

What is the best way to *save* for retirement?

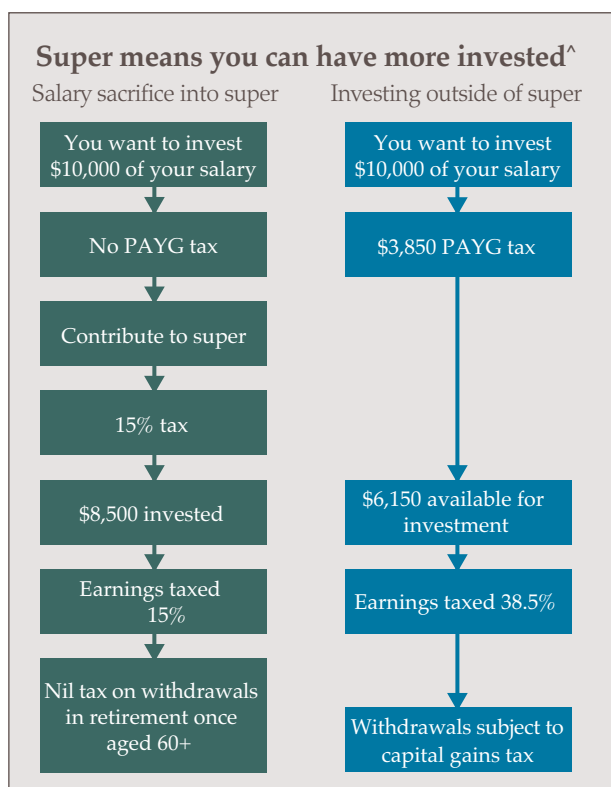
For most people, superannuation is the most tax effective way to save for retirement. And, just as importantly, it is the most tax effective way to generate a retirement income.

What are the tax advantages of super?

Let's say you decide to invest \$10,000 of your salary. If you invest it via your super fund, from your pre-tax salary, this is how your contribution will be taxed (assuming it is part of a salary sacrifice arrangement):

- Firstly you won't have to pay PAYG tax on the \$10,000 of salary.
- But once in your super fund, tax of 15% will be levied, leaving you with \$8,500 invested.

Compare that to investing your \$10,000 outside of super. In that case, you'll have to pay PAYG tax, leaving you with just \$6,150 (assuming your marginal tax rate is 38.5%) for investment wherever you like.

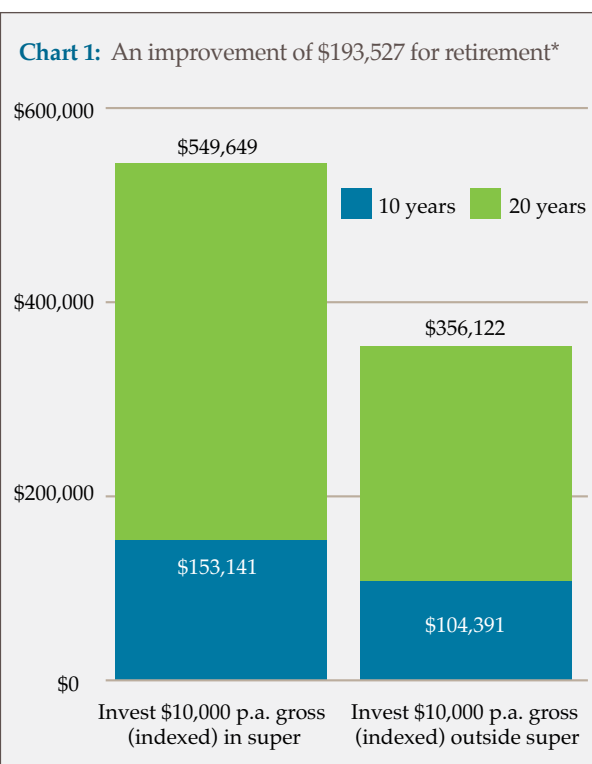


[^]Assumes MTR 38.5% based on 2011/12 tax rates

The earnings generated by the investments outside of super will be taxed at 38.5%. However, earnings generated by investments in your super fund will be taxed at only 15%.

Case study

The tax differential between investing in super and non-super adds up over time. Let's say Bob is on a tax rate of 38.5%, can afford to invest \$10,000 p.a., and his salary and investment contribution is indexed at 3% p.a. If he invests that money in superannuation as part of a salary sacrifice arrangement (i.e. \$8,500 after contributions tax) and the fund earns 8% p.a. gross, he would accumulate \$153,141 after 10 years, and \$549,649 after 20 years, as shown in Chart 1.



*Assumes MTR 38.5% and an investment return of 8% p.a. gross

However, if Bob chooses to not use superannuation, he'll have only \$6,150 p.a. (indexed) to invest after paying PAYG tax. And he will be paying tax on investment income of 38.5% (compared to 15% in super). As a result, after 10 years he'll accumulate only \$104,391, and after 20 years \$356,122, assuming an 8% p.a. gross return.*

The sole reason for the difference is the preferential tax treatment of superannuation.

How much can you invest in super on a tax-effective basis?

Because super is tax advantaged, there are limits on how much you can invest in super and qualify for a tax deduction. These limits are currently age-based, as shown

below, and include your employer's super guarantee contributions.

Age	Tax Deductible Limit
Up to 49	Up to \$25,000 p.a.
50+ (until 30/6/2012)	Up to \$50,000 p.a.
50+ (from 1/7/2012)	Up to \$25,000 p.a.

No tax for retirees in super and aged 60+

Superannuation has become even more tax effective for retirees due to a recent rule change. The change means that for most retirees over age 60, there is now no tax on withdrawals from super, and no tax on income or withdrawals from account based pensions.

SUPER PROS

- ▶ Low tax on contributions
- ▶ Low tax on earnings in the fund
- ▶ Little or no tax on retirement income (if finances properly arranged)

SUPER CONS

- ▶ Generally you can't withdraw money until you are 55+ and retired (but you may be able to start a pension from your super money after age 55 even if you are still working)
- ▶ Rules are complex and subject to change

Who is Australian Unity Personal Financial Services?

We specialise in providing professional strategic advice to help you improve your current financial position and ultimately achieve your long term lifestyle goals.

Importantly, our initial advice isn't a 'set and forget' service. Instead we offer you regular financial mentoring and ongoing guidance – in all aspects of your personal finances – to set you, and keep you, on the path to financial wellbeing.

Our team of experienced financial professionals can provide you with a detailed and totally tailored blueprint for financial success in any or all of the following areas:

- Financial advice
- Retirement planning
- Superannuation
- Wealth creation
- Investments
- Home loans

- Commercial loans
- Equipment finance
- Personal estate planning
- Personal risk insurance
- Investment loans
- Car finance
- Business estate planning
- Business risk insurance.

Australian Unity has a proud 170 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services... each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

After all, your financial wellbeing is at the heart of everything we do.

MoneyInsights®

with Australian Unity Personal Financial Services

Australian Unity Personal Financial Services is committed to providing Australians with a genuine understanding of their investment options. This is achieved via our comprehensive investor education program called Money Insights.

Because knowledge is the first step to creating a secure financial future.

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