Co-Contributions

Asset Super Fact Sheet July 2011

Since 2003, the Government has topped up the super accounts of hundreds of thousands of Australian workers. Why? Because of a scheme to encourage us all to save more through super.

This scheme is called **co-contributions**, and you may be able to benefit from it yourself.

If you qualify, for every $1 you put into your super account from your after-tax income the Government will put in another $1.00, up to a maximum of $1,000. So for $1,000 of your own money, you could have $2,000 working for you towards your retirement. That's an instant return of 100% – guaranteed.

It's not a one-off opportunity either, because you can repeat the exercise year after year as long as you still qualify.

How do you qualify?

To be eligible for a co-contribution, for the 2011/2012 financial year, you need to be less than 71 years old at the end of the financial year and earning no more than $61,920 a year. This includes fringe benefits and any pay that goes into your super as a salary sacrifice contribution.

It doesn't matter whether you work for an employer or you're self-employed, as long as at least 10% of your total assessable income comes from employment. In the case of self-employed people, income is counted after deducting business expenses.

Finally, you need to lodge your income tax return for the year in which you made the contribution.

How much can you get?

Your co-contribution entitlement depends on how much you earn and how much you contribute.

If you earn more than $31,920, the maximum co-contribution is scaled back at the rate of 3.33¢ in the dollar. That means you don't qualify for the maximum $1,000, but you can still qualify for a lesser amount.

The table following shows a few examples. To check out other examples, ask your financial adviser or go to the Tax Office's website at www.ato.gov.au/super and follow the links to the online calculator.

Your annual income *(including reportable fringe benefits and salary sacrifice contributions)*	**Personal contribution $500 a year** *(about $10 a week)*	**Personal contribution $1,000 a year** *(about $20 a week)*
$31,920 or less	$500	$1,000
$35,000	$500	$897
$45,000	$500	$564
$55,000	$231	$231
$61,920 or above	Nil	Nil

Source: ATO website

Tax advantages

Your own after-tax contributions are treated as non-concessional contributions. That means:

- there's no contributions tax taken out when they are paid into your Asset Super account; and
- there's no tax payable when you eventually withdraw them from the fund.

What's better – co-contribution or salary sacrifice?

That's a question that's best answered by a qualified financial adviser. Broadly speaking, though, a co-contributions strategy is more effective at lower income levels, while salary sacrifice comes into its own for higher income earners.

If you would like to speak to a financial adviser, about these strategies, please contact our Client Service team on 1800 805 981.

For more information, please see our separate fact sheet on salary sacrifice.

What difference could it make?

The answer is – a lot. And especially if you start early, because the longer your money is invested the more the power of compound returns will help it grow.

Asset Super
Our members first

Case study – Tom and Jerri

Tom and Jerri are both 30 now, and they'd like to be able to retire at age 60. Tom earns $40,000 a year and Jerri $30,000, and their employers pay the standard 9% compulsory super contributions. They have no other earnings. Tom already has $20,000 in his Asset account, and Jerri has $10,000 in hers.

Tom makes a voluntary contribution of $1,000 per year and, at his salary, is eligible to receive a Government co-contribution. The result is that Tom's projected benefit, in today's dollars, increases from $151,000 to $208,000.

Jerri also qualifies for a Government co-contribution, so she puts in $1,000 a year as well (and, by the way, there's no reason why some of that shouldn't come from Tom). The effect is to boost her projected benefit, again in today's dollars, from $103,000 to $170,000.

	Before	After
Tom's projected benefit – age 60 (in today's dollars)	$151,000	$208,000
Jerri's projected benefit – age 60 (in today's dollars)	$103,000	$170,000
Combined (in today's dollars)	**$254,000**	**$378,000**

Source: Asset Super 'Build your super savings' calculator
Assumptions: Earning rate 5.5% pa before management costs and tax, admin fee $1.15 per week. General wage inflation is assumed at 3.5% p.a. and all projections are shown to the nearest '000.

Between them, Tom and Jerri's expected retirement benefits have increased by $124,000 in today's dollars, or almost 50%. That can make all the difference to when they can afford to retire, and whether they enjoy a comfortable retirement or one where they just get by.

How to claim the extra money

To take advantage of the scheme, you just need to make your after-tax personal contribution into your super account before the 30 June each financial year. With Asset you can do that by cheque or direct debit, or as an after-tax contribution from your pay.

That's all you have to do, other than make sure you lodge your tax return as usual. As long as you've provided us with your tax file number, the Tax Office will make its contribution automatically direct to your Asset account.

When making the contribution, you should allow enough time for Asset to receive and process your contribution before the end of the financial year.

Please note that without your tax file number we can't accept any personal contributions from you, so you won't be able to qualify for any co-contributions at all.

More information

To find out more about Asset Super and to obtain the current Product Disclosure Statement, please contact us on 1800 805 981.

You'll also find more information about co-contributions on the Tax Office website, at www.ato.gov.au/super.

We also have related fact sheets available on request on:

- Salary Sacrifice
- Transition to Retirement

To see the full range of Asset Super Fact Sheets, please visit www.assetsuper.com.au

Freecall: 1800 805 981 Email: asset@assetsuper.com.au Website: www.assetsuper.com.au

Asset Super
Our members first

Fund: Asset Super. ABN: 98 061 665 900. SFN: 131 944 944.
Trustee: A.S.S.E.T. Limited. ABN: 13 003 257 190. AFSL No. 230070