Introduction for employees

Super

What you need to know

Australian Government
Australian Taxation Office

NAT 71039-10.2007

What every employee needs to know about super.

Our commitment to you

We are committed to providing you with advice and information you can rely on.

We make every effort to ensure that our advice and information is correct. If you follow advice in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it. However, we will not charge you a penalty or interest if you acted reasonably and in good faith.

If you make an honest mistake when you try to follow our advice and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest.

If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel this publication does not fully cover your circumstances, please seek help from us or a professional adviser.

The information in this publication is current at 1 October 2007. We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent versions on our website at **www.ato.gov.au** or contact us.

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Finding what you need to know

Making the most of your super

Changes to super from 1 July 2007 help make super easier to understand, improve incentives to work and save for your future, and give you more flexibility around how you can draw on your super savings when you retire.

If you're new to the workforce, changing jobs or you need to know how to make the most of your super savings, this publication will:

- help you understand how super works
- provide the steps needed to make the most of your super at different life stages, and
- show you where to go for more information.

While this publication contains information about how the super system works and how tax applies to it, it doesn't provide advice about how to manage or make choices about your super. Also, personal circumstances and super fund returns will vary, so we recommend you seek professional advice before making decisions about your super.

For more information about making the most of your super benefits when you retire, refer to *Super and your retirement* (NAT 71040).

What is super?

Super is money set aside over your lifetime to provide for your retirement. For most people, super begins when they start work and their employer starts paying super for them – these payments are known as super guarantee contributions.

Super funds invest your money in many things such as property, shares and managed funds. Complying super funds receive more favourable tax treatment than individuals and companies.

If you want to make the most of your super, you need to understand a few of the rules, including:

- who pays your super, how much they should pay and when they should pay it
- how tax applies to super funds
- when you can access your super benefits, and
- the caps on the tax concessions offered, so you don't breach them and face a higher rate of tax.

Changes to super from 1 July 2007

If you're in the work force, from 1 July 2007:

- Concessional contributions of up to $50,000 a year (indexed) can be made into your super account without being subject to extra tax. Concessional contributions in excess of the limit will be subject to the excess concessional contributions tax. If you are 50 or over, your concessional contributions limit is $100,000 a year between 2007–08 and 2011–12 financial years. From 1 July 2012, the concessional contributions cap will be the same for all individuals regardless of age.
- Your employer may be able to claim a deduction for super contributions they make on your behalf up to the age of 75. Some employers have to make contributions on behalf of their employees aged 75 and over under an award or agreement.
- If you are under 65, you can make non-concessional contributions of up to $150,000 a year (this cap is always three times the cap on concessional contributions). You can also bring forward these contributions and contribute $450,000 in one financial year provided nothing is contributed in the following two financial years. Another example is to contribute $200,000 in the first year, nothing in the second and $250,000 in the third year. This amount of $450,000 is always nine times the cap on concessional contributions. If you do contribute over the non-concessional cap limit you will be subject to extra tax on the excess contributions.
- If you are aged between 65 and 74, you need to have worked for at least 40 hours within 30 consecutive days in a financial year to make your own personal super contributions.
- If you're self-employed, you may be eligible for the super co-contribution. These are indexed and means tested, so for the 2007–08 financial year, people who earn over $58,980 are not eligible.
- There are changes around what you need to do with payments you may receive when you leave a job through redundancy, injury or retirement.
- You can use a standard form, which will be accepted by all super funds, to transfer your full account balance (your withdrawal benefit). This is called the *Request to transfer whole balance of superannuation benefits between funds* form. Your super fund will have up to 30 days to transfer your benefits from the date of receiving all the information it needs to act on your request, unless some of your balance is invested in illiquid investments. You can check whether this is the case with your fund.

Check to see if you are eligible for the super co-contribution. If you are, all personal contributions you make (and don't claim as an income tax deduction) up to $1,000 qualify for the super co-contribution. The amount of super co-contribution you are eligible for depends on your total income.

Remember to give your super fund your tax file number. If you don't, your fund will pay extra tax on some of the contributions to your account and won't be able to accept other types of contributions.

For more detailed information about the changes to super from 1 July 2007, visit our website at www.ato.gov.au

Keeping track of your super

To keep track of your super:

- quote your tax file number to your super fund
- tell your super fund if you change address or your name
- keep all your super paperwork together
- consider combining all your small super accounts, and
- find any lost super you may have.

How do I find my lost super?

If you think you've lost track of some or all of your super because you've changed jobs, addresses or names, you may be listed on our lost members register. To find out, use the SuperSeeker service on our website. You'll need to provide your name (as it appeared on your last tax assessment), date of birth and tax file number.

If the balance of your lost super account is less than $200, you may be able to take it out tax-free. If this applies to you, talk to your super fund for more information.

To use the SuperSeeker service:

- **visit our website at www.ato.gov.au and search for 'SuperSeeker', or**
- **phone us on 13 28 65 at any time.**

The SuperSeeker online search and self-help phone service will give you the name and contact details of the super fund or retirement savings account that may have your lost super. You can then contact the super fund and give them your new contact details and talk about what to do with your super benefits.

Remember to give your super fund your new details if you change address.

The three stages of super

To get the most out of super, follow the steps at each stage of the super system. The three stages are:

1. **putting money into super**
2. **growing your super, and**
3. **accessing your super benefits.**

For more detailed information about obtaining your super benefits, refer to *Super and your retirement* (NAT 71040).

Stage 1
Putting money into super

Eligibility

Your employer has to pay super for you if you're eligible. To be eligible for compulsory super guarantee, you must:

- be 18–70 years old
- earn at least $450 (before tax) in a calendar month, and
- work full-time, part-time or on a casual basis.

If you are under 18, you're eligible for compulsory super guarantee if you work 30 hours or more a week.

You may not be eligible if you're:

- paid to do work of a private or domestic nature for 30 hours or less each week
- a non-Australian resident and you're paid to do work outside Australia
- a certain type of foreign executive, or
- temporarily working in Australia for an overseas employer.

An employer may have to make super contributions for contractors paid under a contract that is wholly or principally for labour (that is, physical labour, or mental or artistic effort) even if the contractor quotes an Australian business number.

A contract is principally for labour if more than half of the dollar value of the contract is for the person's labour.

For information about eligibility of contractors for super guarantee contributions, refer to 'Superannuation guarantee for contractors' on our website at www.ato.gov.au

Starting work

When you start work, your employer will give you a *Tax file number declaration* (NAT 3092) form to complete. Your employer will use the completed form to pass on your tax file number to the super fund they pay your super into. Your employer should start making super contributions into your fund from the period you start working.

If you wish, you can put money into your super fund from your own money. You can also add to your super if you're not working, and you can make contributions into your spouse's super fund.

If you're self-employed, you can choose whether or not to have super. Self-employed people may also be entitled to claim an income tax deduction for some or all of the personal contributions they make into super.

The earlier you start contributing to super the more you will benefit when you retire. This is due to the compounding effect of super as a long-term investment, and, in part to super being generally managed in a low tax environment.

For information about:

- **managing your finances**, visit the Financial Literacy Foundation's website at **www.australia.gov.au/understandingmoney**
- **choosing a financial adviser**, visit the Australian Securities and Investments Commission (ASIC) consumer website, FIDO, at **www.fido.gov.au**
- **tax file numbers**, refer to *Tax file numbers and superannuation* (NAT 70641).

Providing your tax file number

Make sure your super fund has your tax file number (TFN). If they don't, they'll have to pay extra tax on some of the super contributions made to your account and they won't be able to accept some other types of contributions. It will also be much easier to keep track of different super accounts in your name so you receive all your super benefits when you retire.

You can check whether your super fund has your TFN by looking at the statements they send you.

Choosing a super fund

Generally, you can choose the super fund you want your super paid into, so long as it's a complying fund. If you're eligible to choose a fund, your employer must give you a *Standard choice form* (NAT 13080) so you can make that choice in writing. You may also be able to choose how your savings are invested. Some fund investment strategies offer higher returns with higher risks, while others offer greater security for your money but with lower returns.

If you have more than one super account, consider combining them into one super fund so you pay only one set of fees and costs. It also means you can keep track of your money more easily.

Ask your super fund if there are any fees or charges for rolling your money over to another fund before you make the decision to do so.

You can transfer or roll over your super, with some limited exceptions. If you do so, your old super fund has 30 days to make the transfer. The 30 day period starts once you have provided all the required information to your fund. Fund trustees must follow up any incomplete member requests for transfers within 10 working days after receiving the request. If that information has not been received within 10 working days after making the request, the trustee must make reasonable inquiries of the member to obtain the information.

When am I not eligible to choose a super fund?

You're not eligible to choose the super fund you want your super paid into if:

- your super is paid under a state award or industrial agreement
- your super is paid under certain workplace agreements including an Australian Workplace Agreement (AWA)
- you're a federal or state public sector employee, excluded from super choice by law or regulations, or
- you're in a particular type of defined benefit fund or you've already reached a certain level of benefit in that super fund.

For more information about:

- **complying super funds**, visit our website at **www.ato.gov.au**
- **comparing super funds**, visit ASIC's consumer website (FIDO) at **www.fido.gov.au** and use their super calculator, or
- **awards or industrial agreements**, check with your employer or visit the Workplace website at **www.workplace.gov.au** and search for 'check your award or wages'.

Super guarantee

If you're eligible for super, every three months your employer must pay a minimum of 9% of your earnings for your ordinary hours of work into your super account. These payments are called super guarantee payments or employer contributions.

Currently, some employers may not have to use the earnings for your ordinary hours to work out their minimum contributions. However, from 1 July 2008, all employers must calculate the minimum contributions they make using your ordinary hours of work.

If you think your employer has not been paying contributions correctly, speak to your employer and then your super fund. If you still believe your employer is not paying enough or any super, you can lodge an enquiry about unpaid super by phoning us on 13 10 20.

Making concessional contributions

The way tax applies to super contributions depends on whether they are concessional or non-concessional contributions.

Concessional contributions are generally those your employer makes or that you make and claim as an income tax deduction. They are taxed in your super fund at only 15%, provided your fund has your TFN. Someone, usually you or your employer, has claimed a tax deduction and the contributions have only been taxed at 15% when they go into your super fund account.

Concessional contributions include:

- super guarantee payments
- any other super contributions your employer makes for you, including salary sacrifice contributions, and
- contributions you make and claim as an income tax deduction.

You're eligible to make super contributions so long as you're:

- under 65, or
- 65 to 74 and meet the work test of 40 hours work over 30 consecutive days during the financial year in which you want to make the contributions. However, if you are not self-employed, your personal contributions will generally be non-concessional contributions.

What are salary sacrifice contributions?

Salary sacrifice contributions are when you arrange for your employer to pay some of your before-tax (gross) income into your super. Because your employer pays these contributions on your behalf, they are concessional contributions.

If you want to make salary sacrifice contributions, talk to your employer about it first to make sure you know what the benefit will be to you. Unless you agree otherwise, your employer may be entitled to:

- reduce the usual amount they have to contribute to your super by the total amount you sacrifice, or
- make lower contributions based on your new reduced salary.

Salary sacrifice contributions are also known as employer contributions.

Is there a cap on concessional contributions?

Up to $50,000 (indexed) worth of concessional contributions can be made to your super account each year.

As part of the transitional arrangements, if you:

- are 50 or over, up to $100,000 can be contributed each year until 30 June 2012, or
- turn 50 between 1 July 2007 and 30 June 2012, you can also make use of the $100,000 cap in the years you are 50 and over. For example, if you turn 50 on 1 February 2011 you can pay up to $100,000 during the 2010–11 and 2011–12 financial years.

Any contributions made over the concessional contributions cap will be subject to extra tax.

Making non-concessional contributions

Non-concessional contributions are contributions you make from your own money. This includes money from:

- your take-home (net) pay
- your savings
- your business profits or from selling an asset
- an inheritance you receive
- your spouse; that is, money your spouse pays into your super, or
- the tax-free portion of any foreign super you transfer from overseas to your Australian super account.

Non-concessional contributions are also known as after-tax, undeducted and personal contributions. Because they are from after-tax money and not deducted, they don't get taxed on the way into your super account.

Is there a cap on non-concessional contributions?

You can make up to $150,000 a year in non-concessional contributions. You can also bring forward these contributions. For example, if you are under 65, you can contribute $450,000 in one year but you will not be able to make further contributions in the next two years. Another example is where you may contribute $250,000 in the first year and $100,000 each year for the next two years. You will have to pay extra tax on any contributions you make over the $450,000 limit over three years.

There are some contributions you can make that do not count towards your non-concessional contributions cap. These are:

- proceeds from the sale of a small business (although these are subject to the lifetime capital gains tax limit of $1 million) that you elect to count towards your $1 million life time capital gains tax limit
- proceeds from personal injury due to permanent incapacity, and
- super co-contributions.

If you make personal contributions up to $1,000 a year that you do not claim as an income tax deduction and you are a low to middle income earner, you may be eligible for the super co-contribution (see page 11).

What happens if contributions go over the caps?

Any amount over the concessional contributions cap will be taxed at an additional 31.5%. The excess amount will also count towards your non-concessional cap. You are personally liable for this tax, but you can ask your super fund to release money to pay it.

Any amount over the non-concessional cap will be taxed at 46.5%. You are also personally liable for this tax, but you can also ask your super fund to release money to pay it.

How much super can I contribute if I'm self-employed?

From 1 July 2007, if you're self-employed or earn less than 10% of your total income from employment, you may be able to claim a full income tax deduction for personal contributions you make to your super until you turn 75.

From 1 July 2007, you may also be eligible for the super co-contribution and you may benefit from the additional concessions for certain invalidity payments.

Remember:

- **if you claim a tax deduction for any super contributions you make, those contributions will be subject to a 15% contributions tax, and**
- **if you contribute over the concessional and non-concessional contribution caps, you will be liable for extra tax on those contributions.**

For more detailed information about the super co-contribution, visit our website at www.ato.gov.au

Can I add to my super if I'm not working?

You can make personal (after tax) contributions to your super fund or retirement savings account if you're not working, provided you're under 65 years of age.

If you're 65 years or older, you can only make personal (after tax) super contributions if you:

- are not yet 75 years old, and
- have worked at least 40 hours in a period of no more than 30 consecutive days during the financial year.

Can I add to my spouse's super?

You can add to your spouse's super if your spouse is:

- under 65 years of age, or
- is aged between 65 and 75 years and has worked at least 40 hours in a period of no more than 30 consecutive days during the financial year.

Contact your fund for more information about adding to your spouse's super.

What happens to my super if my marriage breaks down?

If your marriage breaks down, your super is treated like any other asset you have accumulated during your marriage and can be divided by agreement or court order. There may be tax consequences from dividing up super.

Making sure your super contributions are paid

Though your employer must pay your super at least quarterly, they may choose to pay more often. If your employer is also making super contributions on your behalf from your after-tax pay, these contributions must be paid more regularly. That is, your employer must pay each deduction into your super fund within 28 days from the end of the month in which they make it. Your employer may also have to report the super contributions they make on your payslips because of the award or agreement you work under or government regulations.

Regardless of how often your employer pays your super or if they have to report their super contributions to you, the statement you receive from your super fund will show how much super your employer has paid.

Take an active interest in your super. When you start a new job, ask your employer how much they will be paying, where it will be paid to and how often it will be paid.

If you're concerned because you think your super is being paid incorrectly, you should talk it over with your employer and fund. If you still believe your employer is not paying enough or any super, you can lodge an enquiry about unpaid super by phoning us on 13 10 20.

Check what you know

We've made the following checklist to help you make sure you're aware of what you need to know about super contributions.

Do you know:

- [ ] what super is? (see page 2)
- [ ] how the super changes from 1 July 2007 affect you? (see page 3)
- [ ] how to keep track of your super and find your lost super? (see page 4)
- [ ] if you're eligible for super contributions from an employer? (see page 5)
- [ ] what to do about supplying your tax file number to your employer and super fund? (see pages 5 and 6)
- [ ] how concessional and non-concessional contributions work? (see pages 7 and 8)
- [ ] the caps on concessional and non-concessional contributions? (see pages 7 and 8)
- [ ] how to make sure your super contributions have been paid? (on this page)

Stage 2
Growing your super

How your super grows

Over time, your super will grow as the super contributions made by or for you accumulate and the earnings on them (such as interest and dividends) are reinvested. The earnings are automatically reinvested because you cannot access your super until you reach preservation age (see page 13) and you retire, or you start a transition to retirement arrangement.

Most people have an account with a taxed super fund. This means some of your super contributions (such as employer contributions) are usually taxed at a rate of 15%.

The following example will give you an idea of how your super may grow and how starting early can be a great way of increasing the amount of super you'll have for your retirement.

This example is based on:

- growth in the Consumer Price Index of 2.5% each year
- wages growth of 4% each year
- an investment return of 7% each year after fees, but before earnings tax, and
- fixed administrative charges.

We can't guarantee you'll have the same outcome, but it will give you a reasonable indication. We have shown the calculations in today's dollars to show the purchasing power relative to today's costs.

Example[1]

Greg earns $40,000 a year and begins to make personal contributions to his super fund of 2% of his after-tax salary from the age of 20. He doesn't pay contributions tax on these contributions and he receives some super co-contribution. His personal contributions and earnings on his contributions grow together with the super guarantee contributions his employer makes and earnings on those contributions, so that at:

- 30 he has around $58,000 in his super fund
- 40 it has grown to $146,000
- 50 he has $281,000, and
- 60 it will have grown to $489,000 (in today's dollars).

By making small, but regular personal contributions, at age 60 he will have $133,000 (or 37%) more for his retirement.

You should bear in mind that the way your super grows will depend on several factors, such as how your super fund performs and how your money is invested.

1 The projections were undertaken by the Treasury's Retirement and Income Modelling Unit. Assumptions are of growth in the Consumer Price Index (CPI) of 2.5% per annum, wages growth of 4% per annum, investment return of 7% per annum after fees, but before earnings tax and fixed administrative charges. The superannuation guarantee of 9% of wages also applies throughout. The outcomes are stated in 2006–07 dollars and must not be seen as providing advice to individuals on how to improve their retirement income. The projected outcomes depend on a range of assumptions and the government cannot guarantee these outcomes for any individual. Calculations are in today's dollars to show purchasing power relative to today's costs – thus giving you a reasonable indication of the value of your money when you retire.

If you're interested in finding out how much you will need for your retirement, how much you may get, and how much you need to add to your super, you should consider seeing a licensed financial adviser. There are also helpful materials available from government agencies such as ASIC, Centrelink and the Financial Literacy Foundation.

Visit ASIC's consumer website – FIDO – at www.fido.gov.au for information about choosing a financial adviser or to use their super calculator.

Super co-contribution

Another way to boost your super savings – if you are a low or middle income earner – is to obtain the super co-contribution from the government. You may be eligible for a super co-contribution of up to $1,500 a year if you:

- are either an employee or self-employed
- earn less than a specified amount a year, and
- make after-tax contributions.

You do not have to contribute the full $1,000 to be eligible – any amount up to $1,000 will attract the super co-contribution.

Remember to check your fund's cut-off date for receiving super payments at the end of each financial year. If your payments aren't made in time you could miss out on your super co-contribution.

For more information, visit our website at www.ato.gov.au

Self managed super funds

As your super savings accumulate, you may become interested in setting up a self managed super fund (SMSF). This means you would manage many of the decisions and obligations around your super yourself.

There are strict rules around self managed super funds that include:

- becoming a trustee of the fund
- signing a declaration that you understand your trustee obligations
- only using the money to provide for your future retirement benefits, and
- keeping detailed records.

Be very wary of promoters who approach you to set up a self managed super fund with the purpose of withdrawing some or all of your super to pay for things other than your retirement. These arrangements are illegal and you could incur severe penalties.

For more information about self managed super funds, visit our website at www.ato.gov.au

Super co-contribution thresholds

	Lower income threshold	Higher income threshold	What will I receive for every $1 of after-tax super contributions?	What is my maximum entitlement?
From 1 July 2004 until 30 June 2007	$28,000	$58,000	$1.50 for every $1, up to a maximum co-contribution of $1,500 a year. **For the 2005–06 year this amount was doubled.**	Your maximum entitlement is $1,500. However, you must reduce this by 5c for every dollar you earn over $28,000 up to $58,000.
From 1 July 2007 indexed annually	$28,980	$58,980	$1.50 for every $1, up to a maximum co-contribution of $1,500 a year.	Your maximum entitlement is $1,500. However, you must reduce this by 5c for every dollar you earn over $28,980 up to $58,980.

Employment termination payments

If you are made redundant, retire or leave your employment because of a disability, you may receive an employment termination payment from your employer. From 1 July 2007, employment termination payments cannot be rolled over to your super unless they are paid under transitional arrangements into a complying super fund or to purchase a superannuation annuity.

Dealing with employment termination payments can be complicated. If you have received or are due to receive one, we recommend you seek advice from your tax agent to ensure you're getting the most out of it.

For more information, search for 'Employment termination payments' on our website at www.ato.gov.au

Super for international workers

What if I am a temporary resident in Australia?

If you are a temporary resident working in Australia you may be entitled to take your super when you leave Australia. To be eligible for a departing Australia superannuation payment (DASP), you must have worked in Australia under an eligible temporary resident visa.

For more information on about DASP, and to apply if you're eligible, visit our website at www.ato.gov.au

What if my employer offers me work overseas?

If you take up an employer's offer to work for them overseas, neither you nor your employer have to pay super (or a super equivalent) in the other country so long as:

- there is a bilateral super agreement with Australia, and
- you remain covered in Australia by the super guarantee.

Your employer must provide you with a copy of the original *Certificate of coverage* before you leave Australia to work in the other country. Australian employers can apply online for a *Certificate of coverage* at **www.ato.gov.au**

Check what you know

We've made the following checklist to help you make sure you're aware of what you need to know about making your super grow.

Do you know:

- ☐ how much super you'll receive when you retire and how much you'll need? (see pages 10 and 11)
- ☐ what super co-contributions are and whether you're eligible to receive them? (see page 11)
- ☐ whether a self managed super fund is right for you? (see page 11)
- ☐ how to deal with employment termination payments? (on this page)
- ☐ the rules around super if you're working overseas or if you're a non-Australian resident working in Australia? (on this page)

Stage 3
Accessing your super benefits

How tax applies

From 1 July 2007, super benefits you receive will be tax-free if you receive them from a taxed source and you are 60 or over. This means when you receive a super lump sum or payments from a super income stream, you get them in your hand tax-free.

Super income streams give you regular income payments throughout your retirement so you can manage your income and spending.

Most people are in a taxed super fund, which means their fund pays tax on super contributions they receive and earnings such as interest from investments. However, if your super fund is an untaxed or hybrid fund, the taxable part of your super income will be taxed and you'll receive a 10% tax offset.

For more information about untaxed funds and benefits paid by such super funds, visit our website at www.ato.gov.au

Your preservation age

Your preservation age is the age you must reach before you can access your super. Your preservation age depends on when you were born – the following table will help you work it out.

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
From 1 July 1964	60

Preservation age is not the same as pension age – when you may become eligible for government pension benefits depending on your income and assets.

Pensions and other benefits

When you retire, you may also qualify for government support such as Age and Service pensions or benefits, concessions and tax offsets if your savings don't fully support you in retirement.

Death benefits

How does tax apply to lump sum death benefits from a taxed source?

This type of benefit is tax-free if paid to a person who is a dependant. If it is paid to a non-dependant, the taxable part of the benefit is taxed at a maximum rate of 15% plus the Medicare levy. A death benefit may only be paid to a non-dependant as a lump sum.

How does tax apply to death benefit income streams?

The way tax applies to a death benefit paid as an income stream depends on several factors, such as:

- the age of the person receiving the benefit
- whether an income stream had been started by the super account owner before they passed away, and
- whether the recipient is a dependant child who was permanently disabled.

For more information about:

- **death benefits**, search for 'death benefits' on our website at **www.ato.gov.au**
- **dealing with super when you retire**, refer to *Super and your retirement* (NAT 71040)
- **age pensions and benefits**, phone Centrelink on **13 23 00**, visit your nearest Centrelink Customer Service Centre or visit their website at **www.centrelink.gov.au** or
- **service pensions and other benefits**, phone the Department of Veterans' Affairs on **133 254**, visit your nearest Veterans' Affairs Network office, or visit their website at **www.dva.gov.au**

Accessing your super before retirement

Accessing your super before you retire is only allowed in very limited circumstances, including severe financial hardship or on compassionate grounds. If you legitimately need some of your preserved super earlier, ask your super fund about their terms and conditions before applying.

Applications for release of benefits on compassionate grounds must be referred to the Australian Prudential Regulation Authority (APRA).

Keep in mind that your super fund's trustee will make the final decision about whether or not to release your super benefits.

If you have reached your preservation age, you may also take your super benefits before you retire but only in the form of a transition to retirement super income stream.

For information about releasing super early under severe financial hardship or on compassionate grounds, contact your super fund first.

For more information about APRA and early release applications:

- **visit their website at www.apra.gov.au or**
- **phone them on 1300 131 060.**

Be very wary of promoters who approach you to set up a self managed super fund with the purpose of withdrawing some or all of your super to pay for things other than your retirement. These arrangements are illegal and you could incur severe penalties.

Check what you know

We've made the following checklist to help you make sure you're aware of what you need to know about getting your super benefits.

Do you know:

- [ ] how tax applies to your super benefits? (see page 13)
- [ ] what your preservation age is? (see page 13)
- [ ] how to find information about government pensions and other benefits? (see page 14)
- [ ] whether you can access your super before you retire? (see page 14)

Super terms explained

After-tax contributions

Contributions you make with after-tax money, such as your take-home pay. These are also called non-concessional, personal or undeducted contributions.

Age-based limits

In 2006–07 and earlier years, there was a limit on the amount of super contributions you could claim as a deduction. The limit was based on your age on the day the last contribution was made during the income year. Age-based limits were replaced by contribution caps for the 2007–08 and later years.

Age Pension

A government payment to seniors who are unable to support themselves in their retirement.

Average Weekly Ordinary Times Earnings (AWOTE)

The average wage of employees in Australia, published by the Australian Bureau of Statistics.

Before-tax contributions

Contributions to super that are made before tax is taken out of your wage. These can be made by employers for superannuation guarantee and also include salary sacrifice contributions. Contributions made by the self-employed, for which they can claim a tax deduction are also included. These may also be called concessional, taxable or deducted contributions.

Benefits

The amount you are paid from your super fund as a super income stream, lump sum or a combination.

Benefits tax

This is the income tax paid on benefits taken from super, either by way of a lump sum or an income stream. From 1 July 2007, if you are aged 60 or over, benefits you receive from a taxed source will be tax-free and not subject to tax.

Complying superannuation fund

A super fund that receives concessional tax treatment because it is regulated under the relevant superannuation legislation and has not been issued with a notice of non-compliance.

Concessional contributions

These are employer contributions and personal contributions that you claim as an income tax deduction. Employer contributions include superannuation guarantee contributions and salary sacrifice contributions. These contributions are taxed at a lower concessional rate of 15%, which is often referred to as contributions tax.

Concessional contributions cap

From 1 July 2007 there is a limit on concessional contributions of $50,000 (indexed) a year. For people 50 or over, the transitional limit is $100,000 (not indexed) until 30 June 2012. Contributions over the limit are subject to excess concessional contributions tax.

Deducted contributions

Super contributions you or your employer claim as an income tax deduction.

Defined benefit fund or scheme

Fund where a member's benefit does not depend solely on contributions and earnings, but on other factors such as years of service and average salary.

Employment termination payment

A lump sum payment made to you when your employment is terminated. These payments must generally be made within 12 months of termination, and usually receive concessional income tax treatment.

Employer contributions

Payments made by your employer (or someone associated with your employer) to your super fund. Can include super guarantee obligations, plus any salary sacrifice amounts.

Excess concessional contributions

Concessional contributions to your super fund that go over a yearly cap. This is $50,000 a year (indexed) for most people. If you're over 50 between 1 July 2007 and 30 June 2012, the cap is $100,000.

Excess non-concessional contributions

Non-concessional contributions to your super fund that go over a cap of $150,000 a year (indexed to three times the concessional contributions cap) or the $450,000 bring forward amount. Excess concessional contributions (see above) are also counted towards this limit.

Excess concessional contributions tax

A tax of 31.5% on your contributions over the cap. You are personally liable for this tax, but you can ask your super fund to release money to pay it.

Excess non-concessional contributions tax

A tax of 46.5% on your contributions over the cap. You are personally liable for this tax. You must ask your super fund to release an amount of money equal to the tax.

Indexed

The $50,000 concessional contributions cap will be indexed annually to average weekly ordinary time earnings and rounded down to the nearest multiple of $5,000. This means that indexation will only increase the cap in increments of $5,000. The $150,000 non-concessional contributions cap will always be three times the concessional contributions cap. So when the concessional contributions cap increases, the non-concessional contributions cap will also increase.

The bring forward non-concessional contributions cap will trigger automatically when the contributions in excess of the annual non-concessional contributions cap (currently $150,000) are made in a financial year where a bring forward has not already commenced. When a bring forward has been triggered, the cap is fixed and won't be indexed.

Non-concessional contributions

These are amounts that count toward your non-concessional contributions cap, that is, personal contributions that are not claimed as an income tax deduction. These include contributions made by your spouse to your super account.

Non-concessional contributions cap

From 1 July 2007, non-concessional contributions made to super are capped at $150,000, or $450,000 over a three-year period.

Pension age

65 for men and 63.5 for women, gradually rising to 65 for women by 2014. Pension age is five years earlier for veterans.

Personal contributions

Contributions you make to your super account. These are made from the take-home pay or other funds and are only deductible in limited circumstances.

Reasonable benefit limits (RBLs)

A cap on the amount of super and similar benefits that you can receive on a concessionally-taxed basis up until 30 June 2007. RBLs abolished from 1 July 2007.

Salary sacrifice contributions

When you ask your employer to put a part of your before-tax salary into your super account for you. These contributions count toward your concessional contributions cap.

Service Pension

A government payment to veterans with qualifying service and their partners who are unable to support themselves in their retirement.

Super benefit

The amount you are paid either as a super income stream, lump sum or combination.

Super income stream

A regular series of payments from a super fund.

Super co-contribution

A payment made by the government into the super fund of eligible people on low to middle incomes.

Super guarantee (SG) contributions

The before-tax minimum level of superannuation contributions that an employer must contribute for eligible employees. The rate is currently 9%.

Taxable contributions

Contributions to a super fund that are subject to the 15% contributions tax. These are generally concessional contributions including employer and salary sacrifice contributions and personal contributions claimed as an income tax deduction.

Taxed source

A taxed source is generally a super fund where tax is paid on contributions and earnings. Most people have their super accounts in taxed funds.

Transition to retirement

Since 1 July 2005, people who have reached their preservation age can withdraw part of their super benefits as an income stream while they are still working. This income stream can be no more than 10% of their super account balance per year.

Untaxed source

An untaxed source is typically a government superannuation scheme for public servants where the benefits paid from the scheme are at least partly sourced from amounts other than contributions and earnings that have been subject to tax in a fund.

More information

Australian Taxation Office

- visit our website at **www.ato.gov.au**
- subscribe to 'What's New' at **www.ato.gov.au** to receive regular updates
- phone us on **13 28 64** to ask about choice of super fund
- phone us on **13 10 20** between 8.00am and 6.00pm, Monday to Friday, to speak to a tax officer
- phone our publications ordering service on **1300 720 092** for copies of our publications, or
- write to us at:
  PO Box 3578
  ALBURY NSW 2640

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

Australian Securities and Investments Commission (ASIC)

Contact ASIC for free:

- super tips and safety checks
- an independent super calculator and worksheet for comparing super funds, and
- information about investment strategies within super and retirement income products.

You can also check whether a financial advisor is licensed and report suspected misleading or deceptive conduct relating to super.

To contact ASIC:

- visit their website for consumers and investors at **www.fido.gov.au** or
- phone **1300 300 630**.

Australian Prudential Regulation Authority (APRA)

If you suspect your super fund is being mismanaged, or if you employer is not forwarding your super payments to your super fund:

- visit **www.apra.gov.au** or
- phone **1300 131 060**.

For information about early release of super on compassionate grounds, talk to your super fund first.

Centrelink

For free financial information and seminars, help on Age Pensions and benefits:

- visit Centrelink's website at **www.centrelink.gov.au**
- phone **13 23 00**, or
- visit your nearest Centrelink Customer Service Centre.

Department of Veterans' Affairs

For information about service pensions and other benefits:

- visit **www.dva.gov.au**
- visit your nearest Veterans' Affairs Network office, or
- phone **133 254**.

Financial Literacy Foundation

The Financial Literacy Foundation helps Australians improve their financial knowledge and better manage their money. For information:

- visit **www.australia.gov.au/understandingmoney**
- email **financial.literacy@treasury.gov.au** or
- write to:
  Financial Literacy Foundation
  The Treasury
  Langton Circuit
  PARKES ACT 2600

Superannuation Complaints Tribunal

If you have a complaint that you can't resolve with your fund, contact the Superannuation Complaints Tribunal for help by:

- visiting their website at **www.sct.gov.au** or
- phoning **1300 780 808**.

Publications

We have developed the following publications about super.

Information for individuals

- *Super and your retirement* (NAT 71040)

Information for employers

- *Super – what employers need to know* (NAT 71038)
- *Employment termination payments – when an employee leaves* (NAT 71043)
- *Employment termination payments – transitional arrangements* (NAT 70644)