

Giving up one coffee a day could mean around

\$94,



extra in super!¹



A small sacrifice may lead to large gains

As well as increasing the amount of savings in a retirement nest egg, making additional contributions into super can often deliver some worthwhile tax incentives.

There are a number of strategies to consider when making additional contributions into your super. Depending on your income, time to retirement and overall financial situation you may have a preference...or even preferences.

¹ Assumption: Based on a male aged 30, with a \$20,000 super balance earning \$50,000 p.a. If one cup of coffee a day (costing \$3.50) was given up and paid into super each year (approximately \$1,280 p.a.) until retirement (at age 65). Invested in a balanced portfolio with an earning rate before management costs and tax of 8%. Fund fees consist of a management cost (% of accumulation) of 0.55%, \$52 management fees p.a. and \$78 insurance premiums p.a. Assuming contributions are paid monthly and Government co-contributions are included.



After-tax contributions

After-tax contributions are the amounts you choose to contribute to your superannuation fund from your after-tax income. They can be made at regular intervals or as one-off payments. You can make these contributions from your after-tax income directly to your super fund or via a payroll deduction (if your employer agrees).

Salary sacrifice

A salary sacrifice arrangement involves contributing a certain amount of your regular salary, bonuses or any allowances you may receive from your employer, into your super, before-tax. As well as potentially increasing the amount of money in your retirement savings, salary sacrificing may have some additional benefits such as potentially lowering your taxable income.

When you make contributions into your super, investment earnings are taxed at a maximum rate of 15 per cent, which may be lower than the marginal tax rate payable if you invest outside the superannuation environment.

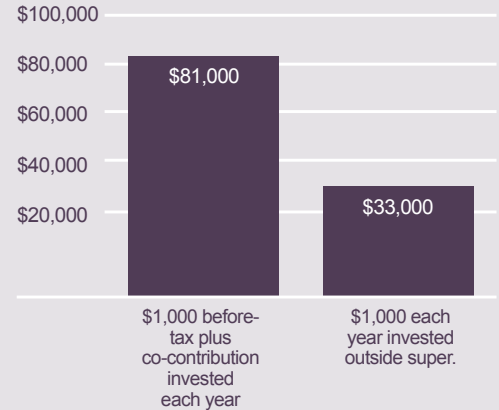
Take advantage of Government assistance!

If your total income is less than \$61,920 p.a. (including assessable income and reportable fringe benefits) you may be eligible for some help from the Government through the co-contribution scheme. The Government may contribute up to \$1.00 for every \$1.00 of after-tax contributions you contribute to your super, up to a maximum of \$1,000 each financial year.

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 does so, the Government will invest an additional \$1,000, so her total investment in year one is \$2,000. Let's look at the impact this will have on Susan's super account over 25 years, compared to investing \$1,000 outside the super environment.²

Additional retirement benefit over 25 years in today's dollars



²Assumption: \$1,000 is invested after-tax at the 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 per cent p.a. after fees and taxes, return for non-super 8.5 per cent p.a. after fees, tax paid by investor not in the fund. Inflation 3.0 per cent p.a. Salary growth 4.0 per cent p.a. No administration fees. Contributions tax 15 per cent p.a. Franked income in the moderate portfolio: 23.6 per cent. Income return: 3.6 per cent and capital gain return: 4.9 per cent Non-super investment pays a distribution at the end of the year based on 3.6 per cent 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

The Government assesses your eligibility for co-contributions when you lodge your tax return and credits the money directly into your super account.

Automate your contributions so you can set and forget

Why not consider automating your contributions? By doing so you achieve what is called 'dollar cost averaging.'

This is where you contribute the same amount at regular intervals (i.e. monthly, quarterly, half yearly) and essentially buy more units when the unit price is low and less units when the unit price is high.

Your total cost is averaged, often providing you with more units than if you tried to pick the market.

50 per cent rule. No lump sum 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 the 2009 Federal Budget including Medicare Levy. 2010-2011 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.

What's next?



Go to www.plum.com.au and use the *Superannuation Calculator* in the *Calculators & online resources* section to identify the difference voluntary contributions (and Government co-contributions) could make to an end retirement benefit.

If you know your member number and PIN login to the secure member section of the site and check out the *Voluntary super contributions calculator* also.



To make a one-off **after-tax contribution** into your super account simply complete the enclosed *Your after-tax voluntary contributions form* and return it together with your cheque to Plum.

Alternatively, we offer BPAY[®]. For further details go to our website.



To **automate** your **salary sacrifice or after-tax contributions** from your salary and take advantage of dollar cost averaging, please contact your HR or Payroll representative.



If you require any assistance please call a Plum Member Services Consultant on **1300 55 7586** any business day, 8.00am to 6.00pm Australian Eastern Standard Time (AEST).

Important information

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