

# Salary Sacrifice

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The smartest way to get more out of your pay.

**Important Information**

This Salary Sacrifice Guide has been prepared to illustrate the concept of salary sacrifice and to provide general information only.

The tables shown in this guide do not take into account any movement into a lower tax bracket as a result of salary sacrifice.

Contribution limits apply as detailed on page 15 of this guide. There may be serious implications should you exceed these contribution limits.

The concept detailed in this guide is general in nature and does not take into account any personal circumstances, objectives, needs or financial consideration. You should request suitable qualified advice before acting on the contents of this guide.

**Find out more**

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**Salary sacrifice is a smart way to build up your savings and pay less tax.**

**Most people pay 15% tax to salary sacrifice in to super, instead of their marginal tax rate.**

**This can mean you pay less tax and save more money for the future.**

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We're here to help you get the most out of your super and to reach your goals.

If you would like assistance understanding whether salary sacrifice is right for you, our team of legalsuper experts are here to help you in person or over the phone.

Call us on 1800 060 312 to arrange a meeting.

# Interested in paying less tax?

We thought so.



Salary sacrifice is a smart way to build up your super savings. Most people will pay 15% tax to salary sacrifice dollars into super. If you earn more than \$37,000, this is less than the comparable tax you pay to put the same dollars into your pocket.

Super is important. When you retire, your super, combined with other assets you have at that time, will pay for your retirement. How comfortable a lifestyle do you want in retirement? Salary sacrifice will help increase your super and can mean you pay less tax.

There is no doubt that super is a very attractive investment. The advantage of tax-free super when turning 60 is hugely significant. It means that, if you salary sacrifice into super, when you turn 60 you will pay no tax if you cash out your super. If you start a superannuation pension, you pay no tax on both the investment earnings\* and pension you receive.

I hope you enjoy reading this guide. Its purpose is to inform you about salary sacrifice in an easy-to-read way. We have included some quick reference tables designed to illustrate how it works, and also listed the steps involved to commence salary sacrifice contributions.

If you have any feedback, please let me know at [aproebstl@legalsuper.com.au](mailto:aproebstl@legalsuper.com.au)

**Andrew Proebstl**

Chief Executive

\* The investment earnings of a legalsuper pension are not subject to Australian taxation, however, investment earnings of a Transition to Retirement Pension are taxed at 15%.



OLIVIA - PARALEGAL

# legalsuper at a glance

A \$3.5 Billion+ industry superannuation fund dedicated to the legal community.

## As an industry fund, legalsuper means:

- no commissions paid to agents
- portability if you change jobs
- no entry fees
- regular communication
- all profits go to members
- low administration fees
- competitive insurance premiums

Consistently delivering above average returns.

## Benefits and choices include:

- up to 13 investment choices including a MySuper balanced option and a Direct Investment option (DIO), in which you can invest in your choice of the top 300 Australian shares (S&P/ASX300), a range of Exchange Traded Funds (ETFs), Listed Investment Companies (LICs) and a choice of term deposits
- retirement income options including: Retirement and Transition to Retirement Pensions, and Guaranteed Income Accounts, for fixed term and lifetime
- insurance for death and total and permanent disablement plus salary continuance
- personal advice
- workplace seminars
- online access to your account
- health insurance discount

Providing many additional benefits and choices to members.

# Salary sacrifice simplified

DID YOU KNOW

You can salary sacrifice an annual bonus payment.

EXAMPLES BASED ON \$100 SALARY

## No salary sacrifice

Taxed at MTR\*

\$32.50

You get

\$67.50

## With salary sacrifice

Taxed in super

\$15.00

You get

\$85.00

25%

Extra in  
your super

- You arrange to salary sacrifice with your employer.
- You are directing gross (before-tax) salary into super. For most people the salary you direct into super is taxed at 15%.
- The tax benefit of salary sacrifice derives from this 15% tax, which in many cases is less than your marginal tax rate on the income sacrificed.
- You can only sacrifice future salary.
- In most cases salary sacrifice is a regular amount. However, it can also be arranged on an ad-hoc basis. For example, you can salary sacrifice an annual bonus payment, providing the salary sacrifice agreement was in place prior to earning the bonus.
- Limits apply, and you should ensure that you do not exceed them (see page 15).
- All superannuation contributions are preserved until you meet a condition of release, such as reaching your retirement age (see page 15).

\* Marginal Tax Rate of 32.5%  
(taxable income \$37,001 - \$90,000)

# Key questions to ask your employer

## Will you let me salary sacrifice into super?

Not all employers offer salary sacrifice to their employees.

## Am I able to start or stop at any time?

This is important, in case your circumstances change.

## Can I change amounts at any time?

For example, you may wish to increase the amount if you receive a pay rise. Likewise, you may wish to decrease the amount if you reduce your working hours.

## Is there an administration cost charged by my employer?

Some employers charge a fee to administer salary sacrifice arrangements.

## Are there any limits to how much I can salary sacrifice?

Some employers impose a limit to the amount you can sacrifice (see page 15).

## If I salary sacrifice, how will you pay my future Superannuation Guarantee (SG)?

This is important – if you earn \$60,000 and sacrifice \$5,000, then your employer may pay SG on \$55,000 rather than the \$60,000 that you actually earn. Confirm what your employer will do.

# Understanding potential tax savings

## Salary sacrifice can boost your super whilst enjoying tax savings.

The following table lists the 2018/19 marginal tax rates that apply to your income, and the equivalent tax if you elect instead to sacrifice dollars into super:

Every dollar of taxable income in this range	Is taxed into your pocket at*	Or by salary sacrificing, you pay tax at
\$0 – \$18,200	0%	15%
\$18,201 – \$37,000	19%	15%
<b>\$37,001 – \$90,000</b>	<b>32.5%</b>	<b>15%</b>
\$90,001 – \$180,000	37%	15%
\$180,001 – \$250,000	45%	15%
\$250,001 +	45%	30%

### EXAMPLE

# Jacki earns \$60,000



### She pays the following tax:

- On every dollar earned between \$0 and \$18,200, she pays no tax.
- On every dollar earned between \$18,201 and \$37,000, she pays 19% tax.
- On every dollar earned between \$37,001 and the \$60,000 that she earns, she pays 32.5% tax.

Alternatively, she can sacrifice some of her salary straight into super and pay 15% tax.

In Jacki's case, dollars earned between \$37,001 and her salary of \$60,000 can either be taxed at 32.5% (into her pocket) or 15% (into super).

So by choosing to salary sacrifice some of the dollars earned in this range, Jacki will pay less tax and boost her super.



# Frequently asked questions

## Will legalsuper impose any conditions if I salary sacrifice?

Absolutely none. There is no fee to salary sacrifice, and you can change amounts whenever you want to, provided your employer lets you. Your salary sacrifice contributions are required by law to be retained within super until you reach your 'preservation age'.

## What do you mean by saying that I can only sacrifice future income?

If you sign a salary sacrifice agreement with your employer today, it is only income earned from today onwards that can be salary sacrificed.

## Will the tax rates change?

Whether or not tax rates change depends on decisions made by the Government.

## What is the maximum amount I can contribute?

See limits on next page.

## Why may I pay less tax if I salary sacrifice into super in comparison to having the same salary paid directly into my pocket?

The Government offers a concessional tax rate for super funds as an incentive to encourage people to build up their super.

## Will making salary sacrifice contributions mean I receive a Government co-contribution?

Salary sacrifice contributions are before-tax contributions, and will not qualify you to receive a Government co-contribution. Please read legalsuper's information sheet about the Government's co-contribution scheme for further details.

# Limits that apply

The following lists the limit on concessional contributions that apply for the period 1 July 2018 – 30 June 2019.

Concessional contributions include salary sacrifice, Superannuation Guarantee (SG) and employer additional contributions.

### **2018/19 limit on concessional contributions: \$25,000**

It is important to keep in mind this limit, as excess contributions can be taxed at the highest marginal tax rate (currently 45%, plus Medicare levy).

## When can I access my salary sacrifice contributions?

Salary sacrifice contributions are preserved, just like all other contributions received by a super fund – they are required by law to be retained within super until you reach your 'preservation age'.

Date of birth	Preservation age
Before 1 July 1960	55 years
1 July 1960 to 30 June 1961	56 years
1 July 1961 to 30 June 1962	57 years
1 July 1962 to 30 June 1963	58 years
1 July 1963 to 30 June 1964	59 years
After 1 July 1964	60 years

So if you were born in 1966, you cannot have your super paid to you until at least 2026 (some exceptions may apply).

# If you earn \$37,001 – \$90,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

Remember: every dollar paid into your pocket in this income range is taxed at 32.5%, compared to 15% if you salary sacrifice it into super.

Step 1	Step 2	Step 3
I can afford to reduce each take-home pay by:	So I ask my employer to salary sacrifice:	This means my super fund receives:
\$33.75	\$50.00	\$42.50
<b>\$67.50</b>	<b>\$100.00</b>	<b>\$85.00</b>
\$101.25	\$150.00	\$127.50
\$135.00	\$200.00	\$170.00
\$168.75	\$250.00	\$212.50
\$202.50	\$300.00	\$255.00
\$236.25	\$350.00	\$297.50
\$270.00	\$400.00	\$340.00
\$303.75	\$450.00	\$382.50
\$337.50	\$500.00	\$425.00
\$371.25	\$550.00	\$467.50
\$405.00	\$600.00	\$510.00
\$438.75	\$650.00	\$552.50
\$472.50	\$700.00	\$595.00
\$675.00	\$1,000.00	\$850.00

EXAMPLE

## Nicole earns \$60,000



Step 1	Step 2	Step 3
Nicole works out that she can afford to reduce her take-home pay by:	Nicole arranges with her employer to salary sacrifice:	Nicole's super fund receives (after tax):
<b>\$67.50</b>	<b>\$100</b>	<b>\$85</b>

**+25%**

It has cost Nicole \$67.50 to save \$85 — this represents an immediate 25% increase.

Important point: each dollar salary sacrificed in this income range generates an immediate 25% increase in super compared to what it has cost you.

# If you earn \$90,001 – \$180,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

Remember: every dollar paid into your pocket in this income range is taxed at 37%, compared to 15% if you salary sacrifice it into super.

Step 1	Step 2	Step 3
I can afford to reduce each take-home pay by:	So I ask my employer to salary sacrifice:	This means my super fund receives:
\$31.50	\$50.00	\$42.50
\$63.00	\$100.00	\$85.00
\$94.50	\$150.00	\$127.50
<b>\$126.00</b>	<b>\$200.00</b>	<b>\$170.00</b>
\$157.50	\$250.00	\$212.50
\$189.00	\$300.00	\$255.00
\$220.50	\$350.00	\$297.50
\$252.00	\$400.00	\$340.00
\$283.50	\$450.00	\$382.50
\$315.00	\$500.00	\$425.00
\$346.50	\$550.00	\$467.50
\$378.00	\$600.00	\$510.00
\$409.50	\$650.00	\$552.50
\$441.00	\$700.00	\$595.00
\$630.00	\$1,000.00	\$850.00

EXAMPLE

## Alan earns \$95,000



Step 1	Step 2	Step 3
Alan works out that he can afford to reduce his take-home pay by:	Alan arranges with his employer to salary sacrifice:	Alan's super fund receives (after tax):
<b>\$126</b>	<b>\$200</b>	<b>\$170</b>

**+34%**

It has cost Alan \$126 to save \$170 — this represents an immediate 34% increase.

Important point: each dollar salary sacrificed in this income range generates an immediate 34% increase in super compared to what it has cost you.

# If you earn \$180,001 – \$250,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

Remember: every dollar paid into your pocket in this income range is taxed at 45%, compared to 15% if you salary sacrifice it into super.

Step 1	Step 2	Step 3
I can afford to reduce each take-home pay by:	So I ask my employer to salary sacrifice:	This means my super fund receives:
\$55.00	\$100.00	\$85.00
\$82.50	\$150.00	\$128.00
\$110.00	\$200.00	\$170.00
\$137.50	\$250.00	\$213.00
\$165.00	\$300.00	\$255.00
\$192.50	\$350.00	\$298.00
\$220.00	\$400.00	\$340.00
<b>\$275.00</b>	<b>\$500.00</b>	<b>\$425.00</b>
\$330.00	\$600.00	\$510.00
\$385.00	\$700.00	\$595.00
\$440.00	\$800.00	\$680.00
\$495.00	\$900.00	\$765.00
\$550.00	\$1,000.00	\$850.00
\$825.00	\$1,500.00	\$1,275.00
\$1,100.00	\$2,000.00	\$1,700.00

## EXAMPLE

# Graham earns \$200,000

Step 1	Step 2	Step 3
Graham works out that he can afford to reduce his take-home pay by:	Graham arranges with his employer to salary sacrifice:	Graham's super fund receives (after tax):
<b>\$275</b>	<b>\$500</b>	<b>\$425</b>

**+54%**

It has cost Graham \$275 to save \$425 – this represents an immediate 54% increase.

Important point: each dollar salary sacrificed in this income range generates an immediate 54% increase in super compared to what it has cost you.

# If you earn over \$250,000

The following three steps show you how much your take-home pay reduces by if you salary sacrifice.

Remember: every dollar paid into your pocket in this income range is taxed at 45%, compared to 30% if you salary sacrifice it into super.

Step 1	Step 2	Step 3
I can afford to reduce each take-home pay by:	So I ask my employer to salary sacrifice:	This means my super fund receives:
\$55.00	\$100.00	\$70.00
\$82.50	\$150.00	\$105.00
\$110.00	\$200.00	\$140.00
\$137.50	\$250.00	\$175.00
\$165.00	\$300.00	\$210.00
\$192.50	\$350.00	\$245.00
\$220.00	\$400.00	\$280.00
<b>\$275.00</b>	<b>\$500.00</b>	<b>\$350.00</b>
\$330.00	\$600.00	\$420.00
\$385.00	\$700.00	\$490.00
\$440.00	\$800.00	\$560.00
\$495.00	\$900.00	\$630.00
\$550.00	\$1,000.00	\$700.00
\$825.00	\$1,500.00	\$1,050.00
\$1,100.00	\$2,000.00	\$1,400.00

EXAMPLE

## Felicity earns \$350,000



Step 1	Step 2	Step 3
Felicity works out that she can afford to reduce her take-home pay by:	Felicity arranges with her employer to salary sacrifice:	Felicity's super fund receives (after tax):
<b>\$275</b>	<b>\$500</b>	<b>\$350</b>

**+27%**

It has cost Felicity \$275 to save \$425 — this represents an immediate 27% increase.

Important point: each dollar salary sacrificed in this income range generates an immediate 27% increase in super compared to what it has cost you.

## Step 1

Check with your employer that you will be able to salary sacrifice, and if so, clarify what the process is.

## Step 2

Make sure that you've got a legalsuper account.

## Step 3

Join online at [legalsuper.com.au](http://legalsuper.com.au) or download our Product Disclosure Statement (PDS) which contains the application form at [legalsuper.com.au](http://legalsuper.com.au) or call 1800 060 312 to request a copy of the PDS or email us at [mail@legalsuper.com.au](mailto:mail@legalsuper.com.au)

## Step 4

Use the tables to work out how much before-tax salary you want to sacrifice.

## Step 5

Complete your employer's paperwork, confirming the amount of before-tax salary you want to sacrifice.

## Step 6

Watch your super grow!

