

Taxation

A superannuation fund or RSA that meets the standards of the Superannuation Industry (Supervision) (SIS) Act 1993 and chooses to be regulated under that legislation is classed as a complying fund and receives concessional tax treatment.

The taxation of the various components of superannuation and superannuation funds are summarised in the NICRI leaflet *Superannuation - Tax Considerations*

Government Income Support (GIS)

Superannuation investments in the accumulation phase are exempt assets for GIS until the fund member reaches age pension or service pension age.

From 1 July 2009 income salary sacrificed into superannuation by people under age pension age will be counted as assessable income for all GIS payments of the person or their partner, as applicable.

Features

Superannuation investments receive taxation and GIS concessions.

Legislation prohibits balances of less than \$1 000 if they contain some compulsory employer contributions being eroded by fees.

But Remember...

Superannuation is preserved (inaccessible as a lump sum) until a condition of release is satisfied. A transition to a retirement income stream can be commenced after preservation age.

Investing with safety

Choice of investment options is important as superannuation providers do not guarantee the capital or earnings.

When approaching retirement the continued investment of a superannuation benefit should be planned. If the benefit is to be withdrawn, consolidation in an investment option with low volatility could be prudent.

It is sensible not to hold all your capital in superannuation. Diversification over markets, products and time is also important.

Further publications on superannuation taxation, components, contributions etc are available from NICRI.

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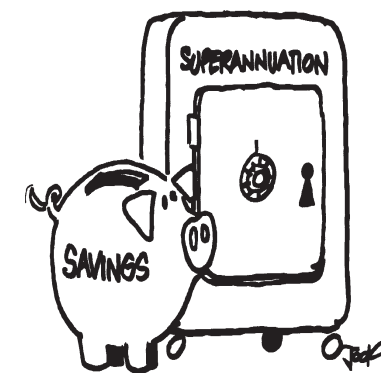
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What is Superannuation?

Superannuation is a concessional tax system of long-term savings during a person's potential working life for use in retirement. It operates under a regulatory system which imposes prudential standards on the industry.

Contributions

Superannuation contributions fall into two categories.

1. Concessional

- Award contributions.
- Superannuation Guarantee contributions.
- Additional voluntary employer contributions.
- Salary Sacrifice, subject to employer agreement - effectively an employer contribution.
- Tax deductible contributions by self employed and non-supported persons.

2. Non Concessional

- Personal after tax contributions made by anyone under age 65.
- Personal after tax contributions made by persons aged 65 years and under 75 years subject to gainful employment conditions
- Spouse contributions
- Co-Contributions (*see NICRI leaflet Superannuation Tax Considerations*)

Gainful employment for people over 65 is defined as 40 hours paid work within 30 consecutive days in the financial year of the contribution.

Monetary limits (caps) apply for these contributions (*see NICRI leaflet 'Superannuation Tax Considerations'*).

Types of Super Funds

There are two types of funds used in Australia - accumulation funds and defined benefit funds.

Accumulation Funds

Contributions less fees, taxes and insurance premiums (if applicable) are invested to provide a lump sum or deliver an income stream in retirement. This lump sum comprises accumulated contributions, insurance benefits (in some cases) and investment earnings net of tax.

The value of the fund can be determined at any given time, relatively simply, by the member. The member bears all the investment risk with the balance of the fund rising or falling subject to investment market conditions. Retirement Savings Accounts (RSA) provide a capital guarantee. They are similar to bank accounts investing in cash and/or fixed interest and do not fluctuate with market movements.

Defined Benefit Funds

Defined Benefit Funds are usually open only to employees of the provider. Several Government and Corporate superannuation funds are defined benefit funds but many are being replaced by accumulation funds.

The end benefit is determined by set criteria taking into account such variables as length of service, member contributions and salary level on retirement.

Providers of Super Funds

Superannuation funds or schemes are offered by a wide range of private and Government institutions such as:

- Public sector employers
- Private companies for their employees
- Industry superannuation funds
- Life insurance companies
- Friendly societies
- Independent fund managers
- Financial Institutions (RSA)
- Self Managed Superannuation Funds (SMSF)

Access to Super

Contributions to superannuation on or after 1 July 1999 are preserved until a condition of release has been satisfied.

Common conditions of release are:

- member aged 65 years;
- member over 60 years of age and the arrangement under which they were employed has come to an end;
- being permanently retired from the workforce and of preservation age;
- compassionate grounds;
- severe financial hardship and
- death.

Persons who have attained their preservation age and remain gainfully employed can commence a non-commutable income stream subject to specified conditions. See NICRI *Income Stream* publications.