

# Quick Facts...

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## Boost savings and save tax via salary sacrifice

It's a fact – we all need to take responsibility for funding our retirement. So if you are looking for a simple and tax effective way to boost your retirement savings, you may want to consider a strategy known as salary sacrifice.

Salary Sacrifice involves getting your employer to contribute some of your salary, wages or a bonus payment directly into super – before tax is deducted at your marginal rate (which could be up to 46.5%). The advantage of this strategy is that salary sacrifice super contributions are taxed at a maximum rate of 15% - a potential tax saving of up to 31.5%.

By implementing this strategy you can save on tax and make a larger investment for your retirement.

To use this strategy you will need to make an arrangement with your employer that is prospective in nature. In other words, you can only sacrifice income that relates to future performance. When sacrificing regular salary or wages, the agreement should commence on the first day to which the next pay period relates.

However, you may only salary sacrifice a bonus payment to which you have no previous existing entitlement. In practice, this means the arrangement must be made no later than the day before the employer determines your bonus entitlement.

In both cases, it's also important to have the agreement thoroughly documented and signed by both parties.

You need to be aware:

- A salary sacrifice arrangement may result in a reduction in other benefits such as leave loading, holiday pay and Superannuation Guarantee contributions, as these benefits are often calculated on your base salary, you should check with your employer.
- Salary Sacrifice contributions must be preserved until permanent retirement after reaching your preservation age or a condition of release. So you need to ensure you have sufficient investments outside super if you plan to retire before reaching your preservation age.
- If you're an employee (and your assessable income plus reportable fringe benefits are less than \$58,000pa) you may also want to consider making a personal after-tax super contribution of \$1,000. This may enable you to qualify for a Government co-contribution of up to \$1,500.
- Although it is possible to sacrifice salary below the minimum entitlement under an industrial award, employers should be aware that they may still be required to provide the minimum salary or wages under industrial law.

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