

Are you new to superannuation? Here are the answers to some common questions.

WHAT IS SUPERANNUATION?

Superannuation is a tax-effective compulsory scheme that helps Australian workers save for retirement. Generally, if you are over 18 years old, or if you are under 18 years and you work more than 30 hours in a week, your employer must contribute a percentage of your salary to superannuation. The percentage contributed depends on which financial year it is made. See the table below:

YEAR COMMENCING % OF ORDINARY TIME EARNINGS (OTE)	
1 July 2014 – 30 June 2021	9.5%
1 July 2021 – 30 June 2022	10.0%
1 July 2022 – 30 June 2023	10.5%
1 July 2023 – 30 June 2024	11.0%
1 July 2024 – 30 June 2025	11.5%
1 July 2025 and onwards	12.0%

If you are working temporarily in Australia and your employer is already providing you with benefits in an overseas retirement scheme, they may not be required to also make contributions for you here. Australia has agreements with several other countries including the USA, Greece, Germany and Ireland, which allow your employer to continue participating in the overseas scheme rather than making contributions for you here.

WHAT KIND OF BENEFIT WILL I GET FROM A SUPER FUND?

Super generally provides a lump sum benefit on retirement. This lump sum may be cashed and reinvested outside the super system, or transferred into a pension account, which provides a regular income. It is also possible to take a combination of these options.

The income from a pension account is not guaranteed for life or restricted to a set amount. You choose how much to withdraw each year subject to a minimum withdrawal, and choose how the account is invested. It is possible for the funds to run out.

Some insurance companies offer annuity products (which may be purchased after retirement) that provide a guaranteed income for life.

The Australian Government also provides social security benefits in the form of an age pension. The age pension is means tested, but most Australian retirees over the age pension age (66 years and 6 months up to 1 July 2023 and then 67 years) are eligible for at least a small amount.

HOW IS THE FINAL BENEFIT DETERMINED?

Generally, you choose how your super is invested and how much you would like to contribute to it in addition to your employer's contribution. The final benefit is determined by how your investment has performed over the years, and how much has been contributed, just like an investment in the share market or a managed fund.

Some funds have a benefit that is calculated by a multiple of your final salary and years of service. This is uncommon, and usually these accounts are not available to new employees.

SUPER COULD SAVE YOU TAX

Super is one of the most tax-effective ways to save for retirement. Even so, taxation laws are complex and subject to change. To make the most of your super, you might like to consult a financial adviser or tax adviser for specific details about how you will be taxed.

Super is taxed at concessional rates. The tax paid on employer contributions to super is generally lower than the tax you pay on your salary. Note that there are contribution limits that apply to super, which are available at russellinvestments.com.au/rates

Generally, there is a 15% contribution tax¹ applied to amounts your employer contributes for you, and amounts you elect to sacrifice to superannuation from your salary. If you make personal contributions after paying income tax, no contribution tax is applied and you may be eligible to claim a tax deduction.

The investment earnings made within super are also taxed at a maximum rate of 15%. This concessional rate makes saving in super attractive when compared with other investments, which can be taxed at higher rates while they grow. The super fund deducts the appropriate tax before calculating your investment returns.

¹ There is an additional 15% tax on contributions for high income earners, earning over \$250,000 p.a. (inclusive of employer and salary sacrifice contributions) The additional 15% will only apply to the contributions equal to the value of calculated income over \$250,000.



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russellinvestments.com.au/advice



We're here to help

If you have any questions, please contact us:

- call **1800 555 667** (Monday to Friday 8.30am to 5.30pm AEST)
- email iq@russellinvestments.com.au
- visit russellinvestments.com.au/super

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