

Superannuation

The basics

August 2014



This fact sheet answers some common questions you may have about the superannuation system.

What is superannuation?

Superannuation is a compulsory scheme that helps Australian workers save for retirement. For the 2014-15 financial year, your employer must contribute 9.5% of your salary to super if you earn more than \$450 in a month.

The rate that your employer must contribute (known as the Superannuation Guarantee) is expected to increase incrementally each year until it reaches 12% in the future. To confirm the current SG rate, visit the ATO website at www.ato.gov.au.

What kind of benefit will I get from a super fund?

Super generally provides a lump sum benefit on retirement. This lump sum may be cashed and reinvested outside the super 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 a Prime Super 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 super account is invested and how much you would like to contribute to it, in addition to your employer's contributions. 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.

How is super taxed?

Super 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.

Super 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 super from your pre-tax salary. If you make personal contributions after paying income tax, no tax is applied on those contributions.

The investment earnings made within super 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 your super 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 super 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.

The cost of insurance through super is typically lower than insurance through other companies. See overleaf for further information.

How can I maximise my super?

There are a number of ways you can be more engaged with your super and potentially maximise your savings.

Additional contributions

In addition to the compulsory SG contribution your employer must make on your behalf, you have the option to make additional (voluntary) contributions into your super account.



We would strongly recommend you think about making additional contributions because it is now considered that to be comfortable in retirement, you'll need more than the compulsory SG your employer contributes on your behalf. You'll likely need 12% or more!

Contributions can be made on a before or after-tax basis. There are caps (limits on the amounts you can contribute) however, which means you must keep your voluntary contributions below the relevant caps to ensure tax penalties don't apply.

By contributing extra into your super, you are placing more of your money in the tax-effective super environment.

As an additional potential benefit, making before-tax contributions into your super could see your taxable income drop into a lower tax bracket – meaning you pay less income tax!

Help from the Government

There are currently two Government initiatives designed to help low-to-middle income earners save for retirement.

The first is the **Government Co-contribution scheme**. All you need to do is make voluntary after-tax contributions into your super account and the Government will match you dollar for dollar in super contributions, up to the prescribed limits.

You must earn under a specified amount each year to be eligible to receive this help.

This is a great way to boost your super savings effort!

The second is the **Low income super contribution (LISC)**.

The LISC is 15% of the concessional (before-tax) contributions you or your employer makes from 1 July 2012, if you earn less than \$37,000. The maximum you can receive in a financial year is \$500. The Federal Government has indicated that the LISC may not apply for the 2013-14 financial year and going forward. Please refer to the ATO website at www.ato.gov.au for current information.

Make an investment choice

Super funds offer a range of investment options. You have the freedom to choose the option best suited to your needs. For example, you may be a conservative investor who prefers less risky investment options. Or, you may be many years from retirement and comfortable with higher risk investment options.

The important point to remember is that super is a long-term investment so no matter what behaviour the investment markets are exhibiting, you must always remember your long-term investment goal... and trust the experts to manage your money wisely.

If you don't make an investment choice, your super will be invested in the fund's MySuper option – which may not suit your needs or savings goals.

Avoid multiple fees and consolidate your super

You will likely change jobs many times throughout your life. With each new employer (generally) comes a new super fund. If you don't tell your new employer to make contributions into your existing fund, you will end up with super accounts all over the place.

This means multiple fees, multiple investment strategies, multiple insurance policies and premiums... and piles of paperwork. The result on your end super benefit can be significant!

It's therefore important to keep track of your super and when you change jobs, make sure your employer knows where to direct their contributions.

Let us Fetch your Super for you!

We can help you round up all of your super into your Prime Super account.

Simply login to your secure online account and give us consent. We'll then use the ATO's Super Match facility to find any super you may have, then send you the paperwork to sign and send back to us.

It's that easy!

Consider insurance through your super fund

Insurance through a super fund is often cheaper than insurance through other providers. This is because super funds buy insurance policies in bulk, thereby reducing the premiums members pay.

There are also tax advantages associated with taking out insurance through super and there is the potential to lower your income tax rate by taking out *additional* insurance through super!

Another advantage is that the premiums you pay don't come out of your day-to-day cash flow – they're taken directly out of your super account.

Additional information: If you would like additional information on any of the ways in which you could potentially maximise your super, please call us today on **1800 675 839**.

About Prime Super

Prime Super is committed to providing personal support to help you achieve your retirement goals. We are not-for-profit, which means all profits are returned to members. We are also eligible for concessional tax treatment, and remain complying and regulated.

We allow you to save for your retirement in a low cost, tax-effective environment which is professionally managed and easy to understand.

A range of individuals can join Prime Super:

- personal members i.e. anyone who can choose their own super fund;
- employees of participating employers;
- anyone receiving spouse contributions;
- the self-employed;
- directors and officers of companies;
- anyone who wants to deposit a rollover or transfer a redundancy payment;
- anyone receiving a super benefit through a divorce settlement;
- anyone transitioning into retirement or who is already retired, and wishes to establish an allocated or non-commutable allocated (transition to retirement (TTR)) income stream; and

- any other person permitted by law to join a super fund.
- We can accept contributions from employers (including salary sacrifice), members, members' spouses, self-employed persons, the Government (co-contributions) and other super funds and retirement savings accounts.

We can also facilitate contribution splitting.

Prime Super has over 150,000 members and more than \$2.3 billion in assets under management (as at 1 May 2014).

Benefits of investing with Prime Super

Prime Super offers members many benefits and services including:

- a choice of nine different investment options;
- a range of competitive, flexible and cost-effective insurance options. The default level of insurance cover is available to eligible members without the need to provide medical information;
- access to discounted financial planning services and private health insurance;
- a not-for-profit industry fund status, meaning we are run only to benefit members;
- low fees;
- no commissions paid to financial planners;
- payment of withdrawal, retirement, death, terminal illness, total and permanent disability and income protection benefits to eligible members;
- payment of compassionate and financial hardship benefits to eligible members;
- payment of benefits to temporary residents leaving Australia;
- the ability to transfer into one of Prime Super's retirement products – the allocated income stream or TTR income stream – at no cost;
- a website featuring tools and information, including a secure member section for online transacting; and
- free nationwide education and financial planning seminars.

We also support the Australian communities we serve through our sponsorship of various industry and community organisations, including Lifeline Australia and Awards Australia.

Additional information

For additional information on the super system, go to the 'super' section of the Australian Taxation Office (ATO) website at www.ato.gov.au/super.

If you would like more information on Prime Super, please contact one of our Regional Managers or Client Service Consultants directly. Our team travel throughout Australia to provide on-the-ground support to potential and existing members.

To contact the individual dedicated to your area, look up their details on our website at www.primesuper.com.au

Alternatively, call our contact centre on the number below. They will be able to point you in the right direction.

Additional help!

Write to us at:	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

Receive 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 won't cost you a thing.

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 has arrangements with a small number of licensed financial planners who offer low cost, commission-free financial advice and the first consultation with a planner is at no charge.

Call us today on **1800 675 839**.

Disclaimer

The information in this fact sheet is current as at the date of the fact sheet and is subject to change. This fact sheet 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.



Now incorporating
hip
Health Industry Plan

Open from 8.00am-8.00pm, Mon-Fri Sydney time

Free call 1800 675 839 **Free fax** 1800 023 662

Email administration@primesuper.com.au **Web** www.primesuper.com.au

Postal Address Prime Super Locked Bag 5103, Parramatta NSW 2124

asfa member

