

# Superannuation basics for members new to Australia



This fact sheet answers some common questions people new to Australia may have about the superannuation system.

## What is superannuation?

Superannuation is a compulsory scheme that helps Australian workers save for retirement. Your employer must contribute 9% of your salary to superannuation if you earn more than \$450 in a month and are between 18 and 70 years old.

If you are working temporarily in Australia and your employer is already providing you with benefits in an overseas retirement scheme, they may not be required to also make contributions for you here. Australia has agreements with several other nations including the USA, Greece, Germany and Ireland which allow your employer to continue participating in the overseas scheme rather than make contributions for you here.

## What kind of benefit will I get from a superannuation fund?

Superannuation generally provides a lump sum benefit on retirement. This lump sum may be cashed and reinvested outside the superannuation system, or transferred into an income stream account which provides a regular income. It is also possible to take a combination of these options.

The income from an income stream account is not guaranteed for life or restricted to a set amount. You choose how much to withdraw each year subject to a minimum withdrawal amount, and choose how the account is invested. It is possible for the funds to run out.

The Australian Government also provides social security benefits in the form of an Age pension. The Age pension is means tested, but most Australian retirees over Age pension age (generally 65) may be eligible for at least a small amount.

## How is the final benefit determined?

Generally, you choose how your superannuation account is invested and how much you would like to contribute to it, in addition to your employer's contribution. The final benefit is determined by how your investment has performed over the years, and how much has been contributed, just like an investment in the share market or a managed fund.

Some funds have a benefit determined by a multiple of final salary, depending on your years of service. These 'defined benefit' funds are relatively uncommon, and these accounts are usually not available to new employees.

## How is superannuation taxed?

Superannuation is considered one of the most tax-effective ways to save for retirement. Despite this, taxation laws are complex and subject to change. To make the most of your super you might like to consult a financial planner or tax adviser for specific details about how you will be taxed.

Superannuation is taxed at concessional rates. The tax paid on employer contributions to super is generally lower than the tax you pay on your salary. Please note: there are contribution limits that apply to superannuation.

Generally, there is a 15% tax applied to amounts your employer contributes for you, and amounts you elect to sacrifice to superannuation from your pre-tax salary. If you make personal contributions after paying income tax, no contributions tax is applied.

The investment earnings made within superannuation are also taxed at a maximum rate of 15%. This concessional rate makes saving in super attractive when compared with other investments which can be taxed at higher rates while they grow. Prime Super deducts the appropriate tax before calculating your investment returns.

There is no tax on payments from superannuation after you reach your 60th birthday. Withdrawals prior to age 60 are taxed at concessional rates.

## Insurance benefits

It is common for insurance to be automatically provided with your superannuation plan. The cover may come at a cost to you, which is deducted from your account balance, or may be paid for by your employer.

Insurance commonly provides lump sum benefits for death and total and permanent disability, and income replacement for temporary disability. Check your benefit statement or the current *Short-Form Product Disclosure Statement (Short-Form PDS) – Superannuation*, to find out more about your insurance benefits.

## Additional information

For additional information on Australia's superannuation system, go to the Australian Taxation Office (ATO) website at [www.ato.gov.au](http://www.ato.gov.au) and select 'Super Funds' from the horizontal tabs. You will also find information on the ATO website regarding accessing your super on leaving Australia.

## Additional help!

Write to us at: Locked Bag 5103 Parramatta NSW 2124  
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### Receive FREE financial advice!

At Prime Super, we provide members with limited financial advice over the telephone. A planner may be arranged to help you determine which superannuation contribution, investment or insurance options are right for you, based on your individual circumstance and needs. And it's free. Call us today on **1800 675 839**.

If you require further advice and potentially a full financial plan, we can refer you to a financial planner. Prime Super financial planners are representatives of Industry Fund Financial Planning<sup>^</sup>, which offers low cost, commission-free financial advice and the first consultation with a planner is **at no charge**. Call us today on **1800 675 839**.

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