



TWUSUPER

Hardworking super for people in transport



Tax and your super

Super is one of the most tax effective ways to invest your money.

How is your super taxed?

Because the Government wants you to save for your retirement, super has been structured as a tax effective means of growing your money. This means that if you grow your money in super, you may pay less tax than if you invest the same amount in a non-super environment.

Super is generally taxed on:

- > contributions paid into a super fund
- > investment earnings of the super fund, and
- > benefits paid from the super fund.

Contributions and tax

The amount of tax levied on a contribution into super depends on:

- > the type of contribution
- > the amount of the contribution, and
- > whether we have your Tax File Number (TFN) on file.

Concessional contributions

Concessional contributions, also known as before tax contributions, include your employer's compulsory Super Guarantee contributions and any salary sacrifice contributions that you make from your before tax salary.

Concessional contributions are taxed at 15% after relevant fees and insurance premiums have been deducted, which can be much lower than your normal income tax rate. In addition, salary sacrifice can help lower your overall income tax rate as it reduces your taxable income. Concessional contributions are, however, capped annually and any contributions over the cap are taxed an additional 31.5%. The cap is \$25,000 for people under 50 and \$50,000 for people over 50 in 2011/12.

Non-concessional contributions

Non-concessional contributions are contributions made to your super from your after tax income. These are generally tax free as you've already paid income tax. However the maximum contribution you can make for 2011/12 is:

- > \$150,000, or
- > if you are under 65, \$450,000 by bringing forward the following two years contributions.

Any contribution above these caps will be taxed at 46.5%.

Government co-contribution

Government co-contribution payments, which are payments the Government makes to reward contributions made by low income earners, are tax free and do not count towards contributions caps.

Other super contributions

You can make payments to your spouse's super and if they earn less than \$10,800 per year, you may receive a tax rebate of up to \$540.

You do not have to pay tax on rollovers from other super funds (unless these are from an untaxed source).

Some people may be able to claim tax deductions on payments made to super that have already been taxed. Along with entirely and substantially self-employed people, these include employees who receive no standard super contributions because their employer has no payment obligation.

Tax File Number (TFN)

It's important to provide your TFN to TWUSUPER to avoid paying unnecessary additional tax. Due to legislation, if we don't have your TFN, we can't accept any after tax payments and you may have to pay additional tax of 46.5% on your concessional contributions.

Investment earnings and tax

The investment earnings within a super fund are generally taxed at 15%, but may be lower due to the effect of various tax discounts, credits and rebates available to the fund. By comparison, earnings on investments outside of super are taxed at your income tax rate. This makes super one of the most tax effective forms of investment you can use to save for your retirement.

Tax on benefits paid from the Fund

Generally, payments made from TWUSUPER for members who are aged 60 or over will be tax-free.

If you are under 60, lump sum payments made from the Fund are divided into the following components:

- > a tax free component - which is generally made up of personal after tax contributions, spouse contributions and an amount representing the pre-1983 portion of your benefit
- > a taxable component - which is taxed at 0% on the first \$160,000 and 16.5% for amounts over \$160,000 if you are aged between 55 and 59, and 21.5% on the whole taxable component if you are under the preservation age (55 years for people born before 1 July 1960).

Note: different rates may apply to any 'untaxed' element of the taxable component - for example, amounts rolled over from certain government schemes.

MORE OVERLEAF...

FACT SHEET – Tax and your super

Tax on insurance

If you die while you are a member of TWUSUPER, your death benefit and any insurance benefits will be taxed according to the status of the recipient. If the recipient is a dependant, this payment will be tax free. If it's paid to a non-dependant, it will generally be taxed at 15% (plus 1.5% Medicare Levy) on the taxed element of the taxable component, while the untaxed element of the taxable component will attract different rates.

Your monthly income protection benefits are generally taxed at your income tax rate.

Tax on pension payments

If you choose to start an Account Based Pension after you retire or a Transition to Retirement Pension before you retire, your pension payments will be tax free if you are 60 years of age or older.

Need more information?

If you have any questions about tax and your super, we recommend you seek financial advice. As a member of TWUSUPER, you are entitled to one free consultation over the phone on a single superannuation issue with a qualified adviser.

If you have already used up your free consultation, further advice is available at an affordable rate, and you can pay for it from your super account. Call **1800 222 071** and ask to speak to a financial adviser.

TAKE ACTION

How to invest your money and pay less tax

Make a salary sacrifice contribution

Check with your employer to see if salary sacrifice is available to you. Make sure that it will not reduce your other employment entitlements, such as annual leave and long service leave, or the level of Superannuation Guarantee contributions your employer makes on your behalf. Also ensure that you have written confirmation from your employer that salary sacrifice and any other entitlements will be calculated on your before tax income.

We have developed a helpful *Superannuation salary sacrifice agreement* form to assist you in setting up a salary sacrifice arrangement with your employer. You can download the form from www.twusuper.com.au.

Make an after tax contribution – and you may be eligible for a Government co-contribution

You can make after tax contributions to your TWUSUPER account any time by:

BPAY®

TWUSUPER's biller code is 857664.

Call us on **1800 222 071** and ask for your personal reference number or log in to your secure *MemberAccess* account at www.twusuper.com.au to obtain your reference number if you don't already have it.

Electronic funds transfer (EFT)

Account name: TWUSUPER
BSB: 032-002
Account number: 272938

Please quote your member number as the reference number for your payment.

Cheque

Send cheques (payable to TWUSUPER) to:
Locked Bag 5094
Parramatta NSW 2124.

Please make sure to include your member number with the cheque.

If you would like to set up a regular direct debit please call us on **1800 222 071** and ask for a *Voluntary contributions form*, or download a copy from www.twusuper.com.au

Please note, it's essential that you have provided your Tax File Number to TWUSUPER before you make the contribution, as we are unable to accept after tax contributions without it.

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FURTHER INFORMATION

If you would like more information, call **1800 222 071** or visit www.twusuper.com.au

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