

# Grow your super with salary sacrifice



## Fact sheet

Adding even small, extra amounts to your super over time can make a big difference to your retirement. And with salary sacrifice you could benefit from paying less tax.

## Making extra before-tax contributions (salary sacrifice)

You can make personal contributions to super from your before-tax salary, known as salary sacrifice. With salary sacrifice, you let your employer know an amount or percentage of your salary that you want to add into your super account. The amount you add into super is taxed at 15% rather than your marginal tax rate which is likely to be much higher.

Salary sacrifice can also reduce your taxable income (as you'll have more in super and less that is subject to income tax), meaning you'll generally pay less income tax.

Most people will benefit from salary sacrifice but not everyone. For example, if your marginal tax rate is 15% or lower you could be disadvantaged.



**TIP:** Salary sacrifice contributions count towards your before-tax (concessional) limit. It pays to check that your combined salary sacrifice and employer amounts won't push you over \$25,000, the before-tax (concessional) annual limit. You can check your contributions limit any time by logging into Member Online at [mercysuper.com.au](https://mercysuper.com.au)

### Example 1 – Let's look at how salary sacrifice can work

Sarah is a 30-year old earning \$80,000 per year.

Sarah decides to pay an additional \$58 per fortnight (around \$1,500 p.a.) into her super by salary sacrifice. As you can see below, Sarah's take-home pay is reduced by just \$38 per fortnight (around \$2.70 per day) while an additional \$58 per fortnight is going into her super account.

	No additional super	Salary sacrifice \$1,500 p.a.
<b>Fortnightly salary details</b>		
Gross income	\$3,077	\$3,077
Salary sacrifice contributions	\$0	-\$58
Taxable income	\$3,077	\$3,019
PAYG tax	-\$736	-\$717
<b>Take-home pay</b>	<b>\$2,341</b>	<b>\$2,303</b>

#### Difference in take-home pay




-\$38 per fortnight  
-\$2.70 per day

Why not add a little more to your super and make a difference to your retirement? Check out our Salary sacrifice calculator (under Planning tools) at [mercysuper.com.au](https://mercysuper.com.au) and see how it could work for you.

## Example 2 – Sarah’s additional contributions cover her for career breaks and more!

Now let’s compare Sarah with two of her colleagues – Emma and Michelle who are aged 30, on a salary of \$80,000 p.a. with a \$50,000 super account balance.

In the example below\*, you can see the difference Sarah’s extra contributions can make. By reducing her take-home pay by just \$2.70 a day to add to her super, Sarah retires with \$76,000 more than Michelle who had the same career breaks and made no extra contributions, and \$21,000 more than Emma who had no career breaks!

	Emma	Michelle	Sarah
Career breaks	None	3 x 1-year breaks	3 x 1-year breaks
Employer contributions	9.5%	9.5%	9.5%
Extra contributions	No	No	\$57.70 per fortnight from before-tax salary
Balance at retirement	\$656,000 	\$601,000 	\$677,000 

\* Calculated using the Mercy Super Retirement Planner available at [mercysuper.com.au](http://mercysuper.com.au) > Planning tools. Assumptions used: Retirement age 67, Growth investment strategy with 7.0% p.a. return, percentage fee 0.3% p.a., insurance and administration fees \$350 p.a., wage growth 3.5% p.a., career breaks for 12 months at ages 33, 37 and 40. Note: The benefits of paying contributions from before-tax salary may be marginal if your income is less than \$37,000 per year or the total of your employer contributions and any other before-tax contributions is more than \$25,000 in a year.

## Salary sacrifice when it suits you

While adding to your super through salary sacrifice may appeal, not everyone can afford to add the maximum amount each year. Soon you’ll have greater flexibility to build up your super through ‘catch-up’ contributions from unused before-tax cap amounts from previous years.

It works like this.

From 1 July 2018, you can start to accumulate unused before-tax (concessional) contribution cap amounts if you have less than \$500,000 in super. For example, if you can only contribute \$20,000 in the 2018-19 year, you could potentially add up to \$30,000 to super in the 2019-20 year, which is \$25,000 (annual before-tax limit) plus the unused amount \$5,000 from the previous year.

You can carry forward your before-tax cap amounts over five years to a maximum of \$125,000, potentially offering a tax-effective way to boost your super with a lump sum as you near retirement.

To start salary sacrificing, simply complete the *Contribution Variation Advice* form, available at [mercysuper.com.au/information-hub/forms-and-publications/](http://mercysuper.com.au/information-hub/forms-and-publications/)

We’ll let your employer know to set up an automatic payroll deduction.

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