



Superannuation (Pensions)

Overview of Superannuation

Superannuation is the process of accumulating a fund for retirement. Although the Australian Government does provide an aged pension, its aim is to provide an aged pension of 25% of the average male salary. Generally people expect a higher income in retirement.

To encourage people to save for their retirement the Australian Government has introduced various incentives and employment laws to encourage contributions into super.

These include:

- Reduction of restrictions on who can contribute to superannuation;
- Mandatory contributions by employers;
- Tax incentives and rebates for contributions into superannuation;
- Increasing the choice of superannuation options; and
- A relatively low-tax environment for superannuation investments.

Superannuation Contributions

There are a various ways in which people receive contributions into their superannuation. While previously superannuation was restricted to those who were employed or had recently left employment the Australian Government has removed these restrictions to encourage retirement savings for everyone. Non-employed people can now contribute to superannuation on their own behalf or a person can contribute for their partner.

The superannuation Guarantee

By law employers must pay 9% of employees' salary into superannuation.

Salary sacrifice

Often people elect to have more of their salary contributed to superannuation through salary sacrifice. Contributions to complying superannuation funds are taxed at 15% (may be higher for people on high incomes) which represents a considerable savings for people on the top marginal tax rate of 46.5%. While the Australian Government does place limits on the amount that you can salary sacrifice into superannuation these limits are quite generous.

At McKinley Plowman & Associates we can provide recommendation on the appropriate level of salary sacrifice contributions given your salary level, current amount of superannuation, cash flow requirements and retirement goals.

Co-contribution

One of the recent incentives for contributing to superannuation is the co-contribution. Under this incentive if an employee makes a contribution from their own funds into superannuation of \$1,000 the government will contribute an additional \$1,000 per annum.

To be eligible for the full co-contribution the employee must have assessable income of less than \$31,920 per year. People with assessable incomes of up to \$61,920 may still be eligible for a part co-contribution. At McKinley Plowman & Associates we can calculate the amount of co-contribution to which you are entitled and recommend strategies to increase this entitlement.

Spouse Contribution

A person can make a contribution on behalf of their spouse and receive a potential tax rebate of up to \$540 depending on their partner's income.

Choice of Fund

There are a wide range of different Australian superannuation funds from which to choose each of which have different features and benefits. Employees are usually not restricted to an employer based fund and in fact recent legislation has been introduced to ensure employees are provided with a choice of funds.

At McKinley Plowman & Associates we can undertake a thorough assessment of your needs and risk profile. The risk profile provides us with information on the types of funds you would feel comfortable investing in, while also maximizing the potential for growth of your funds. We can then provide detailed recommendation based on your specific needs in a comprehensive Statement of Advice. Only these funds that have received a positive rating by an independent research house are included in our recommendations.

Self-Managed Superannuation Funds

One option that is becoming increasingly popular in Australia is for people to establish their own superannuation fund known as a Self-Managed Superannuation Fund (SMSF). SMSF funds can provide people with more control over their funds, provide potential cost savings and allow investments in a range of areas not traditionally available to other superannuation funds (e.g. Business Property).

At McKinley Plowman & Associates we can assist you in each step of the process of establishing and managing your own Self-Managed Super Fund.

This includes:-

- Establishment of the Trust Deed and lodgement;
- Investment Recommendation;
- On-going monitoring of investments; and
- On-going Australian Tax Office requirements for managing your fund.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this site. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas.