



Contributions and tax

The super advantage!

Find out how:

- You can potentially get money from the Government by contributing into your super.
- You can tax-effectively contribute into your super.
- You can potentially save over 30% in tax on earnings by investing inside the super environment.
- You can receive a tax-free income in retirement.

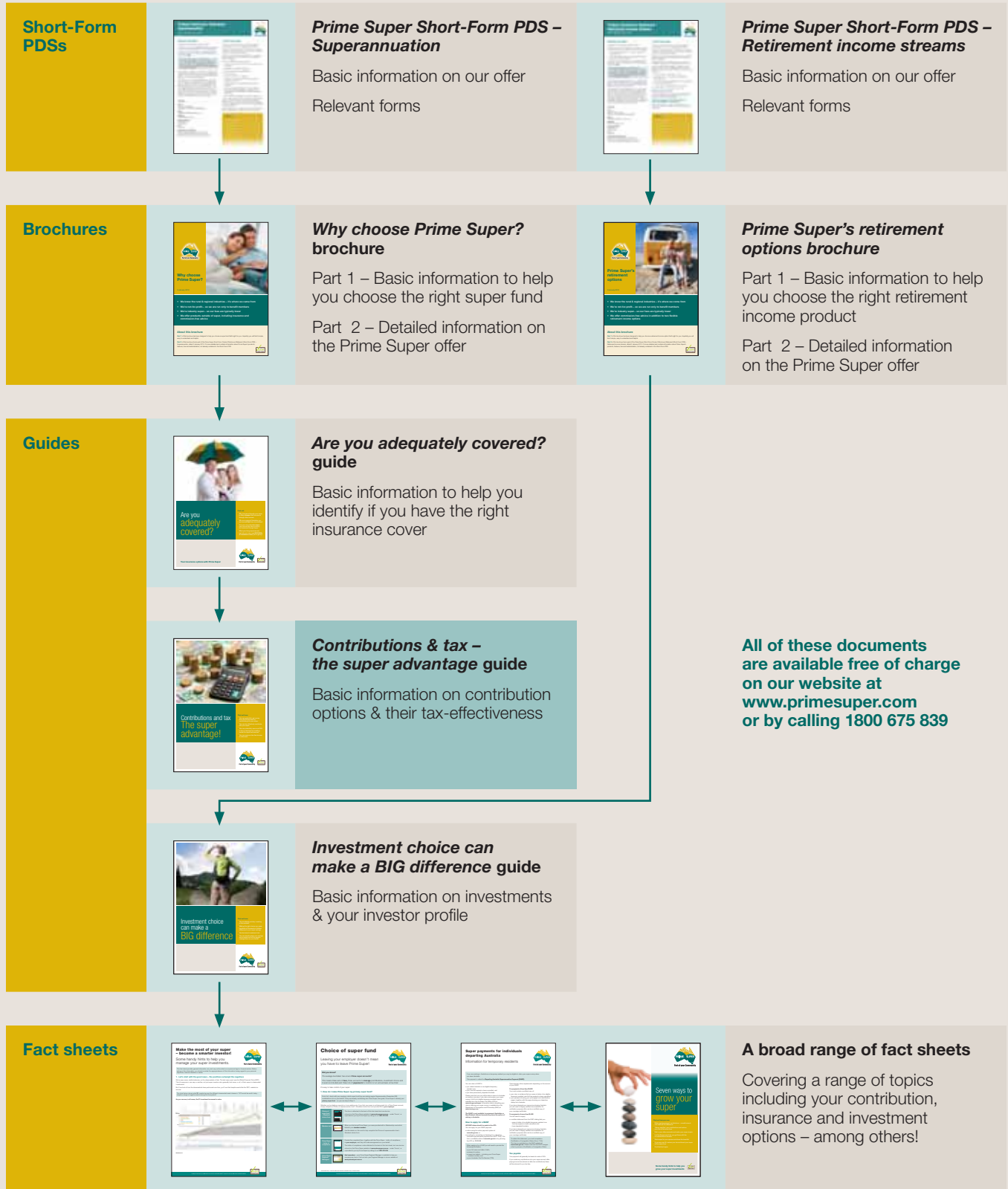
Your options with Prime Super



1. KNOWLEDGE IS POWER

Super is one of the **most tax-effective savings vehicles** in Australia. If you understand how super can work for you, you might just be amazed at how much money **you can save** in the long run.

To help you better understand your entitlements, we have created a series of documents. The documents relevant to you will depend on your circumstances.



2. SUPER FACTS AND STATS

By making additional, before-tax contributions into your super, you can potentially reduce the amount of income tax you pay.

This is called a salary sacrifice strategy.

Of course, you have to be aware of the contribution caps!

Super is one of the most tax-effective savings vehicles in Australia!

Earnings on investments held outside of super can be taxed **by up to 46.5%!**

Earnings on *super* investments are taxed at a **maximum of 15%!**

When you reach age 60, it's easier to withdraw your super as either a lump sum or an income stream...

...and pay **no tax!**

If you make contributions into your super from money on which you have already paid tax –

for example, your bank savings – this money will be returned to you **tax-free** when you access your super.

The Government actually gives money to eligible Australians who make additional, after-tax contributions into their super!

This is known as the **Government co-contribution!**

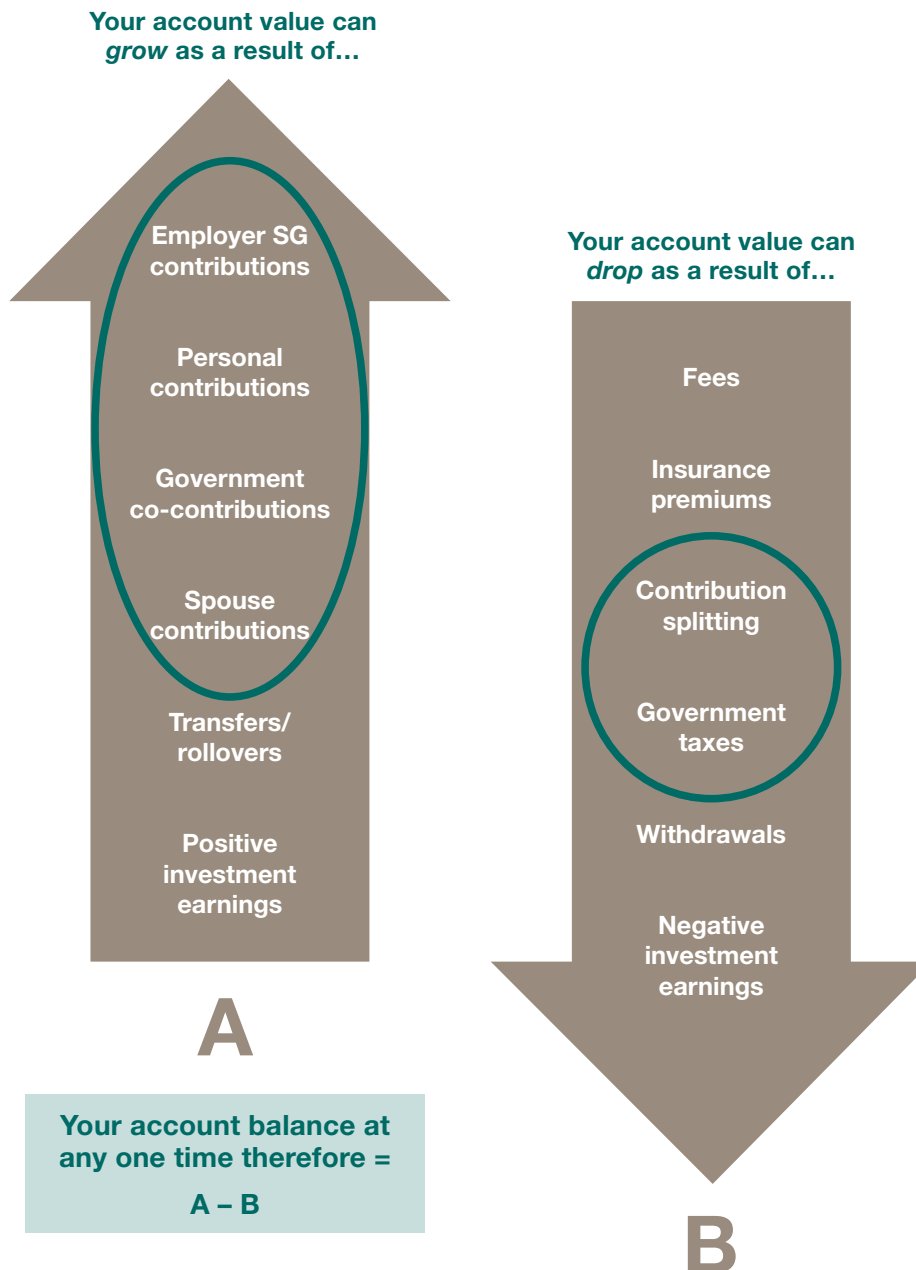
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3. UNDERSTANDING YOUR SUPER

Before we get into the often complex topics of **super contributions** and **super tax**, its best you first understand how your super account actually works! By way of a basic summary...

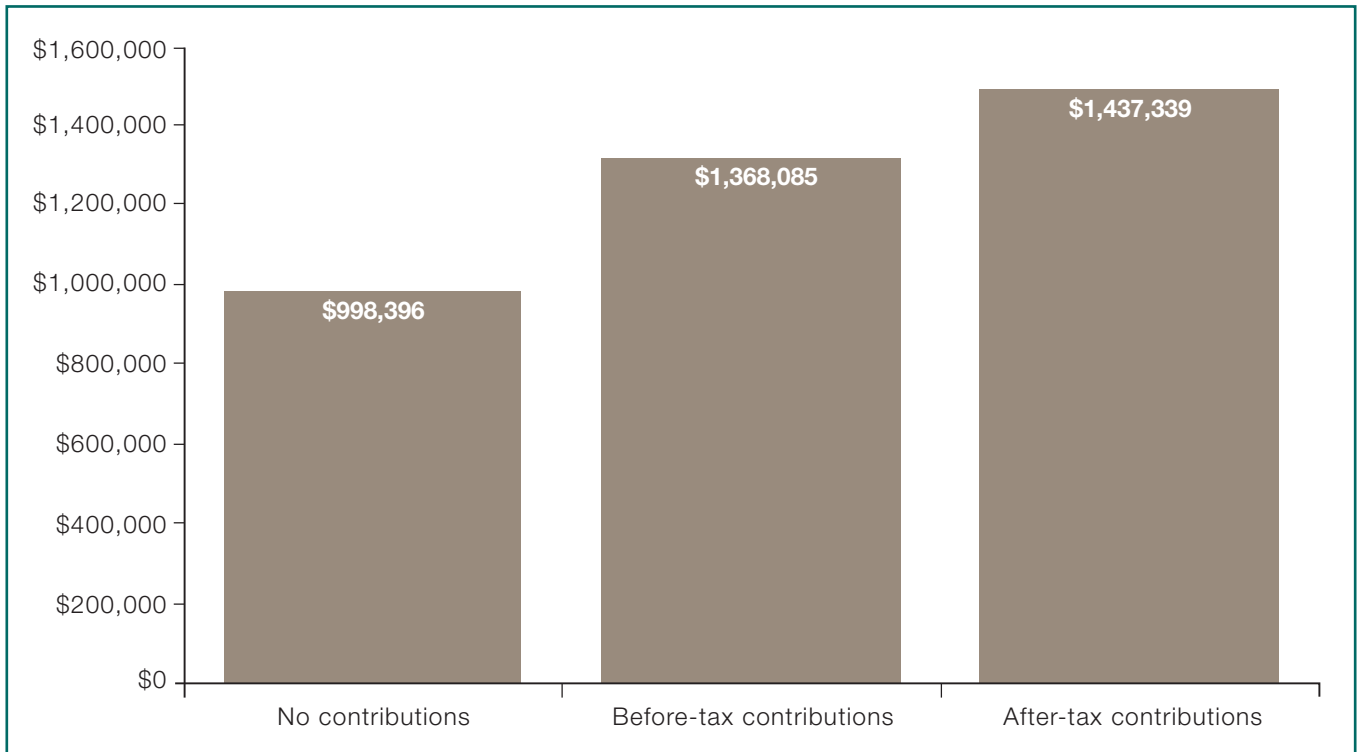


It's the areas of:

- employer SG contributions;
- personal contributions;
- Government co-contributions;
- spouse contributions;
- contribution splitting; and
- Government taxes,

that we will focus on in this Guide to help you **make the most of your super savings!**

Making additional contributions into your super can make a BIG difference!



John is **30** and wants to retire at age **65**. He earns **\$60,000 p.a.** (gross). He has **\$30,000** in his super account and is invested in the **Default** option. This option returns **6% p.a.** pre-retirement and **7.06% p.a.** post-retirement. The chart above shows the estimated difference in John's super savings at age 65 had he made:

- no additional contributions;
- \$50 p/week in additional *before-tax* contributions; and
- \$50 p/week in additional *after-tax* contributions.

So \$50 per week could mean a difference of almost \$450,000 in super savings!

Reference 1

Note: The above amounts are in **future dollars**. Today, they would equate to: \$354,814; \$486,195; and \$510,806 respectively.

Receive FREE financial advice on your contribution options!

At Prime Super, we provide members with limited financial advice over the telephone. A planner may be arranged to help you determine which contribution 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 Planning², 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**.

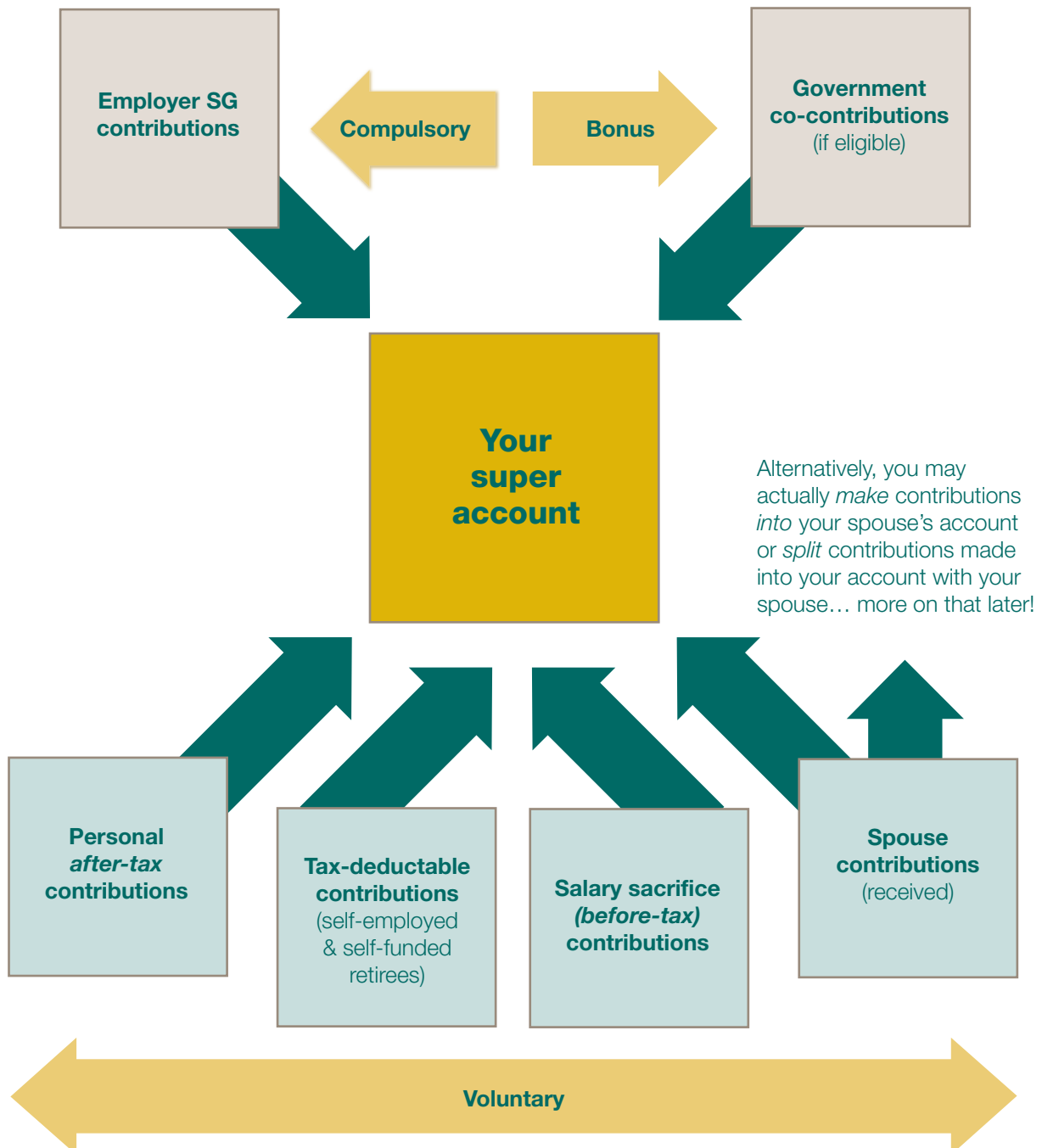
4. A LITTLE BIT ABOUT SUPER CONTRIBUTIONS

There are a variety of **contribution** types which can be paid into your super account.

Contribution type	Description	Who pays?	Who is eligible?	Who is not eligible?	How much?	How often?
Compulsory						
Employer Superannuation Guarantee (SG) (15% tax)	Regular contributions paid by employers on behalf of employees, into the employee's nominated super account.	The employer	Any individual who earns more than \$450 in any one month, is eligible for an SG contribution for that month.	No SG contributions need to be paid on income over \$43,820 per quarter (\$14,607 per month), or less than \$450 in any month.	9% of an individual's ordinary time earnings (OTE)*. (Though this can be more, depending on the employer).	At least quarterly
Bonus						
Government co-contributions (0% tax)	Contributions paid by the Federal Government to low to middle income earners who have made voluntary, <i>after-tax</i> contributions into their super account.	The Federal Government	Any individual who earns <i>less</i> than \$61,920 p.a.# and has made voluntary <i>after-tax</i> contributions into their account. #to 30 June 2012	Any individual who earns <i>more</i> than \$61,920 p.a.# #to 30 June 2012	The Government will contribute \$1 for \$1 up to a maximum of \$1,000 if an individual earns less than \$31,920. This is reduced by 3.3333 cents for every dollar of total income, over \$31,920 – up to \$61,920.	Annually
Voluntary						
Personal after-tax (0% tax)	Contributions paid voluntarily by an individual into their super account, from amounts after-tax .	The individual	Any individual under age 65. Individuals over age 65 (and under 75) must be gainfully employed ³ .	Individuals over age 75. Individuals between 65 and 75 who <i>don't</i> meet the gainful employment ³ definition.	This is up to the individual – however non-concessional contribution caps apply (see page 18).	At any time
Personal before-tax (salary sacrifice, self-employed & self-funded retirees) (15% tax)	Contributions paid voluntarily by an individual into their super account, from amounts before-tax .	The individual	Generally, all working individuals.	Individuals who have clauses in their employment contract restricting them from doing so.	This is up to the individual – however concessional contribution caps apply (see page 18).	At any time
Spouse (0% tax)	Contributions paid voluntarily by an individual into their <i>spouse's</i> super account, from amounts after-tax .	The individual	Contributing spouse: Can be any age and working or non-working. Receiving spouse: Under age 65, can be working or non-working. Aged 65-70, must be gainfully employed ³ .	Any individual who does not meet the legal definition of a 'spouse' will not be entitled to the tax rebate (see page 18). Individuals over age 70 cannot <i>receive</i> spouse contributions into their account.	This is up to the <i>contributing</i> spouse however their own non-concessional contribution cap applies (see page 18).	At any time

* OTE – is usually the amount an employee earns for their ordinary hours of work. It includes commissions, shift-loadings and allowances but excludes over-time payments.

Super contributions



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5. A LITTLE BIT ABOUT SUPER TAX

Investments outside of super and investments inside of super are both **taxed at three points**. However, the difference in the amount of tax applied, is **considerable**.

Investments outside of super

Point of taxation	When the tax is applied	Amount of tax
Point 1	When the money to be invested is <i>earned</i> i.e. such as your salary	Your marginal tax rate – which can be up to 46.5%
Point 2	When the investment distributes <i>earnings</i> to you	Your marginal tax rate – which can be up to 46.5%
Point 3	When the assets making up the investment are <i>sold</i> for profit	Capital Gains Tax (CGT) – the amount depends on your overall income – which can be up to 46.5% – and how long the investment was held for*

* CGT is applied to the increase in value of the asset, less any expenses incurred in holding the asset. Investments held for more than 12 months may be subject to a 50% tax discount i.e. tax of up to 23.25% instead of up to 46.5%.



Super

Point of taxation	When the tax is applied	Amount of tax
Point 1	When the money is <i>contributed</i> into the super account (either by you or your employer) on a before-tax basis. No tax applies for contributions made after tax has already been paid	<i>Maximum</i> rate of 15% (up to the concessional contribution cap)
Point 2	When the super investment makes <i>earnings</i>	<i>Maximum</i> rate of 15% . If earned in the Pension phase – NO tax
Point 3	When the assets making up the super investment <i>increase in value</i>	CGT – the amount depends on how long the investment was held by the Fund, but is subject to a maximum of 15% .* If sold in the Pension phase – NO tax

* CGT is applied to the increase in value of the asset, less any expenses incurred in holding the asset. Investments held for more than 12 months may be subject to a 33% tax discount i.e. tax of up to 10% instead of up to 15%.



In addition to the amount of tax paid within the super environment being considerably lower than outside of super, other tax advantages can potentially be achieved through super investing.

Lower the income tax you pay by salary sacrificing

Salary sacrifice is where you ask your employer to pay a certain amount of your income into your *super account*, instead of your *salary*.

This means money is taken out of your income – **before** tax is paid – and redirected into your super account.

What are the tax advantages?

1. You pay only 15% tax on the amount re-directed into super, instead of your standard income tax rate.
2. By salary sacrificing, you lower your before-tax salary and therefore pay less tax on the rest of your income! Additionally, you can potentially drop into a **lower tax bracket** – further reducing the amount of tax you pay!

Receive a tax deduction for certain super contributions

You may be able to claim a **tax deduction** for personal, after-tax contributions if you are under age 75 and you are:

- self-employed; or
- not self-employed and earn less than 10% of your total income from employment.

Receive a tax rebate for spouse contributions

If you make contributions into your spouse's super account, you may be able to claim a **tax rebate** which can be up to \$540 per year!

Transition into retirement and save on tax

If you are aged 55 or over, you can access your super in the form of an income stream, **while still working**. This is called a transition to retirement (TTR) income stream.

This offers two potential benefits. You can:

- *reduce* your working hours and **supplement** your income with your income stream payments; and/or
- make *salary sacrifice* contributions into your super – paying a **lower rate of tax** on this amount and potentially dropping yourself into a **lower income tax bracket** – and again, **supplement** your income with your income stream payments.

Receive an income from your super, tax-free

When you reach age 60, you can receive your super as a lump sum (subject to preservation rules) or retirement income (in the form of a TTR or on full retirement) and pay **no tax** on withdrawals.

And if your super is in an account-based pension – such as Prime Super's allocated income stream product – you pay **no tax** on earnings (including CGT).

See Section 8 for examples of some of the above tax strategies.

6. CONTRIBUTION STRATEGIES TO CONSIDER

Government co-contributions

In 2003 the Federal Government introduced an initiative to help low to middle income earners boost their super savings and achieve their retirement goals. This initiative is known as the '**co-contribution scheme**'.

Under the scheme, you are eligible to receive money from the Government if your total annual income, less allowable business deductions, is under \$61,920.

If you earn less than \$31,920, the Government will contribute **\$1 for every \$1** of after-tax money you contribute into your super account, up to a maximum of **\$1,000**.

This is reduced by 3.3333 cents for every dollar your total income, less allowable business deductions, is over \$31,920 – up to \$61,920.

Let's look at an example of how this could work.

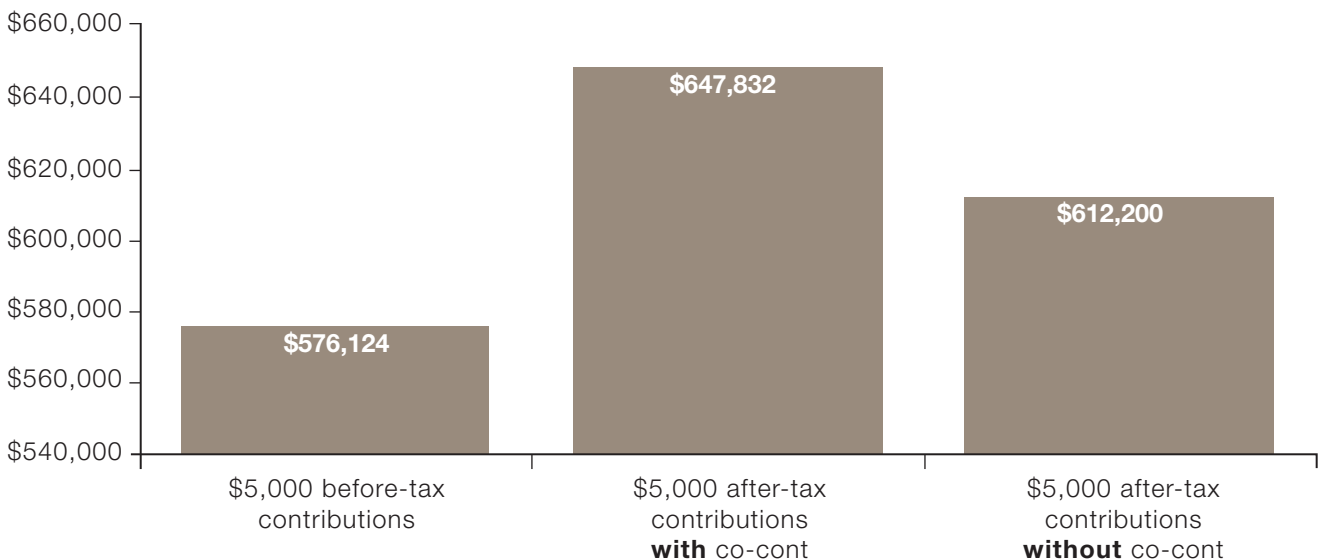
Michelle is **40** and wants to retire at age **60**. She earns **\$40,000 p.a.** (gross).

She has **\$70,000** in her super account and is invested in the **Default** option.

This option returns **6% p.a.** pre-retirement and **7.06% p.a.** post-retirement.

The chart below shows the estimated difference in Michelle's end retirement benefit after making **\$5,000** in:

- *before-tax* contributions into her super each year;
- *after-tax* contributions into her super each year and therefore also receiving the **Government co-contribution**;
- *after-tax* contributions into her super each year and *not* receiving the **Government co-contribution**.⁴



Reference 5

Note: The above amounts are in **future dollars**. Today, they would equate to: \$318,986; \$358,689; and \$338,960 respectively.

As you can see, in Michelle's case, making after-tax contributions, coupled with the Government co-contribution, gives her **over \$70,000** or **\$35,000 extra** in super than had she made before-tax contributions, or after-tax contributions but with no Government co-contribution⁴ (respectively).

Personal, after-tax contributions

Because you have already paid tax on these contributions, you are **not** taxed again when you:

- make the **contribution** into your super account; and
- withdraw** this money from your account as a lump sum or income stream.

Remember, if you had used this money to buy and sell investments outside of super, a tax rate of up to 46.5% would apply on both the initial investment *and* withdrawal.

As an extra bonus, you may be able to claim a **tax deduction** for after-tax contributions into super if you are under age 75 and:

- you are self-employed; or
- not employed and earn less than 10% of your total income from employment.

Remember: Non-concessional contribution caps apply – see page 18 for further details.

Personal, before-tax contributions (salary sacrifice)

As noted on page 9, this is where you ask your employer to pay a certain amount of your income into your *super account*, instead of your *salary*.

This means money is taken out of your income – **before tax** is paid – and redirected into your super account.

This has **significant** potential tax advantages!

Let's look at an example of how this could work.

Ian	With salary sacrifice	Without salary sacrifice
Gross salary	\$85,000	\$85,000
Less salary sacrifice into super	\$10,000	\$0
Taxable salary	\$75,000	\$85,000
Income tax payable	\$16,050	\$19,400
Net salary	\$58,950	\$65,600
Tax paid		
Super contributions tax	\$1,500	\$0
Total tax paid	\$17,550	\$19,400

Reference 6

By making a before-tax contribution into super, this could potentially drop you into a **lower income tax bracket**. In this case, Ian has gone from bracket A to B because his taxable salary dropped from **\$85,000** to **\$75,000!**

A	\$80,001 – \$180,000	\$17,550 plus 37c for each \$1 over \$80,000
B	\$37,001 – \$80,000	\$4,650 plus 30c for each \$1 over \$37,000

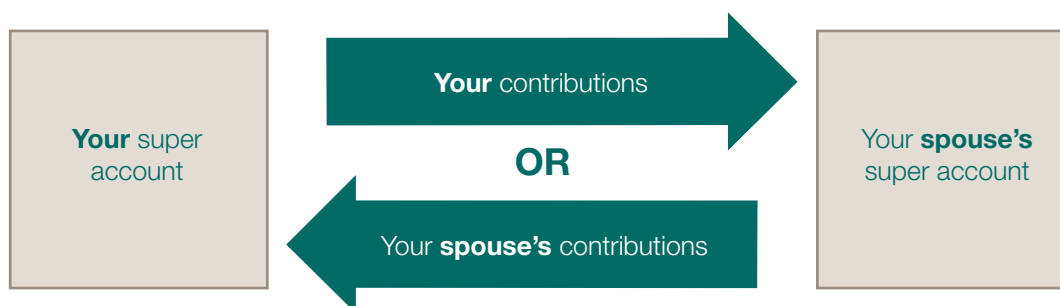
And even with the 15% super contributions tax, Ian has still **paid less tax** than if he didn't salary sacrifice – almost \$2,000 p.a.!

Remember: Concessional contribution caps apply – see page 18 for further details.

Spouse contributions

Spouse contributions can be made in two ways:

- **you** can make contributions into your spouse's super account; or
- **your spouse** can make contributions into **your** account.



In doing so, not only are you boosting your spouse's super savings (or they yours!) but there are also potential **tax benefits**.

If your spouse's income is less than \$10,800 p.a.,⁷ and you contribute at least \$3,000 into their account, you could get a full **tax rebate of \$540!**

If you contribute less than \$3,000, the rebate will be 18% of your contributions.

If your spouse earns more than \$10,800⁷ the rebate reduces until it cuts out when your spouse's income reaches \$13,800.⁷

Of course the same rules apply for your spouse if they make contributions into *your* account.

Contribution splitting

Contribution splitting with your spouse is an effective strategy if you and/or your spouse, intend to **retire before the age of 60! Here's how it works.**

If you or your spouse withdraw some, or all, of your super as a lump sum between the ages of 50-60 – you could each receive **\$165,000⁸ tax-free** (subject to preservation rules)!

Given one spouse generally has the lions-share in super savings, by splitting contributions⁹ with the other spouse and building both super accounts, you can effectively each save thousands of dollars in tax on retirement.

Of course, this is not such an attractive strategy if you and/or your spouse intend to retire after age 60 as super received at this stage is **tax-free**.

Contribution splitting simply means splitting either:

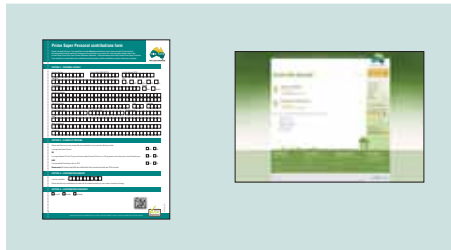
- before-tax contributions made in the previous financial year; or
- before-tax contributions made in the current financial year if the entire balance is to be rolled-over, transferred or cashed before the end of the financial year.

Maximum limits apply.

7. HOW TO MAKE ADDITIONAL CONTRIBUTIONS

Government co-contributions

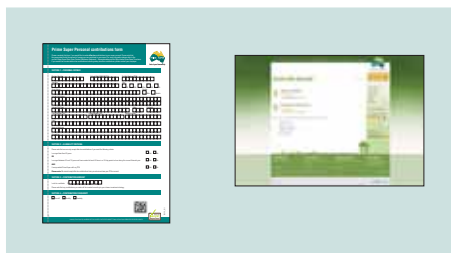
1. To receive a co-contribution from the Government, if you are eligible, simply make **after-tax contributions** into your super account.
2. Ensure you lodge a **tax-return** for the year of income in which the contribution/s was made.
3. If your salary is below the maximum amount, the ATO will recognise this and **match** your contributions (to the relevant limits) and pay the amount directly into your super account.



Complete the *Prime Super personal contributions form* enclosed with this guide or alternatively, log on to your secure member account at **www.primesuper.com.au** and apply to make after-tax contributions into your super account.

You can make a one-off contribution or periodic contributions.

Personal after-tax contributions



Complete the *Prime Super personal contributions form* enclosed with this guide or alternatively, log on to your secure member account at **www.primesuper.com.au** and apply to make after-tax contributions into your super account.

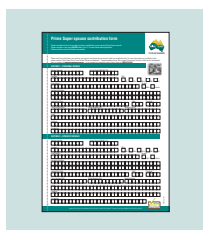
You can make a one-off contribution or periodic contributions.

Personal, before-tax contributions (salary sacrifice)

Speak to your employer about setting up a 'salary sacrifice' arrangement.

Please note: Your employer may decline your request, or your salary sacrifice may be subject to discussion and an agreement between you.

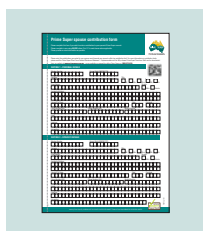
Spouse contributions



Complete the *Prime Super spouse contribution form* enclosed with this guide and return it to us.

Alternatively, the form can be downloaded from our website at **www.primesuper.com.au** or by calling us on **1800 675 839**.

Contribution splitting



Complete the *Prime Super contribution splitting form* enclosed with this guide and return it to us.

Alternatively, the form can be downloaded from our website at **www.primesuper.com.au** or by calling us on **1800 675 839**.

8. TAX STRATEGIES TO CONSIDER

Investing inside versus outside of super

The difference between the tax you pay on **contributions**, **earnings** and **withdrawals** inside super versus outside super, can be **significant!**

A maximum rate of **15%** per transaction applies within super whereas you could be taxed by as much as **46.5%** outside of super – per transaction!

Tax savings on contributing

Based on an individual with a gross income of \$70,000.

Outside super

Contribution amount	Tax rate	Tax paid	Net amount invested ¹⁰
\$2,000	31.5%	\$630	\$1,370
\$5,000	31.5%	\$1,575	\$3,425
\$10,000	31.5%	\$3,150	\$6,850
\$20,000	31.5%	\$6,300	\$13,700

Super

Contribution amount	Tax rate	Tax paid	Net amount invested ¹⁰	Tax advantage
\$2,000	15%	\$300	\$1,700	\$330
\$5,000	15%	\$750	\$4,250	\$825
\$10,000	15%	\$1,500	\$8,500	\$1,650
\$20,000	15%	\$3,000	\$17,000	\$3,300

Tax savings on earnings

- John earns **\$75,000** and pays a marginal tax rate of **31.5%**.
- Of his gross earnings, he invests **\$5,000** into his super via salary sacrifice (i.e. before-tax) and \$5,000 (equating to \$3,425 after-tax) outside of his super.
- He does this for a period of **20 years**.

	Inside super – 15% tax (salary sacrifice)	Outside super – 31.5% tax
Investment amount	\$5,000	\$5,000
After-tax	\$4,250	\$3,425
Plus 7.7% return (year 1)	\$327	\$264
Minus tax on earnings (year 1)	\$49	\$83
Position after year 1	\$4,528	\$3,606
Position after year 20	\$176,667	\$122,744

Even though the earnings are **less** than inside super, the tax rate is greater!

Reference 11

As you can see, as well as saving on tax by *contributing* into super, John has also saved through the lower rate of tax applied to his **earnings** within super – a difference of almost **\$54,000** for the same investment amount!

Tax savings on withdrawal – 1

The following example illustrates how establishing a **TTR strategy** can save you tax on the *withdrawal* of your super savings!

- Mary is **60** years of age.
- Her gross salary is **\$72,000** per year.
- Mary intends to continue working full-time, but she wants to **increase** her monthly income by accessing some of her super benefits via a TTR income stream.
- Mary has **\$250,000** in super.
- She elects to receive **\$25,000** over 12 months.

	Income working full-time – WITHOUT TTR strategy	Income working full-time – WITH TTR strategy
Employer salary (gross)	\$72,000	\$72,000
Assessable income	\$72,000	\$72,000
TTR income	Nil	\$25,000
Total gross income	\$72,000	\$97,000
Taxable income	\$72,000	\$72,000*
Tax ¹²	\$16,340	\$16,340
Net income	\$55,660	\$80,660

*Because Mary is aged 60 her \$25,000 income from a TTR pension is **tax-free**. So she receives an income of \$80,660 yet only pays tax on \$72,000!

Tax savings on withdrawal – 2

The following example illustrates how Mary can **salary sacrifice** into her super while drawing a TTR income stream. In doing so, she can reduce the amount of tax she pays even further.

	Income working full-time – WITH TTR strategy	Income working full-time – WITH TTR strategy AND salary sacrifice	
Employer salary (gross)	\$72,000	\$72,000	Mary uses her salary sacrifice amount to supplement her income further
Minus salary sacrifice amount	\$0	\$10,000	
Assessable income	\$72,000	\$62,000	
TTR income	\$25,000	\$35,000	
Total income	\$97,000	\$97,000	
Taxable income	\$72,000	\$62,000	
Tax ¹²	\$16,340	\$12,920	
15% super contributions tax	\$0	\$1,500	
Net income	\$80,660	\$82,580	

Using this strategy, Mary again only pays tax on her assessable income (of \$62,000), and not her TTR income (\$35,000). So this time, she receives an income of \$97,000 yet only pays tax on \$62,000!

Additionally, she has lowered the amount of income tax she pays *and* is eligible for a **low income tax offset** of \$220!

An overview of the following strategies has been provided on page 9.

But let's look at some case studies to help you understand how a couple of the strategies could potentially benefit you!

Lower the income tax you pay by salary sacrificing

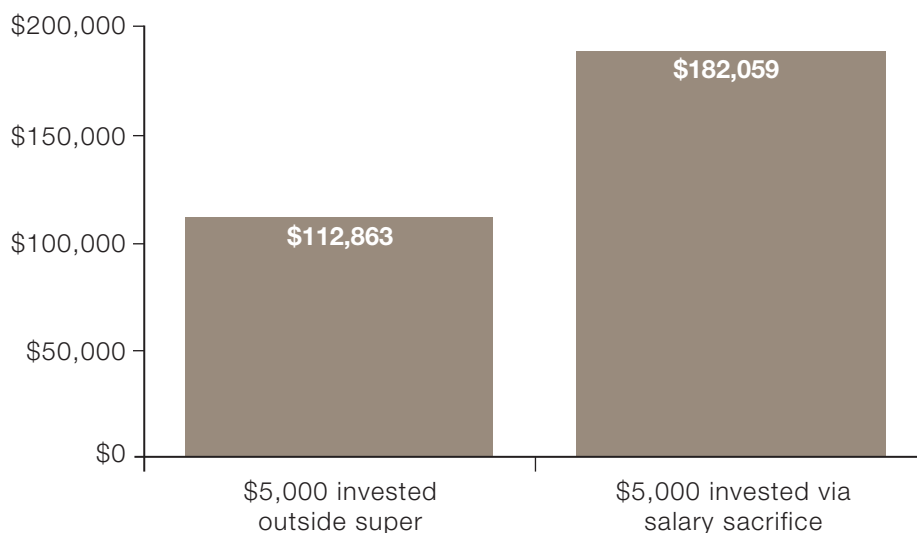
An example of the potential benefits to be gained through salary sacrifice is already provided on page 9. But let's take a look at another.

Bill is **45**.

- He receives a gross salary of **\$100,000 p.a.**
- He wants to retire at age **65**.
- He decides to invest **\$5,000 each year** through salary sacrifice (i.e. before-tax) to boost his savings.

Per year	\$5,000 invested <i>outside</i> of super	\$5,000 invested <i>into</i> super via salary sacrifice
Amount	\$5,000	\$5,000
Less income tax – 38.5%	\$1,925	\$0
Less contributions tax at 15%	\$0	\$750
Net amount remaining	\$3,075	\$4,250
Additional amount to invest		\$1,175

The effect of investing \$5,000 over 20 years via salary sacrifice can be **significant** – in this case, a difference of almost **\$70,000!** This is due to the dual effect of the tax savings to be gained (as above) and the fact **earnings in super are only taxed at 15%!**



Reference 13

And remember: As Bill will be over 60 when he takes his super as a benefit, **no** lump sum tax will apply!

Remember: Concessional contribution caps apply – see page 18 for further details.

Receive a tax rebate for spouse contributions

If you have a non-working or low-income spouse, you may be able to claim a tax deduction if you make voluntary (after-tax) contributions into their super. This can be as much as **\$540 p.a.**

Here's how it works:

- The contributor may receive a tax rebate of **18%** of the first **\$3,000** of spouse contributions.
- If the assessable income plus reportable fringe benefits of the receiving spouse is **less than \$10,800** for the income year, then the contributor gets the full rebate (i.e. 18% x contribution up to \$3,000) = **\$540**.
- However, if the spouse's income is over **\$10,800**, the rebate gradually phases out. The rebate is reduced by \$1 for every \$1 that the spouse's income is over \$10,800. It eventually phases out completely at **\$13,800**. Thus, if the receiving spouse has assessable income plus reportable fringe benefits **over \$13,800** for the income year, no tax rebate can be claimed by the contributor.

Example

Jim would like to take advantage of the rebate by making a **\$3,000** eligible spouse contribution into his wife Jane's account.

Jane's assessable income plus reportable fringe benefits for the income year comes to **\$9,000**.

Because Jane's income is *under* the \$10,800 threshold, Jim would be able to claim the full 18% rebate on the \$3,000 contribution i.e. **\$540**.

However, if Jane's income was **\$12,500** for example, then the contributions eligible for the rebate reduce by \$1,700.

Hence the rebate would be calculated as:

Spouse contribution – (partner's assessable income – threshold) x rebate %

(\$3,000 – (\$12,500 - \$10,800)) x 18%, which equals \$234.

Reference 14

9. IMPORTANT POINTS TO CONSIDER

Complicated topic – advice is recommended!

The potential benefits of making super contributions and similarly, the tax advantages associated with super – are both **complicated topics**.

We therefore **highly recommend** that before you introduce a new strategy to your super savings, you speak to a qualified financial planner!

Certain strategies may not benefit you and may actually work against you!

Receive FREE financial advice on your contribution options!

At Prime Super, we provide members with limited financial advice over the telephone. A planner may be arranged to help you determine which contribution 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 Planning², 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**.

Contribution caps

If you are planning to make additional before or after-tax contributions into your own or your spouse's super account, it is essential you are aware of the **contribution caps** that apply.

What are the caps?

The Government allows you to make voluntary contributions into your own (or your spouse's) super – which are either tax-free (for after-tax contributions) or taxed at a *concessional rate* of **15%** (for before-tax contributions) – up to a cap. Any contributions above this cap are then taxed at a penalty rate of **31.5%** – which is *in addition to* the 15% contributions tax in the case of before-tax contributions.

The caps are known as **concessional (before-tax)** and **non-concessional (after-tax)**.

For the year 2011–12 year, the caps are as follows:

- Concessional = **\$25,000** (or \$50,000 for individuals over age 50. This *may* eventually drop to \$25,000).
- Non-concessional = **\$150,000** (or \$450,000 under the bring-forward rule. This means, if you're under the age of 65, you can bring forward up to two years' worth of non-concessional contributions, which means you can make up to \$450,000 in super contributions in one year.)

Before introducing a contribution strategy, we recommend you speak to a **qualified financial planner**.

Spouse definition

For super purposes, in addition to being your marriage partner, a 'spouse' is defined as:

"...another person (whether of the same sex or opposite sex) who you are in a relationship with that is registered under a prescribed state or territory law, although not legally married to you, lives with you on a genuine domestic basis in a relationship as a couple."

For additional information, go to the ATO website at **www.ato.gov.au** or call the ATO directly on **13 28 65**.

Super tax advantages

It's important to note that the potential tax advantages associated with some of the strategies in this brochure are not relevant to *all* individuals.

For example, if you pay an income tax of **15% or less**, many of the strategies listed may offer you no further benefit.

Before introducing a tax strategy in association with your super, we recommend you speak to a **qualified financial planner**.

TFNs

There are a number of reasons why it is important that you provide your TFN to your super fund.

Without it:

1. An additional **31.5% tax** (after the 15% contributions tax) may be applied to before-tax contributions made into your account.
2. Your super fund **cannot** accept after-tax contributions into your super account.
3. Locating **lost super** on your behalf will be more difficult.
4. If you are eligible, you may miss out on the **Government co-contribution**.

For additional information, go to the ATO website at www.ato.gov.au or call the ATO directly on **13 28 65**.

Preservation rules

The Government has placed restrictions on when you can claim your super benefits. In general, access to your super will depend upon the 'preservation' classification that applies. There are three classes of preservation:

1. **Preserved benefits** – cannot be accessed until you meet a condition of release set by the Government (see below).
2. **Restricted non-preserved benefits** – cannot be cashed until you leave your job with your current employer or are otherwise eligible to take a benefit from the Fund.
3. **Unrestricted non-preserved benefits** – can be paid out at any time.

At the date of this Guide, *preserved benefits* can generally only be paid upon:

- taking advantage of a TTR strategy;
- permanent retirement at or after your preservation age (see overleaf);
- reaching age 65;
- reaching age 60 and ceasing gainful employment with an employer;
- satisfying the compassionate grounds tests;
- meeting the financial hardship requirements;
- suffering total and permanent disability;
- diagnosis of a terminal illness;
- permanent departure from Australia if you are an eligible temporary resident;
- satisfying any other condition of release as specified in superannuation legislation; and
- death.

Preservation age

Your preservation age is as follows:

Date of birth	Preservation age
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 1 July 1964	60

Work test

If a member is aged between 65 and 74 years, we can only accept after-tax contributions from them if they satisfy a 'work test.' This means they must have worked at least 40 hours in a 30 day period or less during the current financial year.

Additional help!

Write to us at: Prime Super
Locked Bag 5103
Parramatta NSW 2124

Helpline: 1800 675 839

Fax: 1800 023 662

Overseas Callers: +61 2 9374 3967

Email: administration@primesuper.com.au

Website: www.primesuper.com.au

Disclaimer

This guide provides general information only and may not be relied on as personal legal or financial advice. Before acting on this information, you should consider the appropriateness of this information having regard to your personal objectives, financial situation or needs. Prime Super ABN 60 562 335 823 is a Regulated Superannuation Fund issued by Prime Super Pty Ltd ABN 81 067 241 016, AFSL 219723). A Short-Form PDS can be obtained from the issuer by calling 1800 675 839.

REFERENCES

1. Prime Super - Super Calculator – <http://www.primesuper.com.au/Tools--resources/Super-calculator.html>. Assumptions: SG contributions of 9%. 15% tax on employer contributions (SG and salary sacrifice). Co-contribution matching rate of 100% for the year 2011-12. Calculation assumes social security benefits will not be received and don't take into account any insurance costs or benefits which may be applicable. Calculations in the accumulation phase are net of all fees and taxes while calculations in the pension phase are net of fees but not taxes. A member fee of \$1 per week (\$52 p.a.) and 0.5% p.a. of the account balance to \$100,000, then nil on amounts over \$100,000, is applied. ICR cost is applied at default rate – 0.69%. A crediting rate of 6% in the pre-retirement phase and 7.06% in the post-retirement phase is applied. After retirement age, the annual investment return has been adjusted to reflect the fact that there is no investment tax within a super fund on assets used to purchase retirement pensions. Calculation does not take into account concessional and non-concessional contribution limits. Assumes individual is eligible for the Government co-contribution if salary is less than \$61,920 p.a. (subject to indexation). Also assumes Prime Super has the individual's TFN. Assumes inflation will be steady at 3% each year.
2. Industry Fund Financial Planning is a division of Industry Fund Services Ltd, ABN 54 007 016 195, AFSL No 232514.
3. Gainfully employed - for at least 40 hours over 30 consecutive days during the financial year in which they want to make the contributions.
4. The last point is for illustrative purposes only – if Michelle made an after-tax contribution into her super, as an eligible individual, she would automatically receive a Government co-contribution if her super fund has her Tax File Number (TFN) on file.
5. Prime Super - Super Calculator – <http://www.primesuper.com.au/Tools--resources/Super-calculator.html> Please see Reference 1 for details of the assumptions associated with this calculation.
6. This example does not take into account any other taxes (e.g. taxes that may be payable when you withdraw your super or extra taxes on contributions which exceed maximum limits). Nor does it take into account your personal circumstances, the Medicare Levy or the Flood Levy.
7. This includes reportable fringe benefits and reportable employer super contributions.
8. In the 2011-12 financial year.
9. There are restrictions around the types of contributions that can be split with a spouse, the eligibility of your spouse and when contributions can be split.
10. Assuming no contribution fee.
11. This table assumes investment earnings of 7.7% p.a., after fees and before tax, applied on a compounding basis. Super investment earnings and contributions are taxed at 15%. Non-super investment earnings are taxed at a marginal tax rate of 41.5%. All figures are in today's dollars, adjusted for inflation of 3.0% p.a. Assumes \$5,000 is invested at the beginning of the year.
12. Includes Medicare and Flood Levy.
13. Assumptions: Both investments earn 8% p.a. after fees and before taxes. Investment income is franked at 30%. All investment income is reinvested. Rates remain constant over period and Bill's salary isn't indexed.
14. Source: <http://www.thesmsreview.com.au/c-spouse-tax-rebate.html>

Useful resources

ATO

- www.ato.gov.au
- 13 28 65

Prime Super qualified financial planners

- 1800 675 839

Prime Super 'Super calculator'

- www.primesuper.com.au/Tools--resources/Super-calculator

Government's response to the Super System Review

www.strongersuper.treasury.gov.au

Good luck with your journey towards financial security! We are with you every step of the way!

Prime Super Personal contributions form

Please complete this form if you would like to make **after-tax** contributions to your super account. Please note that the government limits the amount of money you can contribute to your super. For more information please refer to the current *Prime Super Short-Form Product Disclosure Statement – Superannuation* and the *Why choose Prime Super?* brochure. If you would like to make before-tax contributions including salary sacrifice contributions, please contact your employer.



SECTION 1 – PERSONAL DETAILS

Member Number	Date of Birth (DDMMYYYY)	Tax File Number (TFN)
<input type="text"/>	<input type="text"/>	<input type="text"/>
Surname	Title	
<input type="text"/>	<input type="checkbox"/> Mr <input type="checkbox"/> Mrs <input type="checkbox"/> Miss <input type="checkbox"/> Ms <input type="checkbox"/> Dr	
Given Names	Gender	
<input type="text"/>	<input type="checkbox"/> Male <input type="checkbox"/> Female	
Residential Address		
<input type="text"/>		
<input type="text"/>		
Suburb/City/Town	State	Postcode
<input type="text"/>	<input type="text"/>	<input type="text"/>
Phone Number (BH)	Phone Number (AH)	Mobile Number
<input type="text"/>	<input type="text"/>	<input type="text"/>
Email		
<input type="text"/>		
Name of Employer		
<input type="text"/>		
Occupation		
<input type="text"/>		

SECTION 2 – ELIGIBILITY CRITERIA

Please note that we can only accept after-tax contributions if you meet the following criteria:

I am aged less than 65 years Yes No

OR
I am aged between 65 and 74 years and have worked at least 40 hours in a 30 day period or less during the current financial year. Yes No

AND
I have provided Prime Super with my TFN Yes No

Please note: We cannot accept after-tax contributions from you unless we have your TFN on record.

SECTION 3 – CONTRIBUTION AMOUNT

I wish to contribute: \$

Please note that any contributions you make will be invested according to your chosen investment strategy.

SECTION 4 – CONTRIBUTION FREQUENCY

One-off Monthly Quarterly



Conditions of Use

- To cancel or alter your direct debit, you must notify Prime Super in writing.
- There must be enough money in the account on each day you have nominated for a deduction to occur.
- If the deduction is dishonoured three times, this facility will cease immediately. A dishonour means that the deduction could not be made because there was not enough money in the nominated account.
 - If Prime Super is advised of a dishonour and any part of the dishonoured amount has been paid out from your account, you will be liable to pay that amount to Prime Super.
 - If Prime Super is advised of a dishonour after all your superannuation benefit is paid out, you are liable to repay the dishonoured amount to Prime Super.

WHERE TO SEND THIS FORM

Once completed please return this form to us via mail, fax or email.

Mail Prime Super
Locked Bag 5103
Parramatta NSW 2124

Freecall 1800 675 839

Fax 1800 023 662

Email administration@primesuper.com.au

If you have any questions about this form or Prime Super please call us on **1800 675 839** (8.00am to 8.00pm Monday-Friday Sydney time).



SECTION 3 – CONTRIBUTION AMOUNT

I wish to contribute: \$

Please note that any contributions you make will be invested according to your spouse's chosen investment strategy.

SECTION 4 – CONTRIBUTION FREQUENCY

One-off Monthly Quarterly

SECTION 5 – PAYMENT METHOD

Please choose your preferred payment method.

BPAY®
You will need to contact your financial institution to make your payment. Prime Super's BPAY® details are:



Bill code: 584581

Bill name: Prime Super Spouse Contribution

CRN: Please call us on **1800 675 839** for your customer reference number (CRN).

Direct Debit

Please complete Sections 7 and 8 to set up your direct debit.

EFT

Please refer to Section 6, complete Section 8 (for our records and to ensure the EFT is completed correctly) and then contact your financial institution to make your payment.

Cheque

Your cheque should be made payable to Prime Super and attached to this form.

Please ensure you write your spouse's member number and full name on the back of the cheque.

Did you know? If you are paying via BPAY® you can complete this form online via the secure member section of our website at www.primesuper.com.au

SECTION 6 – EFT

Please transfer your EFT payment to the following account:

Account Name: National Nominees Limited ANF Prime Super Pty Ltd as Trustee for Prime Super

BSB Number: 064-000 **Account Number:** 10482771

Payment Reference Number: Please input your spouse's Prime Super member number as your payment reference number.
Please contact us if you do not know your spouse's member number.

SECTION 7 – DIRECT DEBIT

One-off payment

If you have elected to make a one-off contribution by direct debit, please tick this box

Please note: One-off contributions are processed on the 1st or the 15th of the month – whichever falls next. If you would like your one-off contribution to be made on an alternative date, we recommend you consider making a BPAY®, EFT or cheque payment.

Monthly

If you have elected to set up a monthly direct debit, you can choose to have the money come out of your account on the 1st or the 15th of the month.

I would prefer the money to come out of my account on the 1st or 15th of the month.

Please note: if this form is received by us after your nominated start date, deductions will commence from the following month. Your nominated start month will remain the month which determines the next deduction.

Quarterly

If you have elected a quarterly direct debit, your contributions will automatically be deducted on the 28th of the month.

Declaration of Direct Debit

- I/We acknowledge that this Direct Debit arrangement is governed by the terms of the Direct Debit Request Service Agreement overleaf and will remain in force in accordance with the terms and conditions of that Service Agreement.
- I/We request and authorise that, until further notice in writing, my/our account described below may be debited with any amounts to Prime Super Pty Ltd (ABN 81 067 241 016) as Trustee for Prime Super (ABN 60 562 335 823) (User ID 067 102) through the Bulk Electronic Clearing System (BECS).



Check that you give us your correct details

Before completing the Direct Debit Request, please check with your bank/financial institution that:

- your bank/financial institution account accepts direct debiting as some accounts don't; and
- the account number you give us is correct (refer to your bank/financial institution statement or contact your bank/financial institution if necessary).

Other things to note:

- Bank accounts and Building Society accounts can be nominated. Credit Union accounts cannot be nominated. This facility is not available for such accounts.
- BSB Number – Identifies the bank/financial institution/state/branch at which your account is held. Please contact your bank/financial institution if you are not sure of this number.
- Account Number – Your bank/financial institution account number.
- Member Number – Your Prime Super Member number.

Conditions of Use

- To cancel or alter your direct debit, you must notify Prime Super in writing.
- There must be enough money in the account on each day you have nominated for a deduction to occur.
- If the deduction is dishonoured three times, this facility will cease immediately. A dishonour means that the deduction could not be made because there was not enough money in the nominated account.
 - If Prime Super is advised of a dishonour and any part of the dishonoured amount has been paid out from your account, you will be liable to pay that amount to Prime Super.
 - If Prime Super is advised of a dishonour after all your superannuation benefit is paid out, you are liable to repay the dishonoured amount to Prime Super.

SECTION 9 – YOUR DECLARATION

I wish to make a contribution on behalf of my spouse.

I declare that:

- this contribution is to be credited to my spouse's Prime Super account;
- the contribution belongs to my spouse and I understand I have no further claim on the money by reason only of having made the contribution;
- the spouse named on this form lives with me on a permanent domestic basis as my spouse;
- we are both Australian residents for tax purposes;
- my spouse is younger than age 65 or is aged 65 to 74 and is/has been gainfully employed for at least 40 hours over a 30 consecutive day period during the current financial year.

Member Signature

Date (DDMMYYYY)

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WHERE TO SEND THIS FORM

Once completed please return this form to us via mail, fax or email.

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Open from 8.00am to 8.00pm, Mon-Fri Sydney time
Free call: 1800 675 839 Free fax: 1800 023 662
administration@primesuper.com.au
www.primesuper.com.au

asfa member

