



Build your super with salary sacrifice

Did you know by contributing to your super you could save on tax and boost your retirement savings all at the same time?

Let's take a look at how this could be possible through salary sacrificing.

What is salary sacrifice?

Salary sacrifice is when you contribute to your super before income tax is paid. So, essentially you give up or 'sacrifice' a portion of your before-tax salary to go directly into your BUSSQ super account. This type of contribution is setup with your employer under a 'salary sacrifice arrangement' and is additional to the superannuation guarantee (SG) amount that your employer is required to make for you.



To setup a salary sacrifice arrangement, contact your employer/payroll office to confirm what arrangements are available. If salary sacrifice isn't available to you, think about making personal contributions. See our *Adding to your super from your pay* fact sheet at bussq.com.au for further information.

Why do it?

For some, the compulsory SG contribution their employer makes may not be enough to achieve their retirement goals. That's why contributing a little extra to super can be a helpful way to achieve that retirement lifestyle desired.

Salary sacrificing is one way to build up your super in a tax-effective way, as the money you contribute via this arrangement is taxed at a rate of 15%. This is generally less than your marginal tax rate, which could be as high as 47% including the Medicare Levy. So, depending on your situation, you may pay less income tax than if you were to make a super contribution with your 'after-tax' wages.

Benefits of salary sacrifice

Here are some benefits salary sacrifice could provide you:

- **Pay less in income tax** as your taxable income is reduced by the amount you salary sacrifice
- **Lower investment earnings tax** when its inside of super vs outside of super
- **Enjoy regular and automated contributions made** by your employer, so you can simply sit back and watch it build-up your nest egg
- **Grow your retirement savings** by taking advantage of the power of compounding returns (i.e helping your super earn interest on interest over the long term).

Build your super with salary sacrifice

How much can I contribute?

There are limits to the amount of 'concessional contributions' (e.g. employer and salary sacrifice contributions) you can make to your super account. There is a maximum of \$27,500 per financial year that can be contributed as per the current concessional contributions cap rule. Going over this limit will result in any excess contributions being taxed at your marginal tax rate (plus Medicare and other levies). See the *BUSSQ Super Handbook* for more information.

PLEASE NOTE

If your income exceeds \$250,000 you will pay an additional tax of 15% (total of 30%) on concessional contributions. Despite the additional tax, from a tax perspective super remains an attractive investment vehicle for all taxpayers due to the tax concessions provided on contributions, the 15% tax rate on investment earnings and the typically tax-free status of withdrawals from super once you meet a condition of release, such as reaching age 65, or reaching age 60 and ceasing an employment arrangement.

Things to consider

- **Being a low-income earner** – as salary sacrifice contributions don't qualify for the government's super co-contribution scheme (i.e. where eligible candidates can receive up to \$500 per year to their super), after-tax contributions may be a better way to contribute to your super if you earn less than \$43,445 in 2023-24. For further information go to ato.gov.au[#]
- **If you're 67 to 74 years** – if you wish to claim a tax deduction for any personal contributions made to your super, you will need to meet the work test or work exemption.[^]
- **If you're over 75 years** – you're no longer able to make salary sacrifice contributions even if you meet the work test requirements.

[#]Rates can be found at www.ato.gov.au/Rates/Key-superannuation-rates-and-thresholds

[^]To meet the work test or work test exemption you need to prove you've worked at least 40 hours over 30 consecutive days during the financial year and had a total super balance of less than \$300,000 at the end of the previous financial year. You cannot claim the work test exemption if you have claimed it in a previous financial year.

Want some advice?

BUSSQ members have access to personal financial advice on contributions at no extra cost*. For more information on contributing to your super call us on **1800 692 877** or email super@bussq.com.au.







How to get started?

To setup a salary sacrifice arrangement you'll need to firstly speak to your employer or payroll department and check the following:

1. Are they **happy to contribute** to your super from your pay through salary sacrifice?
2. Do they **have any set limits** on how much you can sacrifice?
3. Can your **arrangement be flexible**, changed or stopped at any time?

Then simply complete the *Additional Contributions to BUSSQ Super* form and provide it to your employer to get started.

Why choose BUSSQ?

					
Personalised customer service	National Fund	Strong investment returns	Investment choice	Financial advice	Tailored insurance for the industry

*BUSSQ members have access to personal financial advice on insurance, investment choice, contributions and retirement at no extra cost. Personal advice is limited to BUSSQ products. The cost of this advice is included in the BUSSQ administration fees and costs, and this advice is provided by Link Advice Pty Ltd (ABN 36 105 811 836 AFSL 258145). This fact sheet provides general information only and does not take into account your personal financial situation or needs. Before acting, you should consider the appropriateness of the information to your needs or obtain financial advice tailored for your personal circumstances. Past performance is not a reliable indicator of future performance. Issued by BUSS (Queensland) Pty Ltd ABN 15 065 081 281, AFSL 237860, Trustee for Building Unions Superannuation Scheme (Queensland) (BUSSQ) ABN 85 571 332 201. Information correct as at July 2023.