Superannuation

Superannuation is a fund specifically designed to assist you to save and invest for your retirement.

It is restricted as you generally can't withdraw from super until you retire or reach your preservation age (that's the intention, although there are special conditions of release).

And super funds are set up as trust funds. This means a trustee is appointed to manage the fund on your behalf, and for the benefit, of its members.

Super receives special tax treatment compared to your other money. When it comes to investing over the long term, there aren't many better tax-effective ways to save for your retirement.

Lower taxes and more investment options - such as local and international shares, property and fixed interest investments - offer your super more potential to grow.

Why do I need super?

Our population is ageing rapidly and the aged pension will not be enough.

Super is compulsory for employees. Superannuation Guarantee (SG) contributions were introduced to help us take control of our retirement.

SG contributions over 40 years will provide you with just over half of your pre-retirement income. Will this be enough? We think you need 65% of your pre-retirement income to retire comfortably. The best place to start is to ask 'How much do I need?'

The next step is to use our AMP super simulator to see how you're tracking and determine what strategies you can use to reach your goals.

Advantages of super

Super opens your money to the world of investment markets and you can choose how it is invested.

Money in super is taxed in different ways to your other investments. It's designed to reward you for investing for the long term.

Super offers competitive insurance. Your insurance premiums, which are part of your super contributions, may be paid from your pre-tax salary, which is a tax-effective way to enjoy the protection you and your family need.

How does my super work?

The most common type of super is an accumulation fund, which is like a managed fund or investment. The main difference is the advantageous tax treatment on contributions and earnings which your money enjoys until you retire.

If you have a lot of assets and have the time, you may want to consider a self-managed super fund to take control of your super.

Making a contribution

Deposits into super are known as 'contributions'.

There are two types of contributions. They can be made from your:

- pre-tax income (concessional contributions) and
- post-tax income (non-concessional contributions).

Generally, concessional contributions (made from pre-tax income) attract a contributions tax of 15%, which can be significantly lower than your marginal tax rate. Tax on non-concessional contributions (made from post-tax income) does not apply.

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However, there are caps on both these types of contributions which vary depending on your age.

Benefits

- Earnings in super are taxed at up to 15% (and only 10% on capital gains), which is lower than most people's marginal tax rate. If you start a pension at retirement then the tax on earnings in super reduces to nil.
- If you withdraw after age 60 your money is tax-free.
- You can withdraw your super balance (the benefit) when you reach your preservation age. This varies depending on your birth date. By 2025 everyone will have a preservation age of 60.
- There are different tax treatments on lump sum payments depending on the size of the benefit and the age and service period of the member.
- Money invested after July 1999 is fully preserved, which means it can't be accessed until you reach your preservation age.

More flexibility

Super is becoming more flexible with more strategies and ways to reach your retirement goals:

The government's co-contribution scheme is designed to help low to middle-income earners get more into their super.

Concessional contributions can be used to reduce your tax.

A transition to retirement strategy means you can still work full time or part time after your preservation age and still contribute to your super.

Self-managed super funds allow you to take even more control of your super.

SUPERANNUATION PLANNING

Superannuation balances do not form part of a person's estate, therefore, superannuation planning is paramount.

It is common today for the family home and superannuation to be the largest assets for many people. When discussing superannuation many are unaware of the role of the Fund Trustee, the limitations of the trust deed, how to provide for beneficiaries, pensions, taxation issues, family provision claims, and to gain certainty of the distribution of these assets when they die.

Careful planning and expert advice will ensure your superannuation death benefit will go to your nominated family members and not a person/s chosen by the Trustee, and that your beneficiaries pay the least amount of tax when your superannuation funds are distributed.

Our Role

Is to provide you with professional advice to obtain these outcomes and facilitate the use of other specialist advisers, such as accountants, and lawyers.

If you'd like to know more, or you'd like to discuss your own situation and find out what options are available to you, please get in touch.

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