

Stretch your dollar with Super

Could you be saving tax and earning more with an investment in super?

Super investments are in some ways very similar to non-super investments.

- You can invest in a range of assets such as Australian shares, International shares, bonds, cash and property.
- You can contribute to your investment on a regular basis and watch your capital grow over time through the power of compounding.

However, you can access non-super investments at any time but super investments can't generally be accessed until later in life.

So what are some of the advantages of investing in super?

■ Save tax on investment earnings

A low maximum tax rate of 15% applies to your investment earnings within super.

If you had the money invested elsewhere, the tax on the investment earnings would normally be at your marginal tax rate of up to 46.5% including Medicare Levy.

■ Save tax by salary sacrificing

When you contribute into your super fund with pre-tax dollars (salary sacrifice), your contribution is only taxed at 15% or less. If you received this as part of your salary, it would be taxed at your marginal tax rate of up to 46.5% including Medicare Levy.

■ Invest and claim a tax deduction

If you are self-employed or retired and make a personal contribution into super, you can claim a tax deduction for that full amount, up to a maximum of \$25,000 per financial year (a transitional limit of \$50,000 applies for those over 50 until 1 July 2012.)

■ Claim the Government Co-contribution

If you earn less than \$61,920 and make an after tax contribution into your super fund, you may be eligible to claim a co-contribution from the Government of up to \$1,000 per year.

■ Pay NO tax on withdrawals or pension payments from super once you retire

If you are over 60 and take a pension or lump sum from your super, you will generally pay no tax on the amount withdrawn. Investing into super can be tax advantageous now, but also later once you retire. The tax-free rule will apply to most pensions taken out before and after this time.



What is the right strategy for you?

Ask your WLF Financial Services Count Adviser how you can make the most of your investments.

Case study: Compare three investment strategies

Julius is 55 and has \$300,000 from the sale of his small business to invest and also wants to add an additional \$5,000 each year to his investment.

Julius wants to invest this money over the next ten years for his retirement at age 65 but is unsure about where to put his money.

His Count Adviser runs through three options and their outcomes.

- Investing in a managed fund (non super)
- Investing in super with ongoing after tax contributions
- Investing in super with ongoing salary sacrifice contributions

Take a look at his possible outcomes...

Option 1: Non-super investment

Julius's earnings on his managed fund investments are taxed at his Marginal Tax Rate (MTR) of 31.5% (including Medicare Levy) and after ten years his investment is worth \$648,800. After CGT of \$41,229, Julius makes a net profit of \$257,571.

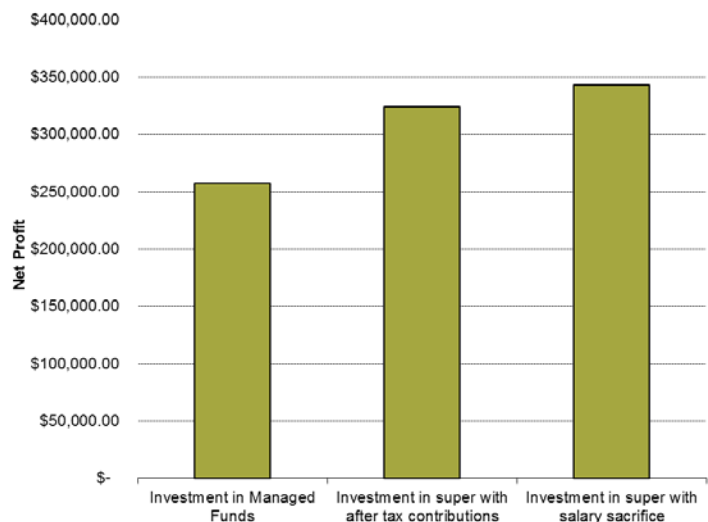
Option 2: Super investment

Julius adds an after-tax contribution of \$5,000 to his super each year. As his investment is within the super environment, the investment earnings are taxed at 15% rather than Julius' own MTR. After ten years, he has \$688,192 in his super fund. After CGT is paid by the super fund, Julius makes a net profit of \$324,482.

Option 3: Salary sacrifice to super

Instead of an after-tax contribution, Julius salary sacrifices \$7,299 each year for ten years (which in his case is equal to receiving \$5,000 in net income). His investment earnings and salary sacrifice contributions are taxed at 15%. After ten years he has a super balance of \$707,543. After CGT is paid by the super fund, Julius makes a net profit of \$343,536.

A ten-year comparison of potential profit from investing in super vs a non-super investment



Case study assumptions: Gross income and unrealised capital gains of 4% on all investments; Julius' marginal tax rate is 31.5% including Medicare Levy; Julius does not require access to the funds within the time frame. For non-super investment, CGT calculated on 50% discount and 46.5% MTR. For super, CGT calculated assuming 33% discount and 15% super fund tax rate.

This example is for illustrative purposes only – investing in manager funds carries risk, and this case study does not take into example prevailing market conditions.