

# Government co-contributions

Helping your super grow up faster



## How does it work?

The Federal Government's superannuation co-contribution scheme aims to encourage low to middle income earners to save for their own retirement by making additional voluntary superannuation contributions.

Subject to your income and eligibility, the Government will top up your personal after-tax contributions with \$1.00 for every \$1.00 of personal after-tax contributions you have made, up to a maximum co-contribution of \$1,000 per financial year.

The maximum co-contribution may be payable where your assessable income and reportable fringe benefits is the lower income threshold (\$31,920 for the 2009-2010 financial year) or less, and you contribute \$1,000 after-tax.

The Government co-contribution reduces at higher income levels and cuts out completely when your assessable income (plus reportable fringe benefits) reaches the higher income threshold (\$61,920 for the 2009-2010 financial year). The lower income threshold will be indexed in line with Average Weekly Ordinary Times Earnings (AWOTE) in future financial years.

## Who is eligible?

You may be eligible for the Government's co-contribution if you meet certain requirements, including if:

- you earn less than the higher income threshold (\$61,920 for the 2009-2010 financial year and indexed annually);
- you make personal after-tax contributions in a complying superannuation fund or Retirement Savings Account (RSA);
- you are under 71 years of age at the end of the year when the relevant co-contribution was made;
- you lodge an income tax return for the year the contribution was made;
- you don't hold an "eligible temporary resident" visa at any time during the income year; and
- you receive at least 10 per cent or more of your total income from eligible employment, running a business or a combination of both.

## Additional benefits

The Government co-contribution initiative provides a number of benefits including:

- you may receive a 'bonus' contribution of up to \$1,000 p.a.;
- you can increase your retirement savings;
- these contributions aren't taxed upon entering your super fund and can be received tax-free in retirement; and
- investment earnings in your super fund are taxed at a maximum rate of 15 per cent, which is likely to be lower than the marginal tax rate payable if you invest outside the superannuation environment.

## How much can you receive?

If your personal super contribution for the 2009-2010 financial year is:

	\$1,000	\$800	\$500	\$200
<b>And your income is:</b>	<b>Your Government co-contribution may be:</b>			
\$31,920 or less	\$1000	\$800	\$500	\$200
\$33,920	\$933	\$800	\$500	\$200
\$35,920	\$867	\$800	\$500	\$200
\$37,920	\$800	\$800	\$500	\$200
\$39,920	\$733	\$733	\$500	\$200
\$41,920	\$667	\$667	\$500	\$200
\$43,920	\$600	\$600	\$500	\$200
\$45,920	\$533	\$533	\$500	\$200
\$47,920	\$467	\$467	\$467	\$200
\$49,920	\$400	\$400	\$400	\$200
\$51,920	\$333	\$333	\$333	\$200
\$53,920	\$267	\$267	\$267	\$200
\$55,920	\$200	\$200	\$200	\$200
\$57,920	\$133	\$133	\$133	\$130
\$59,920	\$67	\$67	\$67	\$67
\$61,920	\$0	\$0	\$0	\$0

### For example:

If you are eligible for a Government co-contribution with a total income of **\$43,920** p.a. for the 2009-2010 financial year and you make a personal after-tax contribution of **\$1,000** during that year, you will be entitled to a Government co-contribution of **\$600** (see above table).

## Claiming Government co-contributions

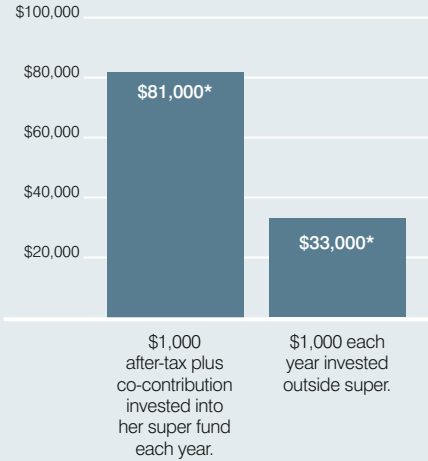
You don't need to apply for the Government co-contribution. If you are eligible, all you need to do is make a personal after-tax contribution(s) to your super fund and lodge an income tax return for the relevant financial year. The Australian Tax Office (ATO) will use the information from your superannuation fund to work out whether you are eligible and will automatically calculate the Government co-contribution amount and deposit it straight into your nominated super fund. The ATO will send you a letter with details of your Government co-contribution amount after it has been deposited into your super fund.

## Case study

Susan is 40 years old, earning \$27,000 each year. She has no other taxable income and wants to invest an extra \$1,000 each year from her after-tax salary. If she was to invest outside the superannuation environment, she would add \$1,000 a year to her investment. However, if she made a superannuation contribution, the Government will be investing an additional \$1,000, so her total investment in year one is \$2,000.

If Susan invested \$1,000 after-tax each year which was matched by a Government co-contribution, in 25 years time she would end up with substantially more in her superannuation account, compared to investing the \$1,000 outside the superannuation environment.

## Additional retirement benefit over 25 years in today's dollars



### Assumptions

\$1,000 is invested after-tax at end of each year until retirement age 65. Contributions not indexed. Moderate investment portfolio for super and non super money. Return for super 8.0% p.a. after fees and taxes, return for non-super 8.5% p.a. after fees, tax paid by investor not in the fund. Inflation 3.0% p.a. Salary growth 4.0% p.a. No administration fees. Contributions tax 15% p.a. Franked income in the moderate portfolio: 23.6%. Income return: 3.6% and capital gain return: 4.9% Non super investment pays a distribution at the end of the year based on 3.6% income return, taxed at marginal rates and net amount re-invested at year end. At age 65, the non-super investment is redeemed and CGT is paid using the 50% rule. No lump tax on super at age 65. No Superannuation Guarantee contributions allowed for. Max co-contribution rate of \$1.00 per \$1.00 until 2011-12, \$1.25 per \$1.00 from 2012-13 to 2013-14 and \$1.50 per \$1.00 from 2014-15 onwards paid at the end of the year. Projections based on marginal tax rates and low income tax rebates announced in 2009 Federal budget including Medicare Levy. 2010-11 rates are assumed to continue thereafter. Medicare Levy Surcharge is not paid. Investment performance can go up and down and the assumptions used may vary. Figures are rounded to nearest \$1,000.

\*Source: Alea case studies

## Some questions and answers

Below are some general questions you may have concerning the Government's co-contribution.

**Q. What is included in the income calculation to help me decide if I am eligible for the Government co-contribution?**

A. Your total income for the purposes of calculating a Government co-contribution includes your salary or wages and net business income. It also includes other income such as interest or dividends, plus reportable fringe benefits. It may not be the same as your taxable income.

**Q. How will I know if my super fund has received the Government co-contribution?**

A. There are two ways you may be notified about the fund receiving your co-contribution. The first is through your *Member benefit statement*. The second is written confirmation of your Government co-contribution sent by the ATO.

**Q. Can a person salary sacrifice into superannuation in order to reduce their assessable income and therefore qualify for the co-contribution?**

A. As of 1 July 2009, reportable employer super contributions will be added to the current income test for determining eligibility for the Government co-contribution. This means you are unable to qualify for the co-contribution by salary sacrificing to reduce your taxable income to within the eligible limits.

**Q. If I withdraw my superannuation benefit before the Government co-contribution is paid following the end of a financial year, can the Government co-contribution be paid to me directly?**

A. If the Commissioner of Taxation is satisfied that you have retired and are no longer a member of a complying superannuation fund then the Government co-contribution may be paid directly to you. You may wish to access an online form on the ATO website – [www.ato.gov.au/super](http://www.ato.gov.au/super)

**Q. Will the Government co-contribution be included in the non-concessional contributions cap?**

A. No, the Government co-contribution will not be included in either the concessional or non-concessional contributions caps.

**Q. Can someone who receives a spouse contribution and also makes a non-concessional contribution still be eligible for the Government co-contribution?**

A. Yes, provided they meet the eligibility requirements and make personal after-tax contributions.

**Q. Where do I find out more information?**

A. For more information on Government co-contributions, go to the ATO website – [www.ato.gov.au/super](http://www.ato.gov.au/super). Alternatively, contact the ATO directly on **13 28 61**.

**Q. Can I make more than one after-tax contribution and be eligible for a Government co-contribution?**

A. Yes, for example, you may choose to have \$20 per week contributed towards your super account, which if you are eligible, will count towards your Government co-contribution.

**Q. Can I receive the Government co-contribution each year?**

A. Yes, if eligible, you may receive this benefit at the end of each financial year.

## Where to from here?



**In thinking about your next steps, you may want to consider:**

**If you should make a before-tax or after-tax contribution**

The effectiveness of either strategy will depend on a number of factors including your income and how close you are to reaching your concessional and non-concessional contributions caps.

**If you decide to make an after-tax contribution, find out if you are eligible for a Government co-contribution**

Check the eligibility criteria in this guide to determine whether or not you meet the conditions. A Government co-contribution calculator is also available on the ATO website – [www.ato.gov.au/super](http://www.ato.gov.au/super)

**How you should make your contribution**

You can arrange to make a personal after tax contribution via your employer, or you can make a contribution directly through BPAY® or via cheque. A Your after-tax voluntary contribution form can be found online at [www.plum.com.au](http://www.plum.com.au)

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### Seek advice

Once you've considered these steps, you may want to make an appointment with a financial adviser. A financial adviser can explain the financial issues surrounding superannuation in more detail and help you make the most of your opportunities. They can also recommend a range of other strategies to help you achieve your lifestyle and financial goals – now and in the future.

To find out more about the financial advice service available to you, contact a Plum Member Services Consultant on **1300 55 7586**.



### Helping you to get on track

#### **BPAY® for member contributions**

You now have the opportunity to use BPAY® to make personal voluntary non-concessional contributions as well as make contributions on behalf of your spouse. Further details about BPAY® are available from our website – **[www.plum.com.au](http://www.plum.com.au)**

Alternatively, you can also contact a Plum Member Services Consultant on **1300 55 7586**.

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## Did you know...

As a member of the Plum Superannuation Fund you can access the services of financial advisers through *Momentum Financial Advice*. This service provides general advice over the phone – at no cost to you, in addition to personal face-to-face advice if you require more in-depth advice about your personal financial circumstances.

If you would like more information about *Momentum Financial Advice* or would like to access this service, contact a Plum Member Services Consultant on **1300 55 7586**.

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## Contact us for more information

If you would like further information, visit the *Member* section of the Plum website:



**www.plum.com.au** or



or speak with a Plum Member Services Consultant on **1300 55 7586**.

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### Important information

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