Salary Sacrifice

Making a before-tax contribution to your super is known as 'salary sacrifice'.

It involves your employer contributing some of your pre-tax salary or wages directly into your super fund. For many Australians, relying on your mandated employer contribution, typically a 9.5% super guarantee, may not be enough. By using a smart strategy like salary sacrifice, you could reduce your income tax and boost your super balance at the same time.

Why should I salary sacrifice?

The key advantage of salary sacrificing is that you'll be taxed at a maximum rate of just 15% on salary sacrifice contributions and any earnings on these contributions once invested in your super fund and not at your marginal rate (which could be up to 49%). Therefore, depending on your circumstances, making salary sacrifice super contributions could reduce the amount of tax you have to pay on your salary, wages or a bonus, by up to 34% and enable you to make a larger investment for your retirement.

Key benefits of salary sacrifice:

- You can pay less tax.
- You can boost your retirement savings.
- Investment earnings in super are concessionally taxed.

Key considerations

- There are also a few things to consider before you decide whether a salary sacrifice strategy is right for you:
- You won't be able to access the money you salary sacrifice into super until you reach preservation age (the age at which you can withdraw super) and meet a condition of release.
- There are limits on the amount that can be salary sacrificed into super.

Salary sacrificing into super can save tax and make a big difference to your retirement nest egg. But make sure you know all the restrictions and have considered how they may apply to your situation before you make a decision.

To find out more about salary sacrificing into super please contact Geoff Sharpe on 07 3831 8598 or geoff@sharpefinancialsolutions.com.au.