Introducing Salary Sacrifice into Super

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This presentation has been prepared without taking into account your individual personal objectives, financial situation or needs.

Therefore, you need to consider the appropriateness of any information within this presentation, in light of your own personal circumstances, before you act on this information.

With this in mind, we strongly recommend that you:

- consult a financial adviser before making any decisions based on the information presented;
- read a copy of the relevant Product Disclosure Statement;
- read a copy of our Financial Services Guide.
Agenda

1. Willis Towers Watson – Who We Are

2. Introducing Salary Sacrifice into Super
   - What is salary sacrifice?
   - What payments can be salary sacrificed?
   - How much can be salary sacrificed?
   - What makes an effective salary sacrifice arrangement?
   - What are the benefits of salary sacrificing into super?
   - Considerations before salary sacrificing into super

3. How to Salary Sacrifice

4. Next steps
Introduction

Willis Towers Watson Employee Benefits is a member of the Willis Towers Watson Group and a specialist employee benefits practice.
Introducing Salary Sacrifice into Super
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What is Salary Sacrifice?

An arrangement between you and your employer - where you agree to forgo part of your future entitlement to salary or wages in return for the desired benefits

What payments can be Salary Sacrificed?

- Your base/fixed salary
- Bonus/sales commission and/or your IPI

How much can be Salary Sacrificed?

- No specific tax or superannuation law set limits
- But be aware that Concessional Contribution Caps apply
What makes an effective Salary Sacrifice arrangement?

- Arrangement must be in place **before you perform the work** - if the arrangement is put into place after the work has been performed, the salary sacrifice arrangement may be ineffective.

- You and your employer should **clearly state and agree on all the terms** of any salary sacrifice arrangement. (Intuit has a payroll deduction form for salary sacrifice)

- There is **no access** to the sacrificed amount. The sacrificed salary must be permanently foregone for the period of the arrangement.
Introducing Salary Sacrifice into Super

What should you consider before Salary Sacrificing?

- Concessional Contributions include all pre-tax contributions:
  - Super Guarantee Contribution (currently 9.5%)
  - Employer Additional Contributions (e.g. employer paid insurance premiums)
  - Salary sacrifice

- Bonus/sales commission/IPI payments will attract Superannuation Guarantee (SG) contributions

- The Contribution Caps are calculated on a financial year (1 July to 30 June)

- Contributions are counted against the relevant caps in the year in which they are received and credited to your super fund – don’t leave contributions to the last minute!
Introducing Salary Sacrifice into Super

What are the benefits of Salary Sacrificing into super?

- A pre tax contribution from your salary into super is a tax effective way to build your retirement savings

- You can pay less tax than your marginal tax rate of up to 49% including Medicare levy and Temporary Budget Repair Levy

- Money is deducted directly out of your salary before tax, meaning you are buying the benefit using “pre-tax” dollars

- Once the arrangement is set up with payroll it happens automatically each pay cycle (and you can vary the amount at any time)

- Percentage or fixed dollar amounts help you remain within concessional caps
Concessional Contribution Caps

Concessional Contributions from 1 July 2017
The concessional cap will reduce to $25,000 per annum regardless of age.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Current Legislation</th>
<th>From 1 July 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; age 50</td>
<td>$30,000</td>
<td></td>
</tr>
<tr>
<td>50 – 65 years</td>
<td>$35,000</td>
<td>$25,000</td>
</tr>
<tr>
<td>65 – 75 years¹</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ Subject to the work test

Excess Concessional Contributions Tax – Post 1st July 2013
From 1st July 2013, an individual’s assessable income will automatically include the amount of any excess concessional contributions made in the year following assessment of the excess by the ATO. The excess concessional contributions amount is taxed at the individual’s marginal tax rate, less a tax offset of 15% of the excess amount. This offset is to compensate for the 15% contributions tax that applies within the super fund on receipt of the concessional contributions, and is not refundable.
What Tax is charged on concessional contributions?

- Concessional contributions, including salary sacrifice are classified as taxable contributions to the superannuation fund.

- Generally, 15% tax is paid on all concessional contributions, deducted from your super fund.

- For very high income earners, an additional contributions tax of 15% applies for those individuals with adjusted taxable income in excess of $250,000 (Division 293 tax).
How much have I contributed to super?

How do I find how much I’m currently contributing before tax?

- Contact your superannuation fund

  **AON Mastertrust (Intuit’s current default fund)**
  Phone: 1300 880 588
  Email: contactaon@pillar.com.au
  Email: roshan.singappuli@aonhewitt.com

- Alternatively, Contact HR Connect

  HRConnect@intuit.com
Example of how Salary Sacrificing into super works

Gross Salary

$90,000

Less Tax

($22,731)

Salary/Contribution

$75,000

($17,422)

$15,000

($2,250)

Net position

$67,269

$70,328

This represents a $3,059 increase on current position.

The above figures assume no other income sources and takes into account the Medicare Levy.
Salary Sacrificing into Super

Why Salary Sacrifice?

*Maximum 15% tax on contributions

Reduces your taxable income

Effective for people with higher marginal tax rate

Subject to contribution caps

*Additional contributions tax of 15% applies for those individuals with adjusted taxable income (including all concessional contributions) in excess of $250,000 (Division 293 tax)
How to Salary Sacrifice at Intuit
How do I set up my salary sacrifice agreement?

**Step 1**
Complete the salary sacrifice authority form

**Step 2**
Raise a HR Connect Case

**Step 3**
Attach the form with the case by 20th of each month

Salary Sacrifice forms need to be submitted by the 20th of each month to be effective for the following month.
Setting up and changing your salary sacrifice agreement

Example – salary sacrifice effective June 2017

Salary Sacrifice forms submitted after the 20th of the month will begin accruing from the following month.
Cancelling your salary sacrifice agreement

Example – cancelling salary sacrifice

Salary Sacrifice forms submitted after the 20th of the month will not be effective until the following month.
Next steps
Questions

We are here to help, we can assist with the process

Book a 1:1 session today

Dedicated Relationship Managers to assist with queries over the phone or email