAseminar](http://www.stateplus.com.au/WAseminar)



## How can pre-1 July 1983 service help you boost your super?

If you are a Gold State Super (GSS) or West State Super (WSS) member with pre-1 July 1983 eligible service, you have the potential to maximise the tax-free component of your benefit. This is good news because it means more super for you when you retire.

However, the rules are complex and it can be easy to make a wrong decision or miss opportunities, particularly when you:

- Make additional contributions
- Withdraw your benefit
- Move from one untaxed scheme to another
- Don't realise you may be eligible to open a WSS account.

### Do you have eligible pre-1 July 1983 service?

As a general rule of thumb if you have an employment start date with the WA state government prior to 1st July 1983, you may have some eligible pre-1 July 1983 service within your GSS or WSS. You can confirm your service period by contacting GESB.

### Why is pre-1 July 1983 service important?

The tax-free component of a super benefit is always free of tax – good news. The taxable component of your super benefit will be subject to tax when you retire. Your pre-1 July 1983 service amount forms part of the tax-free component of your super benefit.

### Making additional contributions

Generally, you can only contribute an average of 5% p.a. of your income to GSS.

WSS is unique, in that it allows you to make concessional contributions via salary sacrifice, without breaching concessional contribution caps if WSS is your only super fund.

If you have eligible pre-1 July 1983 service, a proportion of your contributions and the resulting earnings, are attributed to the pre-1983 component, and are therefore entirely tax free. Making additional non-concessional contributions also increases the percentage of your fund balance that is counted towards your pre-1983 service, therefore reducing the overall tax you pay when you access your benefit.

### Opening a WSS account

If you are contributing to GSS with pre-1983 service you can open a WSS account, otherwise the scheme is closed to new members. If you meet this criteria, you can access the unique contribution rules of WSS, and also benefit from increasing your tax free component.



### Check your Gold State and West State Super Eligible Service Date

Members of Gold State and West State Super who have an eligible service period before 1 July 1983 are eligible for a tax-free component for any service prior to this date. There are strategies that may increase your tax-free component when accessing your benefit pre or post retirement, so reviewing your options with a financial planner is essential to make sure you are getting the most from your benefit.



## Neil's story: A bigger nest egg with less tax to pay

As a teacher, I was excited about retiring so I could travel outside of school holidays for a change. But I put it off for quite a while because I didn't think I'd have enough money to see me through. I suppose that was a good thing really because it made me decide to get my super sorted out well before I retired.

I did have a bit of an idea about what was needed, like paying extra contributions or a lump sum into my fund. But I'm not financially minded and knew

I could lose out later if I didn't get it right. Meeting with my StatePlus planner, Mark, was brilliant because he really knew his stuff and made sure I did things at the right time to get the best outcome.

In the end, I'm around \$4,500 better off from tax savings I made by making salary sacrifice payments in the run up to retirement. I don't usually recommend companies, but a friend of mine was worried all his money would somehow disappear when he retired. I suggested seeing Mark, so he can start planning for a secure retirement he can actually look forward to.

## How Neil saved \$4,500 in tax

**Neil was 64 years of age when he first met with a StatePlus planner. His goal was to retire in 12 months' time.**

In seeking advice, Neil wanted to maximise the financial outcomes from his GSS and WSS funds, to save money on tax and have the peace of mind that he could continue living the lifestyle he wanted.

Neil had access to some personal funds, which he contributed to his WSS account as an after-tax contribution. By doing this, he increased his pre-1983 component, reduced his taxable element, and therefore the tax he has to pay when accessing his benefit. The personal funds he initially contributed were accessible to him through his super benefit.

### The numbers

- Neil had approximately \$550,000 in GSS, \$240,000 in WSS and a total of \$180,000 in the bank. His WSS funds were rolled into his GSS account, making a total sum of \$790,000.
- Neil then contributed \$180,000 to WSS as an after-tax contribution, creating a total of \$970,000.
- By contributing an additional \$180,000 after-tax, Neil increased his pre-1983 component, which increased the proportion of funds treated as tax-free by approximately \$36,000.

The strategy resulted in a tax saving of \$4,500.

GSS	\$550,000
WSS	\$240,000
Bank	\$180,000
<b>SUB TOTAL</b>	<b>\$790,000</b>
WSS after-tax contribution	\$180,000
<b>TOTAL</b>	<b>\$970,000</b>
<b>= \$4,500</b> SAVED ON TAX	

# Feel good about retirement with StatePlus

Navigating the complexities of your GESB scheme can feel daunting. The good news is, you don't need to make big decisions about retirement on your own.

Our expert planners can help you:

- Get clear on your retirement goals and how you might achieve them
- Maximise the benefits of your GESB scheme and reduce the amount of tax you pay
- Understand how much money you'll need to live in retirement, and how you might make up for any shortfall
- Work out the best time to retire – and the right strategy for you
- Manage your money effectively in retirement.

## We're easy to talk to

There's no need to go it alone. A StatePlus planner can talk you through your options, and help you assess what decision will put you in the best possible position for a happy retirement. A face-to-face conversation can often make complex decisions seem more straightforward.

We will:

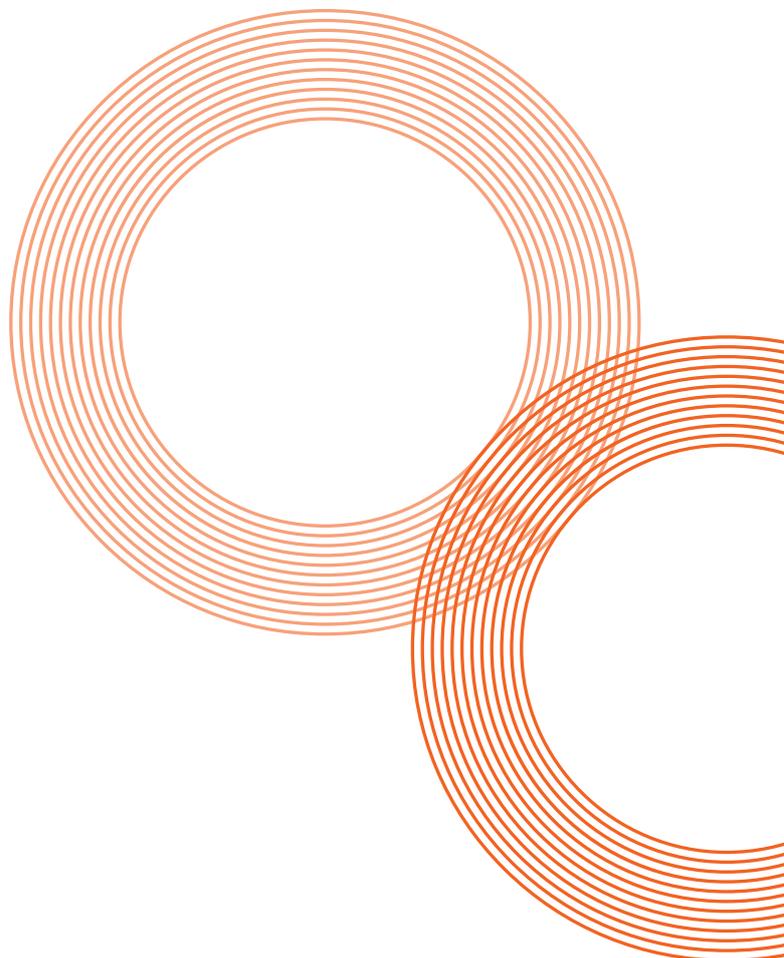
- Listen to you and make sure you feel comfortable
- Work together to find out what matters to you the most
- Explain your options and any costs involved.

Our financial planners are salaried and do not receive product commissions, so you can rest assured that the advice you get, is in your interests only.

## Ready for expert advice about your retirement?

StatePlus planners are experts in GESB schemes. For a personalised financial plan designed around your needs, book an obligation-free appointment to see a StatePlus financial planner.

Call 9214 4141 or visit [stateplus.com.au](http://stateplus.com.au)



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