# What is super?

A common myth is that super is a type of asset that can be compared to keeping money in the bank or buying shares or property. This isn't what super is.

## So, what is super?

Super is a special investment 'structure' with tax advantages created by the government to help people save for retirement during their working life.

You can invest in the same assets, such as cash, shares or property, inside or outside super. The difference is that the government provides tax savings on investments inside super as an incentive to put your money in, even though you can't take it out again until retirement.

The lower tax rates mean the same investment in super can grow more than if invested outside super.

### Why can't we count on the age pension?

As at March 2020, the single age pension is currently only $944.30[1] per fortnight and may not remain at current levels in the future.

+ **More retirees:** the number of people over age 64 will more than double by 2055[2].
+ **Less workers:** there'll only be 2.7 working people to support each person over age 64 in 2055, compared to 4.5 working people today[2].
+ **Longer retirement:** Current male life expectancy is 80.7 years and 84.9 years for women[3].
+ **Rising age pension qualifying age:** The age you can start receiving the age pension continues to rise. It's currently 65 years and six months and will increase by six months every two years, reaching 67 years by 1 July 2023.

This means your super savings are important for a comfortable retirement.

### Super's your money

Because you don't see your money before it goes into super and generally can't access it until retirement, it's hard to think of it as yours.

The law generally requires employers to put 9.5% of your income towards super. This is money you've earned, but it's for spending later. You can also add extra money into super to grow your savings faster.

[1] Services Australia. This includes the Maximum Pension Supplement and Energy Supplement.

[2] Australian Government, 2015 Intergenerational Report - Australia in 2055.

[3] Australian Bureau of Statistics, 2019 Report - Life Tables, States, Territories and Australia, 2016-2018

[4] Tax amounts in examples don't include the 2% Medicare Levy. All calculations assume the person is retired with no other income and don't include tax offsets. Tax amounts are rounded.

[5] Assumes no other income.

## How much tax[4] do you save in super?

**Paying less tax on your income**

Instead of being taxed at your usual income tax rate, before-tax money paid straight from your pay into super is taxed at:

+ 15% if your income plus reportable super contributions is less than $250,000 pa
+ 30% if your income plus reportable super contributions is above $250,000.

| Your annual income | Tax paid on $1,000 put in your pocket | Tax paid on $1,000 put in super |
|---|---|---|
| $40,000 | $325 | $150 |
| $90,000 | $370 | $150 |
| $190,000 | $450 | $150 |

**Paying less tax on investment earnings**

You also pay less tax on investment earnings inside your super fund.

| Your annual income | Tax on $10,000 investment returning 6.5% pa outside super | Maximum tax on $10,000 investment returning 6.5% pa inside super |
|---|---|---|
| $40,000 | $211 | $97.50 |
| $90,000 | $241 | $97.50 |
| $190,000 | $293 | $97.50 |

**Tax-free super after age 60**

The tax savings don't end when you retire. After turning age 60 you can use your super to take out a pension and receive tax-free investment earnings. If you instead invest your retirement savings outside super, you'll pay income tax on any investment earnings.

| | $500,000 invested outside super | $500,000 invested in a pension |
|---|---|---|
| Tax on investment generating an income of 8% pa ($40,000 pa) | $4,547[5] | Nil |

## You can decide what to invest in

While you can't stop 9.5% of your income going into super, you can decide how your super's invested.

Although many people stick with their fund's default investment, most funds offer a range of investment options so you can choose one that best meets your needs. For instance, you can invest more in property and shares for possible higher long-term returns while wearing occasional losses, or, if you're closer to retirement, more in bonds and cash to preserve what you have.

## Getting a leg-up

On top of tax savings, there are other government incentives to help grow your super.

**Government co-contribution:** If you have an assessable income less than the government threshold and meet some conditions, you might be eligible to receive up to $500 from the government in the current financial year by making contributions to your super from your after-tax pay.

**Spouse contributions:** If your spouse has an assessable income less than $40,000 a year you might be eligible for an income tax offset when you make contributions to their account

**Low Income Superannuation Tax Offset:** If you earn $37,000 and your employer contributes the compulsory 9.5% of your pay into your super account and / or you ask your employer to make contributions from your before-tax pay, you might be eligible for the Low Income Superannuation Tax Offset.

### Other ways to maximise your super

+ Only have one super fund to save on fees.
+ Put extra money in to help your super grow.
+ Talk to a financial adviser who can tailor a financial plan to meet your goals and needs.

## How much money will you need?

How much money you'll need in retirement depends on whether you plan to simply potter around the garden and play with the grandkids or whether you plan to holiday overseas and visit fancy restaurants. Generally, research[6] suggests people will need the following amounts each year:

| | Modest retirement | Comfortable retirement |
|---|---|---|
| Single | $28,165 | $44,146 |
| Couple | $40,560 | $62,269 |

[6] ASFA Retirement Standard for the December 2019 quarter for those aged around 65.

## Hitting your super cap

Because putting money into super can save tax, the government caps how much you can put in each year. Amounts exceeding the caps attract extra tax.

| Super contribution caps | |
|---|---|
| **Before-tax contributions** Include 9.5% employer contributions and salary sacrifice contributions. | + $25,000<br>+ If you have less than $500,000 in super and haven't used all your annual before-tax contribution cap over the previous five years, you'll be able to make catch up contributions using unused cap amounts. |
| **After-tax contributions** Include contributions from your take-home pay and other savings. | + $100,000 per year or $300,000 over three years if you're under age 67.<br>+ If you have between $1.4 and $1.6 million in super your three year cap will be lower. You can find more information on the Australian Taxation Office website ato.gov.au<br>+ If you have more than $1.6 million in super you can't make after-tax contributions. |

For more details see our factsheet **How much can I add to my super?** at mine.com.au/super-factsheets

## When can I get my money?

Generally, you can access your super when you turn age 60 and retire, or slightly earlier if you were born before 1 July 1964. In some circumstances, such as if you're totally and permanently disabled, suffering a life-threatening illness or facing financial hardship, you can access your super earlier.

For more details see our factsheet **When can I access my super?** at mine.com.au/super-factsheets

## Need more information or advice?

If you have any questions please get in touch. You can reach us on 13 64 63, Monday to Friday, 8am to 6pm, or email help@mine.com.au

Mine Super Financial Advice can provide you with personalised advice about investing your super.



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